AEFFE

CONSOLIDATED AND DRAFT STATUTORY FINANCIAL STATEMENTS AT 31 DECEMBER 2023

Disclaimer

The consolidated and draft statutory financial statements at 31 December 2023 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

2023 was a year of transition for our group which saw a radical reorganization of the Moschino brand in terms of both creativity and distribution, and at the same time a transformation of its internal structure through a series of corporate mergers and incorporations. The results we are presenting today, expected but not positive, are clearly the result of these transformations and the strong investments of recent years.

The Group inaugurated the year with the debut of the new creative direction of the Moschino brand led by Adrian Appiolaza, who we are sure will best guide the brand in a new phase of growth. We are certainly operating in an unstable economic and political context at the moment, dealing with a challenging market; however, we look to the future with great positivity and optimism, leveraging on international brands offering unique creative and high-end quality.

In support of the corporate, managerial and stylistic reorganization projects concluded in 2023, the investments made in recent years and the constantly changing macroeconomic context, the Group has prepared a new 2024-2027 Industrial Plan, approved by the Board of Directors on January 25, 2024, in order to set new strategic objectives.

The Industrial Plan envisages a constant recovery of margins both in absolute value and in percentage value on consolidated revenues, with a consequent improvement also in the Group's net financial position.

The OECD has raised its forecasts for global economic growth this year to 2.9% while confirming its expectation for 2025 at 3%.

High geopolitical tensions are a significant near-term risk to activity and inflation, particularly if the conflict in the Middle East were to disrupt energy markets. Persisting service price pressures could also generate upside inflation surprises and trigger financial market repricing as expectations of monetary policy easing are reassessed. Growth could also be weaker than projected if the lingering effects from past policy rate increases are stronger than expected.

The Chairman of the Board of Directors

Massimo Ferretti

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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
Francesco Ferretti

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

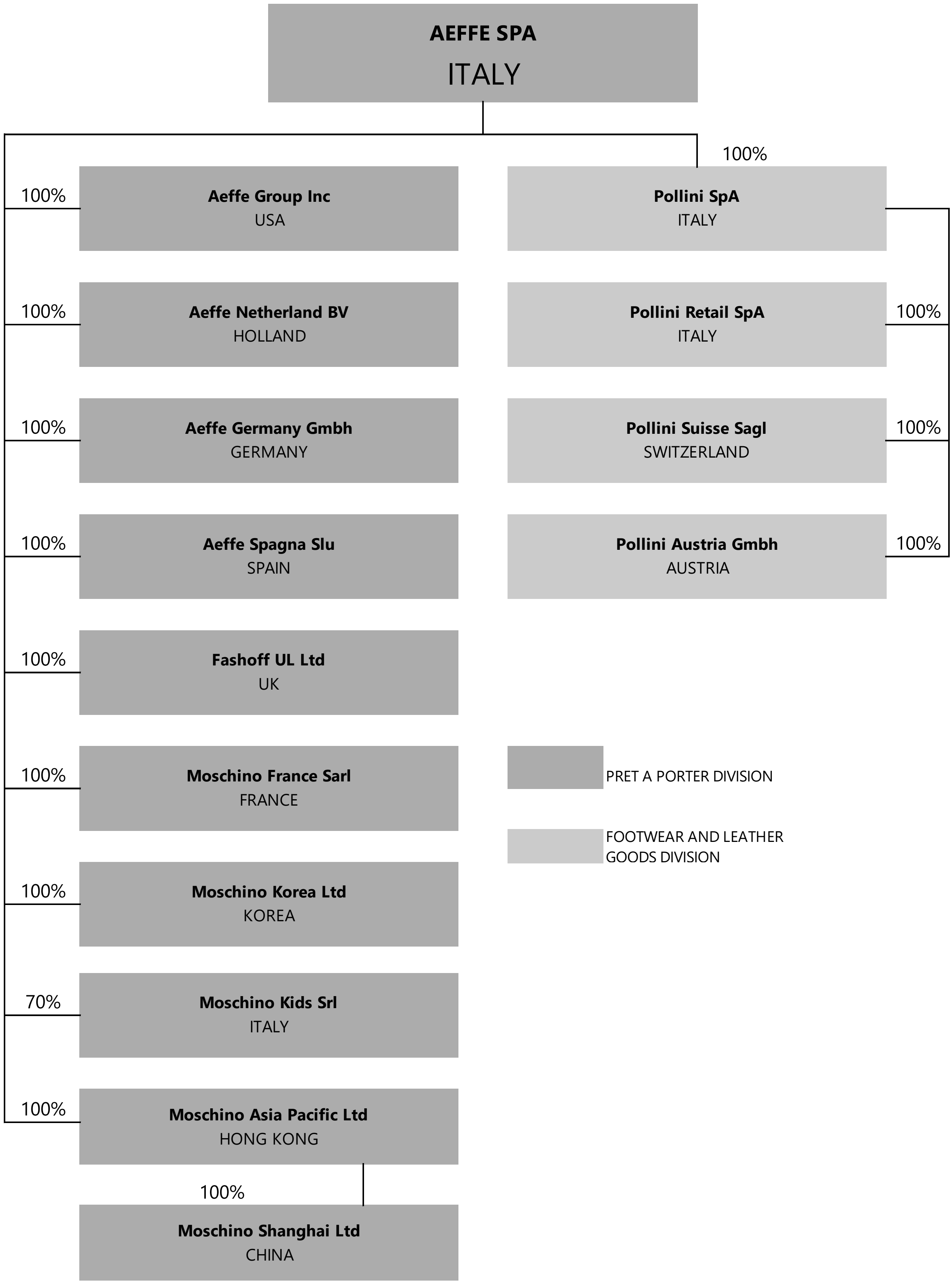
Members
Roberto Lugano
Marco Francesco Mazzù

Board of Risk and Sustainability Control Committee

President
Bettina Campedelli

Members
Daniela Saitta
Francesca Pace

Organisation chart



Brands portfolio

AEFFE SPA
Ready To Wear - Accessories

ALBERTA FERRETTI

MOSCHINO

PHILOSOPHY DI LORENZO SERAFINI

MOSCHINO JEANS

AEFFE SPA
Licences – Retail - Design

MOSCHINO
MOSCHINO JEANS
LOVE MOSCHINO

POLLINI SPA
Footwear – Leather Goods

POLLINI
MOSCHINO
ALBERTA FERRETTI
PHILOSOPHY DI LORENZO SERAFINI
LOVE MOSCHINO

AEFFE SPA
Beachwear – Underwear - Lingerie

MOSCHINO
CHIARA FERRAGNI

Headquarters

AEFFE

Via Delle Querce, 51
47842 - San Giovanni in Marignano
Italy

MOSCHINO

Via San Gregorio, 28
20124 – Milano
Italy

POLLINI

Via Erbosa I° tratto, 92
47030 - Gatteo
Italy

Showrooms

MILAN

FERRETTI – PHILOSOPHY – POLLINI
Via Donizetti, 48
20122 – Milan
Italy

MILAN

MOSCHINO
Via San Gregorio, 28
20124 – Milan
Italy

NEW YORK

GROUP
30 West 56th Street
10019 – New York
USA

LONDON

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

PARIS

GROUP
43, Rue du Faubourg Saint Honorè
75008 - Parigi
France

Main flagshipstore locations under direct management

MOSCHINO

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

ALBERTA FERRETTI

Milan
Rome
Paris

POLLINI

Milan
Venice
Bolzano

Main economic-financial data

		Full Year 2023	Full Year 2022
Total revenues	(Values in millions of EUR)	329.4	363.6
Gross operating margin (EBITDA) *	(Values in millions of EUR)	5.8	35.6
Gross operating margin (*ADJUSTED* EBITDA)	(Values in millions of EUR)	12.4	35.6
Net operating profit (EBIT)	(Values in millions of EUR)	(20.5)	1.2
Net operating profit (*ADJUSTED* EBIT)	(Values in millions of EUR)	(27.1)	1.2
Profit before taxes	(Values in millions of EUR)	(37.9)	(3.8)
Net profit for the Group	(Values in millions of EUR)	(32.1)	(9.0)
Basic earnings per share	(Values in units of EUR)	(0.327)	(0.092)
Cash Flow (net profit + depreciation)	(Values in millions of EUR)	(1.1)	22.6
Cash Flow/Total revenues	(Values in percentage)	(0.3)	6.2

* 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 2023	31 December 2022
Net capital invested	(Values in millions of EUR)	332.7	341.6
Net financial indebtedness	(Values in millions of EUR)	253.5	231.8
Group net equity	(Values in millions of EUR)	79.1	109.8
Group net equity per share	(Values in units of EUR)	0.7	1.0
Current assets/ current liabilities	(Ratio)	2.1	2.0
Current assets less invent./ current liabilities (ACID test)	(Ratio)	1.0	1.0
Net financial indebtedness/ Net equity	(Ratio)	3.2	2.1
ROI: Net operating profit/ Net capital invested	(Values in percentage)	(8.2)	0.4

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2023

AEFFE

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

Global economic activity moderated in the fourth quarter of 2023. Tailwinds to consumer spending as a result of tight labour markets are beginning to wane, while past monetary policy tightening continues to be transmitted to the economy. Core inflation continued to decline in the fourth quarter, but further progress might be sluggish as wage growth is still high, remaining above long-term averages. Oil prices rose during the period between the Governing Council's monetary policy meetings in December and January, amid some volatility, as attacks on tankers in the Red Sea have intensified geopolitical tensions in the Middle East, while European gas prices have fallen amid continued low demand and high levels of gas storage in the EU.

The Winter 2024 Economic Forecast of European Commission published on February 15th 2024, projects that, the EU economy has entered 2024 on a weaker footing than expected. The European Commission's Winter Interim Forecast revises growth in both the EU and the euro area down to 0.5% in 2023, from 0.6% projected in the Autumn Forecast, and to 0.9% (from 1.3%) in the EU and 0.8% (from 1.2%) in the euro area in 2024. In 2025, economic activity is still expected to expand by 1.7% in the EU and 1.5% in the euro area.

In 2023, growth was held back by the erosion of household purchasing power, strong monetary tightening, the partial withdrawal of fiscal support and falling external demand. After narrowly avoiding a technical recession in the second half of last year, prospects for the EU economy in the first quarter of 2024 remain weak.

However, economic activity is still expected to accelerate gradually this year. As inflation continues to abate, real wage growth and a resilient labour market should support a rebound in consumption. Despite falling profit margins, investment is set to benefit from a gradual easing of credit conditions and the continued implementation of the Recovery and Resilience Facility. In addition, trade with foreign partners is expected to normalise, after a weak performance last year.

The pace of growth is set to stabilise as of the second half of 2024 until end-2025.

This forecast is surrounded by uncertainty amid protracted geopolitical tensions and the risk of a further broadening of the conflict in the Middle East. The increase in shipping costs in the wake of the Red Sea trade disruptions is expected to have only a marginal impact on inflation. Further disruptions could, however, result in renewed supply bottlenecks that could choke production and push up prices.

Domestically, risks to the baseline projections for growth and inflation are linked to whether consumption, wage growth and profit margins underperform or outperform expectations, and to how high interest rates remain, for how long. Climate risks and the increasing frequency of extreme weather events also continue to pose threats.

MACROECONOMIC BACKGROUND TO THE CLOTHING SECTOR

International macroeconomic uncertainty and volatility - rising inflation, high interest rates, geopolitical tensions, price increases and a decline in the purchasing power of middle-high end consumers – point to moderate market growth for 2024.

In Europe, international tourists will compensate for weaker domestic demand and help support the market, which is expected to grow by 4%. Thanks to visa restrictions being lifted and travel firmly back on the agenda, Chinese tourists are now returning to European cities. Growth in the USA is slowing to +2.5%, due to the effects of inflation and the customary Election Year uncertainties.

Positive growth continues in Japan (+6%) fueled by local demand and Chinese visitors. Japan, which is a premier luxury market, is destined to benefit from the increase in tourism. China can expect to see growth of 8%, lower than in previous years, due to lower demand from upper-middle class consumers, who are more cautious spenders.The forecast for the Middle East is a solid growth rate of +7%, despite the tensions and political instability in the region.

2023 saw a growth in sales, above all in value, due to significant increases in the prices of luxury products. In 2024, the increase in sales is expected to be mainly in terms of volume. Accessories continue their positive trend: +6.5% for leather goods and +5% for footwear. Clothing is estimated to grow by 4%, with a return to less casual apparel.

The retail channel - both physical and digital - continues to grow and is the preferred channel for Personal Luxury Goods. The wholesale channel is heavily penalized, and the impact of online is lessening. Physical stores can expect to see growth of 7.5%, continuing to be strategic for the sector.

Digital retail (forecast +4.5% for 2024) continues to grow, but less vigorously than previous years. Both physical and digital wholesale are slackening: no growth is foreseen in 2024 (-1%).

In 2023, companies raised prices to compensate for increases in costs, leading to higher margins. Analysts predict "normalized" growth in 2024 - due to economic uncertainty and volatility. Revenues will maintain a positive trend, with estimates for a low single-digit growth rate of +5% /+6%. In 2024 EBITDA is expected to grow more moderately, around +4%.

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, 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 company Aeffe, 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.

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.

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..

In 2023 the 100% subsidiaries Moschio S.p.A. and Aeffe Retail S.p.A. are merged by incorporation into Aeffe S.p.A.. Following the mergers of the Italian companies, the process of rationalization and reorganization of the foreign subsidiaries in France, the United Kingdom and the United States was also completed.

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 Aeffe 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 the collections of Moschino, Alberta Ferretti and Philosophy di Lorenzo Serafini. The company also manages two single-brand Moschino stores in Paris, one sells Moschino and one Alberta Ferretti.

Aeffe Group Inc

Aeffe Group Inc is 100% owned by Aeffe S.p.A. and was founded in 2014 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.

The company also 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 Aeffe S.p.A., develops commercial services for Asian countries.

Moschino Kids

Moschino Kids, located in Padernello di Paese (TV), a newly established company owned by Aeffe and Altana, with a share of 70% and 30% respectively, concerning the assignment, starting from the autumn/winter 2023 season, of the production, marketing, distribution and sale of clothing items relating to the Moschino Baby, Kids and Teen collections (the Children's Collections). The choice to establish Moschino Kids in partnership with Altana demonstrates Moschino's appreciation of a specific player in the market and the desire to achieve new and important growth objectives.

Moschino Shanghai

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

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

(Valori in unità di Euro)	Full Year 2023	% on revenues	Full Year 2022	% on revenues	Change	%
REVENUES FROM SALES AND SERVICES	**318,622,270**	**100.0%**	**352,005,965**	**100.0%**	**(33,383,695)**	**(9.5%)**
Other revenues and income	10,739,468	3.4%	11,565,686	3.3%	(826,218)	(7.1%)
TOTAL REVENUES	**329,361,738**	**103.4%**	**363,571,651**	**103.3%**	**(34,209,913)**	**(9.4%)**
Changes in inventory	(843,975)	(0.3%)	24,644,721	7.0%	(25,488,696)	n.a.
Costs of raw materials, cons. and goods for resale	(128,345,960)	(40.3%)	(159,819,614)	(45.4%)	31,473,654	(19.7%)
Costs of services	(110,365,644)	(34.6%)	(110,818,790)	(31.5%)	453,146	(0.4%)
Costs for use of third parties assets	(6,031,801)	(1.9%)	(5,681,291)	(1.6%)	(350,510)	6.2%
Labour costs	(71,819,173)	(22.5%)	(69,862,250)	(19.8%)	(1,956,923)	2.8%
Other operating expenses	(6,172,332)	(1.9%)	(6,478,084)	(1.8%)	305,752	(4.7%)
Total Operating Costs	(323,578,885)	(101.6%)	(328,015,308)	(93.2%)	4,436,423	(1.4%)
GROSS OPERATING MARGIN (EBITDA)	**5,782,853**	**1.8%**	**35,556,343**	**10.1%**	**(29,773,490)**	**(83.7%)**
Amortisation of intangible fixed assets	(4,283,715)	(1.3%)	(4,217,596)	(1.2%)	(66,119)	1.6%
Depreciation of tangible fixed assets	(5,506,213)	(1.7%)	(4,983,990)	(1.4%)	(522,223)	10.5%
Depreciation of right-of-use assets	(21,094,629)	(6.6%)	(22,487,481)	(6.4%)	1,392,852	(6.2%)
Revaluations/(write-downs) and provisions	(2,017,114)	(0.6%)	(2,647,170)	(0.8%)	630,056	(23.8%)
Total Amortisation, write-downs and provisions	(32,901,671)	(10.3%)	(34,336,237)	(9.8%)	1,434,566	(4.2%)
NET OPERATING PROFIT / LOSS (EBIT)	**(27,118,818)**	**(8.5%)**	**1,220,106**	**0.3%**	**(28,338,924)**	**n.a.**
Financial income	342,201	0.1%	322,068	0.1%	20,133	6.3%
Financial expenses	(8,707,525)	(2.7%)	(3,129,780)	(0.9%)	(5,577,745)	178.2%
Financial expenses on right-of-use asset	(2,415,584)	(0.8%)	(2,208,272)	(0.6%)	(207,312)	9.4%
Total Financial Income / (expenses)	(10,780,908)	(3.4%)	(5,015,984)	(1.4%)	(5,764,924)	114.9%
PROFIT / LOSS BEFORE TAXES	**(37,899,726)**	**(11.9%)**	**(3,795,878)**	**(1.1%)**	**(34,103,848)**	**898.4%**
Taxes	5,909,492	1.9%	(5,260,142)	(1.5%)	11,169,634	n.a.
NET PROFIT / LOSS*	**(31,990,234)**	**(10.0%)**	**(9,056,020)**	**(2.6%)**	**(22,934,214)**	**253.2%**
Minority interests	(153,713)	(0.0%)	12,052	0.0%	(165,765)	n.a.
NET PROFIT / LOSS FOR THE GROUP	**(32,143,947)**	**(10.1%)**	**(9,043,968)**	**(2.6%)**	**(23,099,979)**	**255.4%**

(*) Net of non recurring items, in 2023 *ADJUSTED* EBITDA ammounts a +12.434 thousand euros.

(**) Net of non recurring items, in 2023 *ADJUSTED* EBIT ammounts a -20.468 thousand euros.

Sales

In 2023 consolidated revenues amount to EUR 318,622 thousand compared to EUR 352,006 thousand of the year 2022, showing a decrease of 9.5% (-9.0% at constant exchange rates).

Revenues of the prêt-à-porter division amount to EUR 212,377 thousand with a decrease of 8.4% at current exchange rates (-7.6% at constant exchange rates) compared to 2022. The revenues of the footwear and leather goods division decrease by 13.1%, both at constant and current exchange rates, to EUR 142,131 thousand.

Sales by brand

(Values in thousands of EUR)	Full Year 2023	%	Full Year 2022	%	Change	%
Alberta Ferretti	21,897	6.9%	21,218	6.0%	679	3.2%
Philosophy	17,532	5.5%	16,282	4.6%	1,250	7.7%
Moschino	240,753	75.6%	273,304	77.6%	(32,551)	(11.9%)
Pollini	34,510	10.8%	36,803	10.5%	(2,293)	(6.2%)
Other	3,930	1.2%	4,399	1.3%	(469)	(10.7%)
Total	**318,622**	**100.0%**	**352,006**	**100.0%**	**(33,384)**	**(9.5%)**

In 2023, the Alberta Ferretti brand increases by 3.2% (+3.4% at constant exchange rates), contributing to 6.9% of consolidated sales, while Philosophy di Lorenzo Serafini brand increases by 7.7% (+7.9% at constant exchange rates), contributing to 5.5% of consolidated sales.

In the same period Moschino brand decreases by 11.9% (-11.3% at constant exchange rates), contributing to 75.6% of consolidated sales.

Pollini brand records a decrease of 6.2% (-6.3% at constant exchange rates), generating 10.8% of consolidated sales, while brands under license decreases by 10.7% (-10.5% at constant exchange rates), equal to 1.2% of consolidated sales.

Sales by geographical area

(Values in thousands of EUR)	Full Year 2023	%	Full Year 2022	%	Change	%
Italy	133,964	42.0%	144,569	41.1%	(10,605)	(7.3%)
Europe (Italy excluded)	98,644	31.0%	117,826	33.4%	(19,182)	(16.3%)
Asia and Rest of the World	66,679	20.9%	65,038	18.5%	1,641	2.5%
America	19,335	6.1%	24,573	7.0%	(5,238)	(21.3%)
Total	**318,622**	**100.0%**	**352,006**	**100.0%**	**(33,384)**	**(9.5%)**

Sales on the ITALY market, representing 42.0% of turnover, decreased by 7.3% to 133,964 thousand euros compared to 2022: positive results of the retail channel with an increase by 3% compared to the first nine months of 2022, while the wholesale channel recorded a contraction of 8%.

Sales in EUROPE, with an incidence on turnover of 31.0%, reported a decrease of 16.3% to 98,644 thousand euros. The decrease is linked to specific countries and markets at both wholesale and retail levels.

In ASIA and in the REST OF THE WORLD, the Group achieved revenues of 66,679 thousand euros, with an incidence on turnover of 20.9%, up by 4.9% compared to 2022.

Sales in AMERICA, with an incidence on turnover of 6.1%, recorded a decrease of 20%. During 2023 the Group was unable to confirm the peak sales recorded in the area.

Sales by distribution channel

(Values in thousands of EUR)	Full Year 2023	%	Full Year 2022	%	Change	%
Wholesale	213,865	67.1%	248,588	70.6%	(34,723)	(14.0%)
Retail	94,876	29.8%	88,505	25.1%	6,371	7.2%
Royalties	9,881	3.1%	14,913	4.3%	(5,032)	(33.7%)
Total	**318,622**	**100.0%**	**352,006**	**100.0%**	**(33,384)**	**(9.5%)**

In 2023 the Group recorded a progression in the retail channel not sufficient to offset the decrease in the wholesale channel.

Revenues of the WHOLESALE CHANNEL, which represents 67.1% of turnover (213,865 thousand euros), recorded a decrease of 13.9% at constant exchange rates.

Revenues of the RETAIL CHANNEL, equal to 29.8% of Group sales (94,876 thousand euros), showed an increase of 9.0% at constant exchange rates compared to the previous year.

ROYALTIES INCOMES, which represent 3.1% of consolidated turnover (9.9 million euros), decreased by 33.7% compared to 2022 following the termination of some licenses for the Moschino brand.

Labour costs

Labour costs change from EUR 69,862 thousand in 2022 to EUR 71,819 thousand in 2023, recording an increase of EUR 1,957 thousand, and an incidence on revenues which changes from 19.8% in 2022 to 22.5% in 2023.

The workforce decreases from an average of 1,387 units in 2022 to 1,342 units in 2023.

Average number of employees by category	Full Year 2023	Full Year 2022	Change	%
Workers	246	231	15	6.5%
Office staff-supervisors	1,069	1,127	(58)	(5.1%)
Executive and senior managers	27	29	(2)	(6.9%)
Total	**1,342**	**1,387**	**(45)**	**(3.2%)**

In 2023, the Group consolidated all Chinese staff over 12 months following the change of the distribution channel in the area (from Wholesale to Retail) which in 2022 only affected six months.

Gross Operating Margin (EBITDA)

In 2023 consolidated *ADJUSTED* EBITDA is positive for 12,434 thousand euros (with an incidence of 3.9% of consolidated sales), showing a decrease of 23,122 thousand euros compared to an EBITDA of EUR 35,556 thousand in 2022 (with an incidence of 10.1% of consolidated sales).

The non-recurring costs incurred in the period amounting to approximately 6.6 million euros refer for approximately 4.1 million euros to early retirement incentives and legal costs connected to the reorganization of the Group and for approximately 2.5 million to extraordinary promotional events such as the 70th anniversary of the Pollini brand and the 40th anniversary of the Moschino brand.

Margins decreased as a result of both to the contraction in revenues and the new strategic course of the Moschino brand with the associated costs connected both to the change of distribution model in China (from 100% wholesale to retail) and the launch of the repositioning plan for the various Moschino collections with consequent effects both in terms of turnover and royalties.

In 2023 the *ADJUSTED* EBITDA of the *prêt-à-porter* division has been negative for 6,144 thousand euros (-2.9% on sales), compared to a positive EBITDA of 14,990 thousand euros in 2022 (6.5% on sales), with a decrease of 21,134 thousand euros.

In 2023 *ADJUSTED* EBITDA of the footwear and leather goods division is 18,578 thousand euros (13.1% on sales), compared to an EBITDA of 20,566 thousand euros in 2022 (12.6% on sales), with a 1,988 thousand euros decrease.

Net operating result (EBIT)

Consolidated *ADJUSTED* EBIT is negative for 20,468 thousand euros, recording a decrease of 21,688 thousand euros compared to a positive EBIT of 1,220 thousand euros in 2022.

Result before taxes

The pre-tax result went from a loss of 3,796 thousand euros in 2022 to a loss of 37,900 thousand euros in 2023 with a decrease in absolute value of 34,104 thousand euros.

Net result

Net result posts a loss of 31,990 thousand in 2023 compared to a loss of 9,056 thousand euros in 2022.

CONSOLIDATED BALANCE SHEET

(Values in units of EUR)	31 December 2023	31 December 2022
Trade receivables	56,121,993	62,850,576
Stock and inventories	112,249,596	116,709,745
Trade payables	(78,734,518)	(88,596,138)
Operating net working capital	**89,637,071**	**90,964,183**
Other short term receivables	26,200,359	33,118,597
Tax receivables	12,165,895	12,987,118
Derivative assets	63,229	-
Other short term liabilities	(16,511,021)	(19,497,967)
Tax payables	(3,232,628)	(4,385,845)
Derivative liabilities	-	(173,473)
Net working capital	**108,322,905**	**113,012,613**
Tangible fixed assets	60,437,231	61,250,620
Intangible fixed assets	62,911,753	66,021,140
Right-of-use assets	102,226,024	110,566,821
Equity investments	41,196	39,197
Other fixed assets	93,927	199,911
Fixed assets	**225,710,131**	**238,077,689**
Post employment benefits	(3,205,866)	(3,551,239)
Provisions	(2,179,554)	(2,371,370)
Long term not financial liabilities	(1,397,873)	(1,634,539)
Deferred tax assets	16,991,324	13,894,621
Deferred tax liabilities	(11,527,794)	(15,798,928)
NET CAPITAL INVESTED	**332,713,273**	**341,628,847**
Share capital	24,606,247	24,606,247
Other reserves	89,606,998	109,460,106
Profits / (Losses) carried-forward	(2,973,651)	(15,207,874)
Profits / (Loss) for the period	(32,143,947)	(9,043,968)
Group interest in shareholders' equity	**79,095,647**	**109,814,511**
Minority interests in shareholders' equity	144,661	(9,052)
Total shareholders' equity	**79,240,308**	**109,805,459**
Cash	(14,625,807)	(21,657,539)
Long term financial liabilities	78,607,579	70,444,091
Short term financial liabilities	88,511,881	78,131,171
NET FINANCIAL POSITION WITHOUT IFRS 16 EFFECTS	**152,493,653**	**126,917,723**
Short term lease liabilities	17,791,381	16,072,913
Long term lease liabilities	83,187,931	88,832,752
NET FINANCIAL POSITION	**253,472,965**	**231,823,388**
SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS	**332,713,273**	**341,628,847**

NET INVESTED CAPITAL

Compared to December 31, 2022, net invested capital decreased by 2.6%.

Net working capital

Net working capital amounts to 108,323 thousand euros (34.0% on sales) compared with 113,012 thousand euros at 31 December 2022 (32.1% on sales).

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

- the operating net working capital decreases in all by 1.5% (1,327 thousand euros) with an incidence on sales that changes from 25.8% in 2022 to 28.1% in 2023.
- the sum of other receivables and payables decreases in all of 3,931 thousand euros compared with the previous year mainly for the decrease in credits for prepaid costs.
- the sum of tax receivables and tax payables increase in all of 332 thousand euros. Such increase is mainly due to the lower other tax payables.

Fixed assets

The change in fixed assets of 12,367 thousand at December 31, 2023 compared to December 31, 2022, 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.

NET FINANCIAL POSITION

The financial situation of the Group at December 31, 2023 shows a debt of 253,473 thousand euros, including IFRS 16 effects, compared to the debt of 231,823 thousand at December 31, 2022, with a worsening of EUR 21.650 thousand. The debt at December 31, 2023 relating to IFRS 16 amounts to 100,979 thousand euros, of which 17,791 thousand euros is current and 83,188 thousand euros is non-current. Debt net of the IFRS 16 effect at the end of December 2023 amounts to 152,494 thousand euors compared to the debt of 126,918 thousand euros at the end of December 2022, recording a worsening of 25,576 thousand euros.

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 90 million euros 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 30,565 thousand euros from 109,805 thousand euros as of December 31, 2022 to 79,240 thousand euros as of December 31, 2023. The reasons for this decrease are mainly attributable to the loss of the year. 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 December 31, 2023 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 2023	Net profit /loss for the full year 2023
Taken from the corporate financial statements of the parent company	**47,557**	**(51,581)**
Share of the consolidated subsidiaries's equity and profit /loss attributable to the Group, net of the carrying amount of equity interests	25,311	21,146
Effect of business combination reopening	17,862	(1,039)
Reversal of the intercompany inventory margin	(8,898)	(693)
Transition to parent company accounting policies	-	669
Other adjustments	(2,592)	(492)
Total consolidation adjustments	**31,683**	**19,591**
Group interest in shareholders' equity	**79,095**	**(32,144)**
Minority interest	**145**	**154**
Total shareholders' equity	**79,240**	**(31,990)**

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 Corporate Governance Code for stock-market listed companies (the "Code") approved in January 2020 by the Corporate Governance Committee of Borsa Italiana.

The Code 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 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 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 corporate structures that companies are required to draw up and publish pursuant to art. 123-bis TUF (the "Report"), which contains a general description of the corporate governance system adopted by the Company and contains information on ownership structures and adherence to the Code and is available on the website www.aeffe.com.

7. TREASURY SHARES

As of December 31, 2023, the Parent Company holds 8.937.519 treasury shares, par value EUR 0.25 each, totalling 8.325% of its share capital. During 2023, no treasury shares were purchased.

As of December 31, 2023 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

The commitment of the Aeffe Group to environmental and social matters continued unabated during the year, keeping sustainability central to the business strategies adopted with a specific new corporate function responsible for implementing a plan for the identification and achievement of medium/long-term sustainability objectives that reflect predetermined priorities. In this regard, the sustainability strategy of the Group has identified the following three action areas:

- Planet and Environment
- Product and Supply Chain
- People and Community

Major challenges await us from an environmental standpoint, not least the monitoring and reduction of scrap and CO_2 emissions, as we constantly improve our environmental impact.

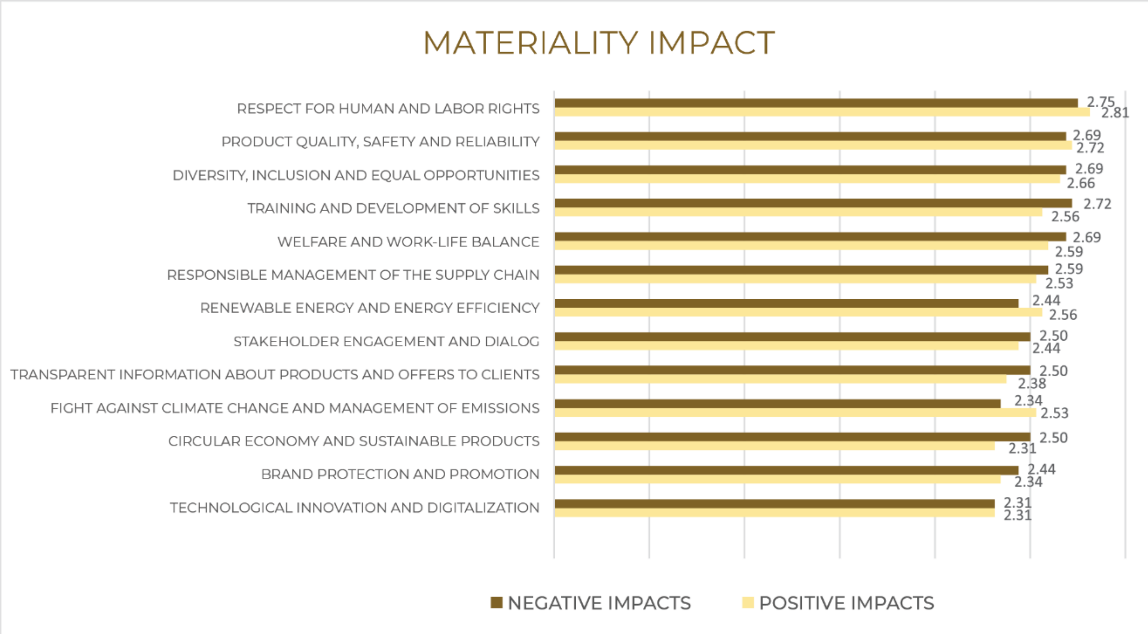
With regard to the Product and Supply Chain area, our objective is to continue work on the mapping and assessment of the social and environmental impact of all our vendors, with a view to increased transparency and satisfaction of the information needs of our stakeholders.

Lastly, on social matters, the Group is committed to disseminating further an internal and external culture of sustainability, so that our values are pursued because shared rather than imposed.

For the 2023 reporting year, the Aeffe Group has updated the analysis of impact materiality and taken a further step forward by performing an initial financial materiality assessment. This analysis of financial materiality is based on an outside-in view, since it seeks to identify the risks and opportunities that may derive from sustainability issues and that may have positive or negative impacts, whether real or potential, short or long term, on the economic-financial performance of an organization.

Aeffe considers this initial approach to double materiality (the union of impact materiality and financial materiality) to be important ahead of the time when the European Sustainability Reporting Standards (ESRS), issued by the European Financial Reporting Advisory Group (EFRAG), become mandatory. These standards are mandatory for the ESG reporting of enterprises subject to the European Corporate Sustainability Reporting Directive (CSRD) that came into force on 5th January 2023. In particular, the Aeffe Group will fall within the scope of application of the CSRD from FY 2024, i.e. with the Sustainability Statement published in 2025.

The following figure presents the material topics identified by the Aeffe Group for the 2023 NFS, with the respective values derived from the assessments made by stakeholders.



Compared with the 2022 NFS, the update of the materiality impact has resulted in the inclusion of new topics, namely:

- Respect for human and labor rights
- Product quality, safety and reliability
- Diversity, inclusion and equal opportunities
- Training and development of skills
- Renewable energy and energy efficiency
- Stakeholder engagement and dialog
- Technological innovation and digitalization

At the same time, the score obtained by certain topics deemed material for FY 2022 did not exceed the materiality threshold this year and, accordingly, they have been excluded. These are:

- Satisfaction and management of client relations
- Territorial presence and markets served
- Anti-corruption and compliance
- Occupational health and safety (topic scoring above the threshold, but excluded by the senior decision-makers)

The chart also identifies other topics with a materiality value of less than 2.43 that, accordingly, are not deemed material. These are:

- Safeguarding biodiversity
- Privacy and security of data and information
- Support for the community and the local territory
- Generation and distribution of economic and financial value, and internationalization
- Technological innovation and digitalization (topic scoring below the threshold, but included by the senior decision-makers)

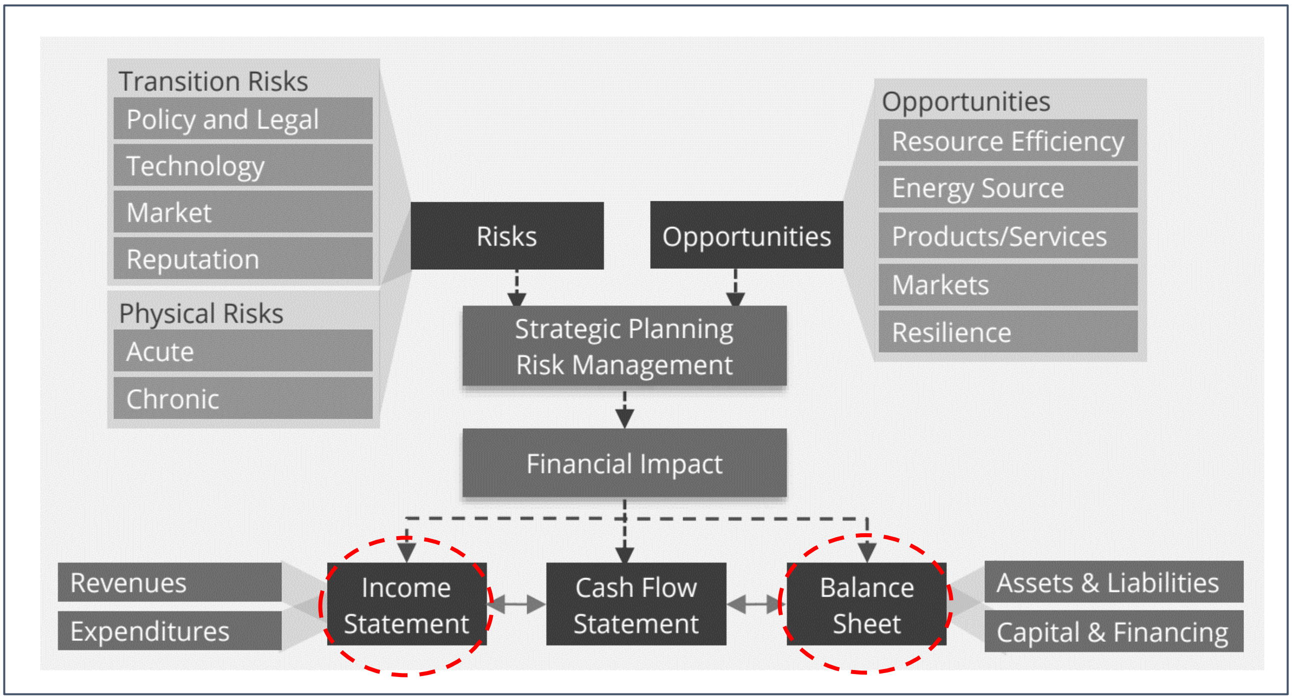
Aeffe has decided to include these topics, although they do not exceed the materiality threshold, as they are considered of significant importance for its business model and the activities that characterize it.

As mentioned, the Aeffe Group will fall within the scope of application of the CSRD from FY 2024 with the Sustainability Statement published in 2025 and, therefore, will be required to carry out a double materiality analysis that comprises both impact and financial materiality. For this reason, starting from the current fiscal year, Aeffe has made an assessment of the risks and opportunities linked to sustainability matters that could influence its economic-financial performance, competitive position and enterprise value. Dependencies on natural and social resources could, in fact, be sources of financial risks and opportunities, with two possible effects:

1. possible influence on the ability of the business to continue to use or to obtain the resources needed for its activities, as well as on the quality and prices of such resources;
2. possible impact on the ability of the business to rely, under acceptable conditions, on the relationships needed for the conduct of its activities.

Given these considerations, financial materiality is a valid tool for identifying, and subsequently controlling, any risks deriving from the ESG realm that might threaten the resilience and continuity of business operations. In the same way, this analysis also makes it possible to identify opportunities linked to the various ESG factors that could impact positively on the performance of the organization.

In order to analyze financial materiality, the Aeffe Group started from the results of analyzing impact materiality and, using an inside-out approach, associated with the topics identified the risks and opportunities deemed most significant for the business. The materiality of these risks and opportunities was determined by assessing the possible financial effects on revenues and costs (income statement), tangible and intangible assets (total assets), as recommended in the official EFRAG Guidelines on double materiality. The validity of the approach adopted found further confirmation in the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) that, as shown in the following diagram, suggest evaluating ESG risks and opportunities in the light of their financial impact on the statements of income, cash flows and financial position.



In order to generate a prospective analysis, the Aeffe Group - with specific support from the financial area and the CFO - took a further step: an incidence rate was identified in percentage terms on the captions reported in the statements of income and financial position, based on their exposure to the risks and opportunities already identified. This exercise made it possible to assess the possible positive and negative financial effects that the opportunities and risks associated with ESG topics might have on the organization.

The results obtained from this analysis of financial materiality are presented below.

As shown in the charts, the results of analyzing financial materiality largely confirm those deriving from the analysis of impact materiality, since most topics are material for both analyses.

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

10. GEOPOLITICAL CONTEXT

Russia's unjustified war against Ukraine and the tragic conflict in the Middle East are significant sources of geopolitical risk. This could lead to a loss of confidence in the future among businesses and families and disruptions in international trade.

11. SIGNIFICANT EVENTS OF THE PERIOD

On March 29, 2023, the Board of Directors of Aeffe S.p.A. approved the merger project by incorporation into Aeffe S.p.A. of the 100% subsidiary Moschino S.p.A. (“Moschino”) and the merger project by incorporation into Aeffe S.p.A. of the 100% subsidiary Aeffe Retail S.p.A. (“Aeffe Retail”). Both operations are part of a corporate rationalization and reorganization process, already started with the completion of the merger by incorporation, in 2022, of the subsidiary Velmar S.p.A., 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 the aforementioned controlled companies.

On September 18, 2023, the deed of merger by incorporation of the 100% subsidiary Moschino S.p.A. was stipulated to be effective from October 1, 2023.

On November 21, 2023, the deed of merger by incorporation of the 100% subsidiary Aeffe Retail S.p.A. was stipulated to be effective from Decembre 1, 2023.

12. SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

On January 30, 2024, Aeffe Group has announced the appointment of Adrian Appiolaza as the new Creative Director of Moschino brand.

13. OUTLOOK

2023 was a year of transition for our group which saw a radical reorganization of the Moschino brand in terms of both creativity and distribution, and at the same time a transformation of its internal structure through a series of corporate mergers and incorporations. The results we are presenting today, expected but not positive, are clearly the result of these transformations and the strong investments of recent years.

The Group inaugurated the year with the debut of the new creative direction of the Moschino brand led by Adrian Appiolaza, who we are sure will best guide the brand in a new phase of growth. We are certainly operating in an unstable economic and political context at the moment, dealing with a challenging market; however, we look to the future with great positivity and optimism, leveraging on international brands offering unique creative and high-end quality.

In support of the corporate, managerial and stylistic reorganization projects concluded in 2023, the investments made in recent years and the constantly changing macroeconomic context, the Group has prepared a new 2024-2027 Industrial Plan, approved by the Board of Directors on January 25, 2024, in order to set new strategic objectives.

The Business Plan was prepared both at corporate and individual brand level.

At Group level, four development areas have been identified:

- Full identification with Made in Italy through an offer of recognizable and distinguishable fashion products
- Increase in profitability to be implemented through an increase in volumes from wholesale and retail channels across all brands
- Continuous improvement process aimed at digitalisation and sustainability
- Agile and efficient organisation

In order to achieve the objectives, numerous projects were scheduled over the course of the plan, including:

- Introduction of a new Enterprise Resource Planning
- Supply Chain management
- Integration of Artificial Intelligence in each phase of the product life cycle
- New Business Intelligence for the management of "big data"
- Traceability with respect to the supply chain
- New designs of E-Commerce platforms
- Development of CRM (Customer Relationship Management)

A medium-long term strategy has been identified for each Brand through the analysis of five areas. Precisely:

- Style, collections and product sustainability
- Distribution
- Communication and Marketing
- Collaborations, Partnerships and Business Combinations
- Human Resources/Team

These areas, integrated with the Group macro-strategy, have led to the setting of specific targets for each Brand.

Moschino brand:

- Increase in the perception of the Brand (also thanks to the change of creative director and the consequent different product offering)
- Progressive improvement of distribution
- Increase in the number of Franchisees and expansion of digital channels
- Progressive increase in retail presence in Asia

Pollini brand:

- Consolidation of performance in consolidated geographical areas
- Penetration into new countries with development potential with respect to the positioning of the Brand
- Progressive increase in Franchisees in Europe (including Italy) and in selected foreign countries
- Opening of pop-ups and shopping shops

Alberta Ferretti brand:

- Development in selected geographical areas that enhance the product
- Expansion of digital channels
- Collaborations and Partnerships

Philosophy di Lorenzo Serafini brand:

- New commercial organization capable of covering all the main geographical areas
- Progressive opening of directly managed boutiques to increase retail presence
- Introduction of collaborations and partnerships on specific products

The Industrial Plan envisages a constant recovery of margins both in absolute value and in percentage value on consolidated revenues, with a consequent improvement also in the Group's net financial position.

Financial statements

CONSOLIDATED BALANCE SHEET ASSETS (*)

(Values in units of EUR)	Notes	31 December 2023	31 December 2022	Change
Trademarks		61,013,859	64,507,805	(3,493,946)
Other intangible fixed assets		1,897,894	1,513,335	384,559
Intangible fixed assets	(1)	62,911,753	66,021,140	(3,109,387)
Lands		17,123,494	17,123,494	-
Buildings		24,575,199	25,339,662	(764,463)
Leasehold improvements		11,728,767	11,208,330	520,437
Plant and machinary		3,155,045	3,564,074	(409,029)
Equipment		250,578	318,192	(67,614)
Other tangible fixed assets		3,604,148	3,696,868	(92,720)
Tangible fixed assets	(2)	60,437,231	61,250,620	(813,389)
Right-of-use assets	(3)	102,226,024	110,566,821	(8,340,797)
Equity investments	(4)	41,196	39,197	1,999
Other fixed assets	(5)	93,927	199,911	(105,984)
Deferred tax assets	(6)	16,991,324	13,894,621	3,096,703
NON-CURRENT ASSETS		**242,701,455**	**251,972,310**	**(9,270,855)**
Stocks and inventories	(7)	112,249,596	116,709,745	(4,460,149)
Trade receivables	(8)	56,121,993	62,850,576	(6,728,583)
Tax receivables	(9)	12,165,895	12,987,118	(821,223)
Derivate assets	(10)	63,229	-	63,229
Cash	(11)	14,625,807	21,657,539	(7,031,732)
Other receivables	(12)	26,200,359	33,118,597	(6,918,238)
CURRENT ASSETS		**221,426,879**	**247,323,575**	**(25,896,696)**
TOTAL ASSETS		**464,128,334**	**499,295,885**	**(35,167,551)**
Share capital		24,606,247	24,606,247	-
Other reserves		89,606,998	93,516,643	(4,696,011)
Profits / (losses) carried-forward		(2,973,651)	735,589	(3,709,240)
Net profit / (loss) for the Group		(32,143,947)	(9,043,968)	(23,099,979)
Group interest in shareholders' equity		79,095,647	109,814,511	(30,718,864)
Minority interests in share capital and reserves		(9,052)	3,000	(12,052)
Net profit / (loss) for the minority interests		153,713	(12,052)	165,765
Minority interests in shareholders' equity		144,661	(9,052)	153,713
SHAREHOLDERS' EQUITY	**(13)**	**79,240,308**	**109,805,459**	**(30,565,151)**
Provisions	(14)	2,179,554	2,371,370	(191,816)
Deferred tax liabilities	(6)	11,527,794	15,798,928	(4,271,134)
Post employment benefits	(15)	3,205,866	3,551,239	(345,373)
Long term financial liabilities	(16)	161,795,510	159,276,843	2,518,667
Long term not financial liabilities	(17)	1,397,873	1,634,539	(236,666)
NON-CURRENT LIABILITIES		**180,106,597**	**182,632,919**	**(2,526,322)**
Trade payables	(18)	78,734,518	88,596,138	(9,861,620)
Tax payables	(19)	3,232,628	4,385,845	(1,153,217)
Derivate liabilities	(10)	-	173,473	(173,473)
Short term financial liabilities	(20)	106,303,262	94,204,084	12,099,178
Other liabilities	(21)	16,511,021	19,497,967	(2,986,946)
CURRENT LIABILITIES		**204,781,429**	**206,857,507**	**(2,076,078)**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**464,128,334**	**499,295,885**	**(35,167,551)**

(*) 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 2023	%	Full Year 2022	%
REVENUES FROM SALES AND SERVICES	**(22)**	**318,622,270**	**100.0%**	**352,005,965**	**100.0%**
Other revenues and income	(23)	10,739,468	3.4%	11,565,686	3.3%
TOTAL REVENUES		**329,361,738**	**103.4%**	**363,571,651**	**103.3%**
Changes in inventory		(843,975)	(0.3%)	24,644,721	7.0%
Costs of raw materials, cons. and goods for resale	(24)	(128,345,960)	(40.3%)	(159,819,614)	(45.4%)
Costs of services	(25)	(110,365,644)	(34.6%)	(110,818,790)	(31.5%)
Costs for use of third parties assets	(26)	(6,031,801)	(1.9%)	(5,681,291)	(1.6%)
Labour costs	(27)	(71,819,173)	(22.5%)	(69,862,250)	(19.8%)
Other operating expenses	(28)	(6,172,332)	(1.9%)	(6,478,084)	(1.8%)
Amortisation, write-downs and provisions	(29)	(32,901,671)	(10.3%)	(34,336,237)	(9.8%)
Financial Income / (expenses)	(30)	(10,780,908)	(3.4%)	(5,015,984)	(1.4%)
PROFIT / LOSS BEFORE TAXES		**(37,899,726)**	**(11.9%)**	**(3,795,878)**	**(1.1%)**
Taxes	(31)	5,909,492	1.9%	(5,260,142)	(1.5%)
NET PROFIT / LOSS		**(31,990,234)**	**(10.0%)**	**(9,056,020)**	**(2.6%)**
Minority interests		(153,713)	(0.0%)	12,052	0.0%
NET PROFIT / LOSS FOR THE GROUP		**(32,143,947)**	**(10.1%)**	**(9,043,968)**	**(2.6%)**
Basic earnings per share	(32)	(0.327)		(0.092)	
Dilutive earnings per share	(32)	(0.327)		(0.092)	

(*) 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 2023	Full Year 2022
Profit/(loss) for the period (A)	**(31,990,234)**	**(9,056,020)**
Remeasurement of defined benefit plans	(114,207)	241,057
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)	**(114,207)**	**241,057**
Gains/(losses) on cash flow hedges	171,182	(109,052)
Gains/(losses) on exchange differences on translating foreign operations	582,786	602,328
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)	**753,968**	**493,276**
Totale Other comprehensive income, net of tax(B1)+(B2)=(B)	**639,761**	**734,333**
Total Comprehensive income / (loss) (A) + (B)	**(31,350,473)**	**(8,321,687)**
Total Comprehensive income / (loss) attributable to:	**(31,350,473)**	**(8,321,687)**
Owners of the parent	(31,504,186)	(8,309,635)
Non-controlling interests	153,713	(12,052)

CONSOLIDATED CASH FLOW STATEMENT (*)

(Values in thousands of EUR)	Notes	Full Year 2023	Full Year 2022
Opening balance		**21,658**	**31,307**
Profit before taxes		(37,900)	(3,796)
Amortisation / write-downs		32,902	34,336
Accrual (+)/availment (-) of long term provisions and post employment benefits		(1,430)	(314)
Paid income taxes		(2,612)	(2,199)
Financial income (-) and financial charges (+)		10,781	5,016
Change in operating assets and liabilities		4,685	(34,584)
Cash flow (absorbed) / generated by operating activity	**(33)**	**6,426**	**(1,541)**
Increase (-)/ decrease (+) in intangible fixed assets		(1,174)	(1,372)
Increase (-)/ decrease (+) in tangible fixed assets		(4,693)	(7,465)
Increase (-)/ decrease (+) in right-of-use assets		(12,957)	(47,742)
Investments and write-downs (-)/ Disinvestments and revaluations (+)		(2)	(9)
Cash flow (absorbed) / generated by investing activity	**(34)**	**(18,826)**	**(56,588)**
Other variations in reserves and profits carried-forward of shareholders' equity		1,425	(1,299)
Dividends paid		-	-
Proceeds (+)/ repayments (-) of financial payments		18,544	21,283
Proceeds (+)/ repayment (-) of lease payments		(3,926)	29,233
Increase (-)/ decrease (+) in long term financial receivables		106	4,279
Financial income (+) and financial charges (-)		(10,781)	(5,016)
Cash flow (absorbed) / generated by financing activity	**(35)**	**5,368**	**48,480**
Closing balance		**14,626**	**21,658**

(*) 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, 2022	**24,606**	**67,599**	**(125)**	**12,690**	**7,901**	**7,607**	**(1,225)**	**(930)**	**735**	**(9,044)**	**109,814**	**(9)**	**109,805**
Allocation of 2021 profit/(loss)	-	(5,335)	-	-	-	-	-	-	(3,709)	9,044	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock (buyback)/sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) of 2023	-	-	171	-	-	-	(114)	583	-	(32,144)	(31,504)	154	(31,350)
Other changes	-	-	-	785	-	-	-	-	-	-	785	-	785
At December 31, 2023	**24,606**	**62,264**	**46**	**13,475**	**7,901**	**7,607**	**(1,339)**	**(347)**	**(2,974)**	**(32,144)**	**79,095**	**145**	**79,240**

(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**

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, 2023, 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 material accounting policy information.

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, 2023, 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.

Emphasis of matter

We draw attention to the paragraph "Directors' assessment of the going concern assumption" in the notes to the financial statements, where the Directors explain the reasons for which, despite the largely negative results achieved by the Group in the 2023 financial year, they considered appropriate use the assumption of business going concerne in the preparation of the consolidated financial statements at 31 December 2023. In particular, the Board shall highlight the following. "2023 was a year of transition for our group which saw a radical reorganization of the Moschino brand in terms of both creativity and distribution, and at the same time a transformation of its internal structure through a series of corporate mergers and incorporations. The results we are presenting today, expected but not positive, are clearly the result of

these transformations and the strong investments of recent years. The Group recorded a loss in the income statement amounting to a total of 32.1 million euros and a negative consolidated net financial position which stood at 253.5 million euros (including the effects deriving from the application of the IFRS16 standard), worsening compared to the same figure for the previous year of 21.6 million euros. Starting from these results, the Directors have prepared the financial statements as at December 31, 2023 according to the principle of business continuity considering the uncertainties linked to the reference market and macroeconomic situation and on the basis of the strategies illustrated in the 2024-2027 industrial plan approved by the board of directors on January 25, 2024 which involve a series of actions aimed at maintaining the group in a balanced situation. Specifically, the industrial plan mainly envisages a strategic relaunch of the Moschino brand initially focused on changing the product offering with consequent raising of the brand's position on the market. These results will be achieved thanks to the contribution of the new creative director Adrian Appiolaza, appointed on January 30, 2024.
Furthermore, again with a view to raising the Moschino brand, in general for the wholesale channel in all areas where the brand is present, the plan envisages a progressive improvement of the distribution channel with the objective of increasing turnover through new sales models, building strong relationships with selected customers. For the retail channel, the industrial plan mainly envisages maintaining the direct presence in China, with the consolidation of the stores already open and a gradual increase in the sales network through the opening of new directly managed stores in the main cities.
Specifically, the Group has reviewed its investment strategies relating to Moschino's direct sales points in China (through the subsidiary Moschino Shanghai) with the aim of containing the Group's financial position; for these reasons the openings of new sales points in the country will be completed, starting from 2024, in a medium/long time frame, longer than the years of the consolidated industrial plan.
For the group, the 2024 financial year will still be an exercise in moving closer to the desired path of recovery in volumes and sales performance of products, especially those of the Moschino brand, in consideration of the difficulties that the reference market continues to present and the limited albeit positive effects , yet to be fully expressed, of the imprint of the new creative director, who debuted with the "main autumn-winter 2024" collection with the February 2024 fashion show and who will curate his first complete collection dedicated to the "spring-summer 2025" season ”. Already starting from 2025, with a consolidation trend projected for 2026 and 2027, a reversal of the trend is expected with a recovery in sales volumes of all the brands of the group, in particular that of the Moschino brand (both wholesale and retail), when all the collections presented will bear the imprint of the new creative director and when the conditions of the reference market should also become more favorable again. Given the reduction in sales and turnover volumes, the plan envisages various organizational efficiency and cost containment actions, in particular with regard to the provision of services (consultancy, stylistic and communication) and staff performance. These actions will allow, despite the contractions in turnover expected in 2024, to achieve a recovery in margins compared to 2023. The directors will continue to monitor the trend and evolution of the reference markets with extreme attention, with respect to the hypotheses and actions envisaged in the 2024-2027 industrial plan, while maintaining proactive and constant attention to organizational and management efficiency, to contain costs and identify initiatives that can further protect expected cash and income flows, also through any specific operations”.

Our opinion is not modified in respect of this matter.

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 Brands 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, 2023 include among the non-current assets Alberta Ferretti, Moschino and Pollini's brands (hereinafter also the "brands") for a value of Euro 61 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 Brands 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 brands subject to impairment testing, management has applied the method of discounting royalties hypothetical. 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. 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 Brands as a key aspect of the auditing activity. The paragraphs "Brands" and " Determination of recoverable value (Impairment)" in the notes to the financial statements contain information on the tests carried out with regard to rands, including a "sensitivity analysis".	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; – the analysis of the reasonableness of the main assumptions, adopted to prepare the Aeffe Group business plan 2024-2027, approved by the Company's Board of Directors on 25 January 2024, from which the cash flows underlying the impairment tests are derived; – an understanding of the calculation of hypothetical royalties; – the analysis of the methodological correctness and mathematical accuracy of the model used to determine the value of use of the brands; – the assessment of the reasonableness of the interest rate (WACC) and perpetual growth rate (g-rate); – the examination of the sensitivity analysis with reference to the key assumptions used for the impairment tests including the interest rate (WACC) and the perpetual growth rate applied (g-rate); – 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, 2023 include among current assets net inventories of Euro 112,2 million. The determination of the carrying amount of inventories, as the lower value between the production cost or purchase cost and the estimate net realisable value, is a complex accounting estimate requiring a high degree of judgment, as 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 paragraph "Inventories" and note 7 "Stocks and Inventories" of the explanatory notes to the financial statements contain information on the valuation of inventories.	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 sale, also through the channel of the stockists; – verification, by means of documentary analysis and discussion with the company departments involved, of the methodology adopted for the purposes of determining minor between the cost of production or purchase and the presumed net realisable value, 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 minor between the cost of production or purchase and the presumed net realisable value; – 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 31,2023, 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, 2023 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.

Ria Grant Thornton

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, 2023, 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, 2023 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, 2023 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 us.

Bologna, March 29, 2024

Ria Grant Thornton S.p.A.

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 December 31, 2023 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 December 31, 2023 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 2023 is provided in the following table.

Company	Location	Currency	Share capital	Direct interest	Indirect interest
Companies included in the scope of consolidation					
Italian companies					
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 Group Inc.	New York (USA)	USD	10,000	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%	
Fashoff UK Ltd.	Londra (GB)	GBP	1,550,000	100%	
Moschino Korea Ltd.	Seoul (ROK)	KRW	6,192,940,000	100%	
Moschino France S.a.r.l.	Parigi (FR)	EUR	50,000	100%	
Moschino Asia Pacific Ltd.	Hong Kong (HK)	HKD	500,000	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)
Moschino Shanghai Ltd	Shanghai (CN)	CNY	41,639,960		100% (ii)

Notes (details of in direct shareholdings):

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

(ii) 100% owned by Moschino Asia Pacific Ltd.;

The following transactions were completed during the period:

a) merger by incorporation of Moschino S.p.A. into Aeffe S.p.A..

b) merger by incorporation of Aeffe Retail S.p.A. into Aeffe S.p.A..

c) merger by incorporation of Aeffe USA Inc. in Aeffe Group Inc..

d) merger by incorporation of Aeffe France Sarl. in Moschino France Sarl..

e) transfer of the Aeffe UK's assets to Fashoff UK Ltd;

f) closure of Bloody Mary Inc..

g) recapitalization of Moschino Shanghai Ltd.

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 dicembre 2023	Average exchange rate 2023	Actual exchange rate 31 dicembre 2022	Average exchange rate 2022
Hong Kong Dollars	8.6314	8.4650	8.3163	8.2451
Chinese Renminbi	7.8509	7.6600	7.3582	7.0788
United States Dollars	1.1050	1.0813	1.0666	1.0530
United Kingdom Pounds	0.8691	0.8698	0.8869	0.8528
South Korean Won	1,433.6600	1,412.8800	1,344.0900	1,358.0700
Swiss franc	0.9260	0.9718	0.9847	1.0047

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, 2022, except for the following interpretations and amendments to the accounting principles that have been mandatory since January 1, 2023.

Directors' assessment of the going concern assumption

The Directors are responsible for assessing the capacity of the Group to pursue operating activities and, in preparing the consolidated financial statements, the appropriateness of applying the going concern principle, in addition to the provision of adequate disclosure. The Directors apply the going concern principle in preparing the consolidated financial statements unless they have assessed that the conditions for the winding up of the parent company Aeffe S.p.A. or for the interruption of operations exist or that they have no realistic alternatives to these options.

2023 was a year of transition for our group which saw a radical reorganization of the Moschino brand in terms of both creativity and distribution, and at the same time a transformation of its internal structure through a series of corporate mergers and incorporations. The results we are presenting today, expected but not positive, are clearly the result of these transformations and the strong investments of recent years. The Group recorded a loss in the income statement amounting to a total of 32.1 million euros and a negative consolidated net financial position which stood at 253.5 million euros (including the effects deriving from the application of the IFRS16 standard), worsening compared to the same figure for the previous year of 21.6 million euros.

Starting from these results, the Directors have prepared the financial statements as at December 31, 2023 according to the principle of business continuity considering the uncertainties linked to the reference market and macroeconomic situation and on the basis of the strategies illustrated in the 2024-2027 industrial plan approved by the board of directors on January 25, 2024 which involve a series of actions aimed at maintaining the group in a balanced situation.

The Business Plan was prepared both at corporate and individual brand level.

At Group level, four development areas have been identified:

- Full identification with Made in Italy through an offer of recognizable and distinguishable fashion products
- Increase in profitability to be implemented through an increase in volumes from wholesale and retail channels across all brands
- Continuous improvement process aimed at digitalisation and sustainability
- Agile and efficient organisation

In order to achieve the objectives, numerous projects were scheduled over the course of the plan, including:

- Introduction of a new Enterprise Resource Planning
- Supply Chain management
- Integration of Artificial Intelligence in each phase of the product life cycle
- New Business Intelligence for the management of "big data"
- Traceability with respect to the supply chain
- New designs of E-Commerce platforms
- Development of CRM (Customer Relationship Management)

A medium-long term strategy has been identified for each Brand through the analysis of five areas. Precisely:

- Style, collections and product sustainability
- Distribution
- Communication and Marketing
- Collaborations, Partnerships and Business Combinations
- Human Resources/Team

These areas, integrated with the Group macro-strategy, have led to the setting of specific targets for each Brand.

Moschino brand:

- Increase in the perception of the Brand (also thanks to the change of creative director and the consequent different product offering)
- Progressive improvement of distribution
- Increase in the number of Franchisees and expansion of digital channels
- Progressive increase in retail presence in Asia

Pollini brand:

- Consolidation of performance in consolidated geographical areas
- Penetration into new countries with development potential with respect to the positioning of the Brand
- Progressive increase in Franchisees in Europe (including Italy) and in selected foreign countries
- Opening of pop-ups and shopping shops

Alberta Ferretti brand:

- Development in selected geographical areas that enhance the product
- Expansion of digital channels
- Collaborations and Partnerships

Philosophy di Lorenzo Serafini brand:

- New commercial organization capable of covering all the main geographical areas
- Progressive opening of directly managed boutiques to increase retail presence
- Introduction of collaborations and partnerships on specific products

Specifically, the industrial plan mainly envisages a strategic relaunch of the Moschino brand initially focused on changing the product offering with consequent raising of the brand's position on the market. These results will be achieved thanks to the contribution of the new creative director Adrian Appiolaza, appointed on January 30, 2024.

Furthermore, again with a view to raising the Moschino brand, in general for the wholesale channel in all areas where the brand is present, the plan envisages a progressive improvement of the distribution channel with the objective of increasing turnover through new sales models, building strong relationships with selected customers. For the retail channel, the industrial plan mainly envisages maintaining the direct presence in China, with the consolidation of the stores already open and a gradual increase in the sales network through the opening of new directly managed stores in the main cities.

Specifically, the Group has reviewed its investment strategies relating to Moschino's direct sales points in China (through the subsidiary Moschino Shanghai) with the aim of containing the Group's financial position; for these reasons the openings of new sales points in the country will be completed, starting from 2024, in a medium/long time frame, longer than the years of the consolidated industrial plan.

For the group, the 2024 financial year will still be an exercise in moving closer to the desired path of recovery in volumes and sales performance of products, especially those of the Moschino brand, in consideration of the difficulties that the reference market continues to present and the limited albeit positive effects , yet to be fully expressed, of the imprint of the new creative director, who debuted with the "main autumn-winter 2024" collection with the February 2024 fashion show and who will curate his first complete collection dedicated to the "spring-summer 2025" season ".

Already starting from 2025, with a consolidation trend projected for 2026 and 2027, a reversal of the trend is expected with a recovery in sales volumes of all the brands of the group, in particular that of the Moschino brand (both wholesale and retail), when all the collections presented will bear the imprint of the new creative director and when the conditions of the reference market should also become more favorable again.

Given the reduction in sales and turnover volumes, the plan envisages various organizational efficiency and cost containment actions, in particular with regard to the provision of services (consultancy, stylistic and communication) and staff performance. These actions will allow, despite the contractions in turnover expected in 2024, to achieve a recovery in margins compared to 2023.

The directors will continue to monitor the trend and evolution of the reference markets with extreme attention, with respect to the hypotheses and actions envisaged in the 2024-2027 industrial plan, while maintaining proactive and constant attention to organizational and management efficiency, to contain costs and identify initiatives that can further protect expected cash and income flows, also through any specific operations.

Accounting standards, amendments and interpretations approved by the European Union, applicable from 1 January 2023:

- **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 January 1, 2023;

- **amendments to IAS 8 Definition of Accounting Estimates**: The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. To provide greater guidance, the amendments clarify that the effects on an accounting estimate of a change in an input or valuation technique are changes in accounting estimates, unless they result from the correction of prior period errors. Furthermore, changes in accounting estimates resulting from new information are not corrections of errors. The amendments applies on January 1, 2023.

- **amendments to IAS 1 and IFRS Practice Statement Disclosure of Accounting Policies**: The amendments are intended to support entities in deciding which accounting policies to disclose in the financial statements. In this respect: – the amendments to "IAS 1 - Presentation of Financial Statements" require companies to disclose their material accounting policy information rather than their significant accounting policies; – the amendments to "IFRS Practice Statement 2 - Making Materiality Judgements" seek to provide a guide on how to apply the concept of materiality to disclosures of accounting policies.

Disclosure of accounting policies in accordance with IAS 1 is material if, taken together with other information included in the financial statements, it can reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

- **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.

Accounting standards, amendments and interpretations published by the IASB approved by the European Union but not yet adopted in the preparation of these financial statements:

- **amendments to IFRS16 Lease Liability in a Sale and Leaseback**: The document requires the seller-lessee to measure the lease liability arising from a sale and leaseback transaction so as not to recognise an income or loss that relates to the retained right of use. The amendments will apply from 1 January 2024, with early adoption permitted;

- **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.

The Directors do not expect a material effect on the Group's consolidated financial statements from the adoption of these amendments.

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.

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	3%

Research costs are charged to the income statement as incurred.

At December 31, 2023, 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

The 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 31/12/23 amounts to 2.44%.

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 amortization of right-of-use assets is applied on the basis of the provisions of IAS 16. Finally, right-of-use assets are subjected to impairment testing on the basis of the provisions of IAS 36. The item right-of-use assets it therefore also includes the key money paid by the Group, as it is classified, based on the IFRS16 principle, as initial direct leasing costs. The "rights of use" of each individual CGU are subjected to impairment tests in the presence of triggering events (involving the individual CGU).

The impairment test is carried out by comparing the net book value of the CGU (understood as Net Invested Capital - in the CGU) with the recoverable value (understood, as required by paragraphs 18 and 74 of the international accounting standard IAS 36, as the greater of fair value less costs to sell and value in use).

IFRS 13 brings together the definition of fair value by establishing that it is the price that would be received for the sale of an asset or that would be paid for the transfer of a liability in a regular transaction between market operators at the measurement date. IFRS 13 establishes a hierarchy that classifies the inputs of the measurement techniques adopted to measure fair value into levels. The expected levels, displayed in hierarchical order, are as follows:

- level 1 inputs: are quoted prices (unadjusted) in active markets for identical assets and liabilities that the entity can access at the measurement date;
- level 2 inputs: these are variables other than the quoted prices included in level 1 that can be observed directly or indirectly for assets or liabilities;
- level 3 inputs: these are unobservable variables for assets or liabilities.

To determine the value in use of an asset, the present value of the estimated future financial flows is calculated, before taxes, by applying a discount rate, before taxes, which reflects the current market assessments of the time value of money and specific risks of the activity.

To estimate the "fair value", the Aeffe Group discounts future rents to market value while for the "value in use" it discounts the expected future cash flows (Discounted Cash Flow - DCF) generated by the CGU.

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.

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.

Furthermore, it is specified that, also taking into account the uncertainty of the reference context, the estimate of the value in use and the fair value were entrusted to an independent external expert.

Therefore, we first proceeded to carry out the impairment test on the two divisions of the Group: "Pret-a-porter" and "Pollini". The Group's activity is divided, in fact, on the basis of the different product lines and brands that make up its offer, into two segments: (i) Prêt-à-porter (CGU «Pret-a-porter»); and (ii) footwear and leather goods (CGU «Pollini»). The «Prêt-à-porter» division, which is made up of the Aeffe corporate reality, operates mainly in the creation, creation and distribution of luxury ready-to-wear clothing collections and lingerie, beachwear and loungewear collections; the «Pollini» division operates mainly in the creation, production and distribution of footwear, small leather goods, bags and coordinated accessories, characterized by exclusive materials.

The impairment test was conducted by first testing the recoverability of the carrying amount, i.e. the Net Invested Capital, of each CGU through the value in use, determined by discounting the result flows of the plan each CGU, or by applying the methodology directly referred to by IAS 36: the financial method of Discounted Cash Flow, in the asset side formulation.

The flows of the explicit period were determined starting from the operating income (EBIT) of each financial year 2024 - 2027, calculating and subtracting the notional direct taxes at the full rate and subsequently adding the negative income components that do not give rise to monetary outflows, such as depreciation and provisions, in order to identify the "financial flow of current operational management", which can be interpreted as a "potential" monetary flow; in fact, the amount of monetary resources actually released by current core management is affected by the variation undergone over the period by the assets elements that arise and expire as a result of the operating cycles (trade receivables, inventories, trade payables, payables to personnel, etc.) – changes in Net Working Capital (NCC). Finally, the monetary flow of operational management was determined taking into consideration both the aforementioned CCN deltas and investments (net of disinvestments) in fixed capital - so-called CAPEX – and changes in operating funds. For the years following 2027, i.e. for the years following the explicit planning period - and, therefore, for the estimate of the Terminal Value -, it was prudentially decided to identify the prospectively average cash flows that could be produced by the two «Pret-a» divisions -porter" and "Pollini" with the average (normalized for non-repeatable and extraordinary flows) of the EBITs of the last two explicit planning years (2026 - 2027), appropriately considered net of notional taxes at the full rate and projected in perpetuity. For the post-2027 period, a minimum annual g growth rate was also considered (equal to 2.02%), equal to the average expected inflation in the countries in which the Group operates, weighted based on the 2027 EBITDA produced in these countries.

The flows were discounted at the weighted average cost of capital of the Group WACC, equal to 9.40%, determined on the basis of the following parameters:

- Free Risk Rate of a mature country (Germany), i.e. rate of return on 10Y Bunds relating to the twelve months preceding 12/31/2023 (Source: investing.com).
- Beta volatility coefficient constructed as the average of the 2Y unlevered β of a sample of comparable companies leveraged as a function of the average D/E ratio of the same comparables (Source: Bloomberg).
- Equity Risk Premium, premium for the ideal risk as identified by best practices.
- Country Risk Premium, determined as the average risk of the countries in which the Group operates, weighted by the percentage of production of the 2027 EBIT in said countries (Source: Aswath Damodaran).
- Coefficient α, which considers, among other things, the small cap and randomness premiums of execution of the plan.
- Cost of the Group's net debt, determined by considering the actual average rate (as of 12/31/2023) of the Group's credit lines.
- Financial structure, determined as the average of the comparables already considered for the definition of the β (Source: Bloomberg).

To discount the Terminal Value, a WACC of 10.08% was adopted, determined by considering an additional premium α on the cost of equity capital.

The value in use of the two CGUs, calculated according to the DCF methodology, was higher than the book value of the related Net Invested Capital.

Furthermore, the Group nevertheless conducted the usual sensitivity analyses, required by IAS 36, in order to highlight the effects produced on the "value in use" of the CGUs by an increase in the WACC discount rate and a decrease in the growth rate.

The analysis carried out did not reveal any situations of impairment as the net book value of the two CGUs was lower than the related recoverable 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 prospectively, over the course of its useful life. The industry averages were used as the royalty rates (equal to 10%), from which the average percentage of incidence of the maintenance costs of each brand on the turnover was deduced (equal to 3.01% for Moschino, 1.35% for Pollini and 6.99% for Alberta Ferretti). The presumed royalty percentage was also determined net of the tax effect.

In this case, considering the historicity of the trademarks being evaluated, it was considered correct to use a time horizon (useful life) of unlimited duration of the distinctive sign, which in any case corresponds to an algorithm equal to approximately 25/30 years.

The expected royalties were determined on the basis of the turnover attributable to each specific brand and extrapolated from the 2024 Budget and for the financial years 2025-2027 from the expected economic development plans, approved by the Parent Company.

For the period following the explicit planning period (post 2027), in determining the expected turnover and, therefore, the presumed royalties, a minimum annual growth rate g was considered (equal to 2.02%), equal to inflation average expectation in the countries in which the Group operates, weighted based on the 2027 EBITDA produced in these countries. In line with what was done for the two CGUs of the Group, the average cost of capital (WACC) equal to 9.40% (8.40% as at 31/12/2022) for the period was used as the discount rate. of explicit planning and equal to 10.08% (8.40% as at 12/31/2022) for the subsequent period.

Moreover, the Group has conducted the usual sensitivity analyzes, required by IAS 36, in order to highlight the effects produced on the "value in use" of brands by an increase in the WACC discount rate. In particular, the percentage increase in the WACC was identified which would lead to a zeroing of the headroom found between the value in use and the carrying amount (percentage increase in the WACC for each brand: +32.67% Moschino; +2 .86% Pollini; +11.63% Alberta Ferretti).

From the analysis carried out, no impairment situations emerged as the net book value of the individual brands is lower than 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) - substantially attributable to the key money paid for the takeover - which highlighted impairment indicators linked to the increase in rates.

In particular, for the stores (Cash Generating Units - CGU), the recoverable value, has been determined as the greater of the fair value and the value in use of the relative CGU, and compared with the net carrying amount ("carrying amount").

The test was conducted first of all by identifying the recoverable value of the stores (for which the Group appears to have recorded key money) in the sense of fair value. In particular, the fair value was calculated based on current empirical data from the real estate market, as the difference between:

- the current value of the residual rents considering the market values (Sources: Main Streets across the World - Cushman & Wakefield; Real Estate Market Observatory - Revenue Agency) of the rents applicable for properties located in the same cities and streets as stores being estimated and the specific size (m2) of the stores being tested;
- the current value of the residual rental payments considering the contractual values.

Also in this case the discount rate is the Group WACC, adjusted to consider the specific country and inflation risks of the state in which the store is located. The useful life of the CGU was assumed to be equal to the duration of the lease contract. The fair value thus determined was compared with the net book value of the key money and fittings of each store. In the event that this comparison highlighted a loss of value, considering that the Accounting Standard provides that the recoverable value represents the greater of the fair value and the value in use, the value in use of the stores was also determined using the previously exposed DCF financial methodology.

To estimate the value in use of the stores (CGU), the operating cash flows deduced from the actual economic data as of 12/31/2023, as well as the prospective 2024 - 2027 data, as approved by the Parent Company, were considered. For the years after 2027 and until the expiry date of the rental contract, the cash flows were estimated analytically, year by year, on the basis of the latest available EBIT increased by a growth rate g - equal to expected inflation 2028 in Italy or France, based on the geographical location of the shop - netted considering full rate taxes. To discount the cash flows, the same WACC rate determined for the two CGUs «Pret-a-porter» and «Pollini» was adopted, modified only to consider only the country risk of Italy or France, and not the weighted average of Countries of operation of the entire Group.

The analysis carried out revealed a write-down for impairment of EUR 203 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.

For the stores that, however, passed the impairment test, the usual sensitivity analyzes were conducted, required by IAS 36, in order to highlight the effects produced on the "fair value" or "value in use" of the stores following: a hypothetical reduction in the rental price per square meter or a hypothetical increase in the WACC discount rate.

The analyzes on the variability of the results of the estimates made regarding the stores as the main valuation inputs assumed changed, hypothesized alternatively: for fair value valuations, the potential decrease in market prices per square meter and, for fair value valuations, value in use, the percentage increase in the WACC discount rate, which respectively lead to the elimination of the margins found in the impairment test.

A sensitivity analysis was first carried out on the market prices per square meter of the rents of each shop in order to identify the decrease in the same which would lead the recoverable value of the assets of each shop to be at least equal to the relative carrying amount (i.e. all zeroing of the headroom encountered). This decrease is between 28% and 82%.

In the event that the comparison between fair value and net book value has highlighted a loss in value, considering that the Accounting Standard provides that the recoverable value represents the greater of the fair value and the value in use, we also proceeded to determine the use value of the shops.

A sensitivity analysis on the discount rates (WACC) was carried out on the value in use of these stores, in order to identify the rate increase that would bring the recoverable value to be at least equal to the relative carrying amount (i.e. to zero of the headroom encountered). The increase in WACC is between 2% and 25%.

In defining the recoverable value of all assets subject to impairment testing, the financial impacts estimated by management for achieving its Environmental, social, and corporate governance (ESG) objectives were taken into consideration. In fact, in 2023 the AEFFE Group continued the path started previously regarding the in-depth mapping of ESG risks, also with the support of external professionals, starting from the materiality analysis, which will lead to a progressive integration of the factors of sustainability within its corporate risk management model. The company has identified its sustainability objectives and defined a prospective implementation plan for their achievement. The same was formalized in terms of economic impacts in a timely manner for the year 2024, implemented in the company budget. Aeffe has also estimated, on the basis of the 2024 budget, the economic impacts over the plan period, including them in its industrial economic plan, considered for the purposes of the impairment test.

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. A specific analysis is carried out both of the positions in dispute and of the positions that present some symptoms of delay in collections for the purpose of determining the provision for bad debts. Furthermore, the evaluation of residual credits is also carried out considering the expected loss which is calculated over the entire life of the trade credit. The evaluation of the overall realizable value of trade receivables requires the development of estimates regarding the probability of recovery of the aforementioned practices, as well as the percentages of write-downs applied to receivables not in dispute. The allocation to the bad debt fund is made consistently with the situation of your credits, considering that these credits are partly covered by insurance.

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 valued 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 January 1, 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.

- 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 2.00%;
- The discount rate used is 3.08%;
- The annual rate in increase of the severance indemnity fund foreseen is 3.000%;
- The expected turn-over of employees is 6% for Aeffe S.p.A., 10% for 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. As of December 31, 2023 a hypothetical upward variation of 10% in the interest rate, all other variables being equal, would have produced a higher cost before taxes (and thus a corresponding reduction in the shareholders' equity) of about EUR 630 thousand annually (EUR 182 thousand as of December 31, 2022).

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, 2023, 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 40,788 thousand as of December 31, 2023, represent 73% of the receivables entered in the financial statements. This percentage decreases compared to the 77% 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 2023	31 December 2022	Change	%
Trade receivables	56,122	62,851	(6,729)	(10.7%)
Other current receivables	26,200	33,119	(6,919)	(20.9%)
Other fixed assets	94	200	(106)	(53.0%)
Total	**82,416**	**96,170**	**(13,754)**	**(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 December 31, 2023, overdue but not written-down trade receivables amount to EUR 15,334 thousand (EUR 14,322 thousand in 2022). The breakdown by due date is as follows:

(Values in thousands of EUR)	31 December 2023	31 December 2022	Change	%
By 30 days	5,419	4,477	942	21.0%
31 - 60 days	2,902	2,668	234	8.8%
61 - 90 days	2,091	2,346	(255)	(10.9%)
Exceeding 90 days	4,922	4,831	91	1.9%
Total	**15,334**	**14,322**	**1,012**	**7.1%**

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 31.12.21	**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)	*(25)*	(4,218)
Net book value as of 31.12.22	**64,508**	**1,513**	**66,021**
Increases	-	1,203	1,203
- increases externally acquired	-	*1,203*	*1,203*
- increases from business aggregations	-	-	-
Disposals	-	(13)	(13)
Translation differences and other variations	-	(15)	(15)
Amortisation	(3,494)	*(790)*	(4,284)
Net book value as of 31.12.23	**61,014**	**1,898**	**62,912**

The intangible fixed assets highlight the following main variations:

- increases, equal to 1,203 thousand euros, mainly related to software.
- disposals for 13 thousand euros.
- decrease for other variarions for 15 thousand euros.
- amortisation of the period is 4,218 thousand euros.

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 2023	31 December 2022
Alberta Ferretti	19	2,394	2,520
Moschino	21	34,132	36,060
Pollini	17	24,488	25,928
Total		**61,014**	**64,508**

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 31.12.21	**17,123**	**25,763**	**8,600**	**3,972**	**327**	**2,986**	**58,771**
Increases	-	334	5,290	434	97	1,831	7,986
Disposals	-	-	(166)	(122)	(10)	(221)	(519)
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**
Increases	-	-	3,579	411	61	958	5,009
Disposals	-	(7)	(191)	(8)	-	(43)	(249)
Translation differences and other variations	-	-	(177)	-	(7)	116	(68)
Depreciation	-	(758)	(2,691)	(812)	(121)	(1,124)	(5,506)
Net book value as of 31.12.23	**17,123**	**24,575**	**11,729**	**3,155**	**251**	**3,604**	**60,437**

Tangible fixed assets have changed as follows:

- Increases for new investments of 5,009 thousand euros. 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 249 thousand euros.
- Decrease for differences arising on translation and other variation of 68 thousand euros.
- Depreciation of EUR 5,506 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 2023:

(Values in thousands of EUR)	Buildings	Car	Other	Total
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**
Increases	11,414	1,039	803	13,256
Disposals	(384)	-	-	(384)
Write-downs	(203)	-	-	(203)
Translation differences and other variations	85	-	-	85
Depreciation	(19,904)	(610)	(581)	(21,095)
Net book value as of 31.12.23	**99,588**	**1,582**	**1,056**	**102,226**

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 23.6 million euros. At December 31, 2023 this value amounted to 10.4 million euros. 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").

The analysis carried out revealed a write-down for impairment of Euro 203 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 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 2023 and at 31 December 2022:

(Values in thousands of EUR)	Receivables		Liabilities	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Tangible fixed assets	4	5	(17)	(17)
Intangible fixed assets	3	3	(144)	(144)
Provisions	2,974	3,997	-	(6)
Costs deductible in future periods	280	636	32	(17)
Income taxable in future periods	-	-	(69)	(138)
Tax losses carried forward	8,484	1,963	-	-
Other	3,367	3,555	(41)	(1,313)
Tax assets (liabilities) from transition to IAS	1,879	3,736	(11,289)	(14,164)
Total	**16,991**	**13,895**	**(11,528)**	**(15,799)**

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	(12)	-	-	(1)	(13)
Intangible fixed assets	(141)	-	-	-	(141)
Provisions	3,991	(7)	(1,016)	6	2,974
Costs deductible in future periods	619	(2)	(355)	50	312
Income taxable in future periods	(138)	-	76	(7)	(69)
Tax losses carried forward	1,963	(87)	8,538	(1,930)	8,484
Other	2,242	1	1,083	-	3,326
Tax assets (liabilities) from transition to IAS	(10,428)	(294)	608	704	(9,410)
Total	**(1,904)**	**(389)**	**8,934**	**(1,178)**	**5,463**

The decrease of 1,178 thousand euros 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 2023	31 December 2022	Change	%
Raw, ancillary and consumable materials	8,870	10,956	(2,086)	(19.0%)
Work in progress	5,373	7,169	(1,796)	(25.1%)
Finished products and goods for resale	98,007	98,569	(562)	(0.6%)
Advance payments	-	16	(16)	(100.0%)
Total	**112,250**	**116,710**	**(4,460)**	**(3.8%)**

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 2023 and the Spring/Summer 2024 collections and the Autumn/Winter 2024 sample collections.

(Values in thousands of EUR)	31 December 2022	Increases	Decreases / Other changes	31 December 2023
Inventory write-down fund	(20,392)	(1,321)	10,440	(11,273)
Total	**(20,392)**	**(1,321)**	**10,440**	**(11,273)**

The value of inventories is already indicated net of the obsolescence provision equal to 11,273 thousand euros. The change in the provision is determined by its use in relation to stock sales operations of non-current seasons which took place in 2023 mainly in Europe and the United States.

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 2023	31 December 2022	Change	%
Trade receivables	59,411	66,218	(6,807)	(10.3%)
(Allowance for doubtful account)	(3,289)	(3,367)	78	(2.3%)
Total	**56,122**	**62,851**	**(6,729)**	**(10.7%)**

Trade receivables amount to 59,411 thousand euros at December 31, 2023, down 10.3% since December 31, 2022. 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 2023	31 December 2022	Change	%
(Allowance for doubtful account)	3,367	389	(467)	3,289
Total	**3,367**	**389**	**(467)**	**3,289**

9. *Tax receivables*

This item is illustrated in details in the following table:

(Values in thousands of EUR)	31 December 2023	31 December 2022	Change	%
VAT	5,224	7,018	(1,794)	(25.6%)
Corporate income tax (IRES)	3,183	2,731	452	16.6%
Local business tax (IRAP)	795	699	96	13.7%
Amounts due to tax authority for withheld taxes	24	5	19	380.0%
Other tax receivables	2,940	2,534	406	16.0%
Total	**12,166**	**12,987**	**(821)**	**(6.3%)**

As of December 31, 2023, the Group's tax receivables amount to EUR 12,166 thousand. The variation compared with the value at December 31, 2022 is mainly due to the decrease of VAT receivable.

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 5,100 thousand (USD 14,000 thousand at 31/12/2022). All contracts opened at 31/12/2023 will expire in 2024.

The composition of the derivative financial instruments in place at December 31, 2023 and December 31, 2022 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 2023			31 December 2022		
	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	63	-	46	-	(173)	(125)
TOTAL CURRENT	**63**	**-**	**46**	**-**	**(173)**	**(125)**

The cash flow hedge reserve relating to forward contracts hedging the currency risk on currencies is positive for 46 thousand euros net of the related tax effect (-17 thousand euros).

The transfer to the 2023 income statement of the effect of the hedging transactions on exchange rate risk was equal to 179 thousand euros brought to increase costs.

11. Cash

This item includes:

(Values in thousands of EUR)	31 December 2023	31 December 2022	Change	%
Bank and post office deposits	14,140	21,131	(6,991)	(33.1%)
Cheques	21	27	(6)	(22.2%)
Cash in hand	465	500	(35)	(7.0%)
Total	**14,626**	**21,658**	**(7,032)**	**(32.5%)**

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 December 31, 2023 compared with the amount recorded at December 31, 2022, is EUR 7,032 thousand. About the reason of this variation see the Cash Flow Statement.

12. Other receivables

This caption comprimes:

(Values in thousands of EUR)	31 December 2023	31 December 2022	Change	%
Credits for prepaid costs	20,443	27,559	(7,116)	(25.8%)
Advances for royalties and commissions	15	15	-	n.a.
Advances to suppliers	584	130	454	349.2%
Accrued income and prepaid expenses	1,917	1,716	201	11.7%
Other	3,368	3,699	(331)	(8.9%)
Total	**26,327**	**33,119**	**(6,792)**	**(20.5%)**

Other short term receivables decrease compared with the previous period of 6,792 thousand euros, mainly for decrease of prepaid costs.

Credits for prepaid costs relate to the costs incurred to design and make samples for the Spring/Summer 2024 and Autumn/Winter 2024 collections for which the corresponding revenues from sales have not been realised yet.

13. Shareholders' equity

Described below are main categories of shareholders' equity at December 31, 2023, while the corresponding variations are described in the prospect of shareholders' equity.

(Values in thousands of EUR)	31 December 2023	31 December 2022	Change
Share capital	24,606	24,606	-
Share premium reserve	62,264	67,599	(5,335)
Cash flow reserve	46	(125)	171
Other reserves	13,475	12,690	785
Fair value reserve	7,901	7,901	-
IAS reserve	7,607	7,607	-
Remeasurement of defined benefit plans reserve	(1,339)	(1,225)	(114)
Translation reserve	(347)	(930)	583
Profits / (losses) carried-forward	(2,974)	735	(3,709)
Net profit / (loss) for the Group	(32,144)	(9,044)	(23,100)
Minority interests	145	(9)	154
Total	**79,240**	**109,805**	**(30,565)**

Share capital

Share capital as of December 31, 2023, totally subscribed and paid, (gross of treasury shares) totals 26,841 thousand euros, and is represented by 107,362,504 shares, par value 0.25 euros each. At December 31, 2023 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 2023, no treasury shares were purchased by the Parent Company.

Share premium reserve

The variation in the share premium reserve amounts to 5,835 thousand euros and it is due to cover the prior-year loss of the Parent Company

Cash flow reserve

For the change in the cash flow hedge reserve of 171 thousand euros, please refer to note 10 of the assets and liabilities for derivatives.

Other reserves

During the year this item decreased mainly as a result of the mergers of the subsidiaries Moschino S.p.A. and Aeffe Retail S.p.A. in Aeffe S.p.A..

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 January 1, 2013 (retrospectively), of the amendment to IAS 19, changes of 114 thousand euros compared to the value at December 31, 2022.

Translation reserve

The variation of EUR 583 thousand related to such reserve is mainly due to the conversion of companies' financial statements in other currency than euros.

Profits/(losses) carried-forward

The item Profit/(Loss) previous years recorded a positive change mainly due to the result as at December 31, 2022.

Minority interests

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

NON-CURRENT LIABILITIES

14. Provisions

Provisions are illustrated in the following statement:

(Values in thousands of EUR)	31 December 2022	Increases	Decreases / Other changes	31 December 2023
Pensions and similar obligations	1,409	597	(130)	1,876
Other	962	250	(908)	304
Total	**2,371**	**847**	**(1,038)**	**2,180**

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".

15. 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 2022	Increases	Decreases / Other changes	31 December 2023
Post employment benefits	3,551	12	(357)	3,206
Total	**3,551**	**12**	**(357)**	**3,206**

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.

16. Long-term financial liabilities

The following table contains details of long-term borrowings:

(Values in thousands of EUR)	31 December 2023	31 December 2022	Change	%
Loans from financial institutions	78,608	70,444	8,164	11.6%
Lease liabilities	83,188	88,833	(5,645)	(6.4%)
Total	**161,796**	**159,277**	**2,519**	**1.6%**

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 13,222 thousand euros.

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

Lease liabilities relate to the application of IFRS 16, below is the table with the movements and temporal breakdown of the debt:

(Values in thousands of EUR)	Lease liabilities	By 1 year	From 2 to 5	Exceeding 5
Net book value as of 31.12.22	**104,906**	**16,073**	**51,606**	**37,227**
Increases	13,274			
Decreases	(352)			
Lease repayment	(19,303)			
Financial expenses on right-of-use asset	2,416			
Translation differences / Other variations	41			
Net book value as of 31.12.23	**100,982**	**17,791**	**52,191**	**30,997**

The following table contains details of bank loans as of December 31, 2023, including the current portion and the long term portion:

(Values in thousands of EUR)	Total amount	Current portion	Long term portion
Bank borrowings	98,363	19,755	78,608
Total	**98,363**	**19,755**	**78,608**

It should be noted that the amount due beyond five years amounts to 10,828 thousand euros.

17. *Long-term not financial liabilities*

The item amounts to EUR 1,398 thousand as at December 31, 2023, 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

18. *Trade payables*

Tax payables are analysed in comparison with the related balances as of 31 December 2022:

(Values in thousands of EUR)	31 December 2023	31 December 2022	Change	%
Trade payables	78,735	88,596	(9,861)	(11.1%)
Total	**78,735**	**88,596**	**(9,861)**	**(11.1%)**

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

19. *Tax payables*

Tax payables are analysed in comparison with the related balances as of 31 December 2022 in the following table:

(Values in thousands of EUR)	31 December 2023	31 December 2022	Change	%
Local business tax (IRAP)	36	161	(125)	(77.6%)
Corporate income tax (IRES)	294	71	223	314.1%
Amounts due to tax authority for withheld taxes	2,384	2,439	(55)	(2.3%)
VAT due to tax authority	495	871	(376)	(43.2%)
Other	24	844	(820)	(97.2%)
Total	**3,233**	**4,386**	**(1,153)**	**(26.3%)**

As of December 31, 2023, the Group's payables to tax institutions amounted to 3,233 thousand euros. The main reduction refers to the payment, which occurred during the year, of the last installment of the debt for substitute tax relating to the operations carried out as required by the art. 110 of Legislative Decree no. 104/2020 "August Decree".

20. *Short term financial liabilities*

A breakdown of this item is given below:

(Values in thousands of EUR)	31 December 2023	31 December 2022	Change	%
Due to banks	88,512	78,131	10,381	13.3%
Lease liabilities	17,791	16,073	1,718	10.7%
Total	**106,303**	**94,204**	**12,099**	**12.8%**

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.

Lease liabilities relate to the application of IFRS 16.

21. *Other liabilities*

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

(Values in thousands of EUR)	31 December 2023	31 December 2022	Change	%
Due to total security organization	3,665	3,628	37	1.0%
Due to employees	4,543	5,274	(731)	(13.9%)
Trade debtors - credit balances	2,559	2,957	(398)	(13.5%)
Accrued expenses and deferred income	2,132	3,702	(1,570)	(42.4%)
Other	3,612	3,937	(325)	(8.3%)
Total	**16,511**	**19,498**	**(2,987)**	**(15.3%)**

The other short term liabilities amount to 16,511 thousand euros at December 31, 2023 and decrease 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 company Aeffe, 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 2023 and 2022 of the *Prêt-à porter* and Footwear and leather goods Divisions:

(Values in thousands of EUR) 2023	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR REVENUES	**212,377**	**142,131**	**(35,886)**	**318,622**
Intercompany revenues	(13,515)	(22,371)	35,886	-
Revenues with third parties	**198,862**	**119,760**	-	**318,622**
Gross operating margin (EBITDA)	**(12,390)**	**18,173**	-	**5,783**
Amortisation	(24,909)	(5,976)	-	(30,885)
Other non monetary items:				
Write-downs	(1,711)	(306)	-	(2,017)
Net operating profit / loss (EBIT)	**(39,010)**	**11,891**	-	**(27,119)**
Financial income	94	248	-	342
Financial expenses	(9,046)	(2,077)	-	(11,123)
Profit / loss before taxes	**(47,962)**	**10,062**	**-**	**(37,900)**
Income taxes	8,832	(2,922)	-	5,910
Net profit / loss	**(39,130)**	**7,140**	**-**	**(31,990)**

(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)**

The following tables indicate the main patrimonial and financial data at 31 December 2023 and 2022 of the *Prêt-à porter* and Footwear and leather goods Divisions:

(Values in thousands of EUR) 31 dicembre 2023	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR ASSETS	*318,635*	*146,268*	*(29,932)*	434,971
of which non-current assets (*)				
Intangible fixed assets	*38,362*	*24,550*	*-*	*62,912*
Tangible fixed assets	*53,199*	*7,238*	*-*	*60,437*
Right-of-use assets	*92,467*	*9,759*	*-*	*102,226*
Other non-current assets	*116*	*19*	*-*	*135*
OTHER ASSETS	*25,884*	*3,273*	*-*	29,157
CONSOLIDATED ASSETS	**344,519**	**149,541**	**(29,932)**	**464,128**
SECTOR LIABILITIES	324,358	75,702	(29,932)	370,128
OTHER LIABILITIES	9,363	5,397	-	14,760
CONSOLIDATED LIABILITIES	**333,721**	**81,099**	**(29,932)**	**384,888**

(*) 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 dicembre 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

Segment information by geographical area

The following table indicates the revenues for the full year 2023 and 2022 divided by geographical area:

(Values in thousands of EUR)	Full Year 2023	%	Full Year 2022	%	Change	%
Italy	133,964	42.0%	144,569	41.1%	(10,605)	(7.3%)
Europe (Italy excluded)	98,644	31.0%	117,826	33.4%	(19,182)	(16.3%)
Asia and Rest of the World	66,679	20.9%	65,038	18.5%	1,641	2.5%
America	19,335	6.1%	24,573	7.0%	(5,238)	(21.3%)
Total	**318,622**	**100.0%**	**352,006**	**100.0%**	**(33,384)**	**(9.5%)**

COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

22. 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 2023	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
Geographical area	**212,377**	**142,131**	**(35,886)**	**318,622**
Italy	91,918	72,839	(30,793)	133,964
Europe (Italy excluded)	48,687	52,360	(2,403)	98,644
Asia and Rest of the World	53,716	14,098	(1,135)	66,679
America	18,056	2,834	(1,555)	19,335
Brand	**212,377**	**142,131**	**(35,886)**	**318,622**
Alberta Ferretti	21,946	1,544	(1,593)	21,897
Philosophy	17,521	450	(439)	17,532
Moschino	170,929	103,091	(33,267)	240,753
Pollini	104	34,504	(98)	34,510
Other	1,877	2,542	(489)	3,930
Distribution channel	**212,377**	**142,131**	**(35,886)**	**318,622**
Wholesale	117,546	116,179	(19,860)	213,865
Retail	73,480	25,850	(4,454)	94,876
Royalties	21,351	102	(11,572)	9,881
Timing of goods and services transfer	**212,377**	**142,131**	**(35,886)**	**318,622**
POINT IN TIME (transfer of significant risks and benefits connected to the property of the asset)	191,026	142,029	(24,314)	308,741
POINT IN TIME (Royalties accrual on Licensee's turnover)	21,351	102	(11,572)	9,881

In 2023 consolidated revenues amount to EUR 318,622 thousand compared to EUR 352,006 thousand of the year 2022, showing a decrease of 9.5% (-9.0% at constant exchange rates).

Revenues of the prêt-à-porter division amount to 212,377 thousand euros with a decrease of 8.4% at current exchange rates (-7.6% at constant exchange rates) compared to 2022. The revenues of the footwear and leather goods division decrease by 13.1%, both at constant and current exchange rates, to 142,131 thousand euros.

23. *Other revenues and income*

This item comprises:

(Values in thousands of EUR)	Full Year 2023	Full Year 2022	Change	%
Other income	10,739	11,566	(827)	(7.2%)
Total	**10,739**	**11,566**	**(827)**	**(7.2%)**

The caption other income, that amounts to 10,739 thousand euros, 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.

24. *Costs of raw materials*

(Values in thousands of EUR)	Full Year 2023	Full Year 2022	Change	%
Raw, ancillary and consumable materials and goods for resale	128,346	159,820	(31,474)	(19.7%)
Total	**128,346**	**159,820**	**(31,474)**	**(19.7%)**

The entry purchase of raw materials decreases of 31,474 thousand euros.

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.

25. *Costs of services*

This item comprises:

(Values in thousands of EUR)	Full Year 2023	Full Year 2022	Change	%
Subcontracted work	25,566	25,873	(307)	(1.2%)
Consultancy fees	28,817	24,526	4,291	17.5%
Advertising	13,891	17,135	(3,244)	(18.9%)
Commission	11,868	10,924	944	8.6%
Transport	10,521	11,735	(1,214)	(10.3%)
Utilities	2,372	3,090	(718)	(23.2%)
Directors' and auditors' fees	3,084	3,555	(471)	(13.2%)
Insurance	780	875	(95)	(10.9%)
Bank charges	742	1,451	(709)	(48.9%)
Travelling expenses	1,804	1,672	132	7.9%
Other services	10,921	9,983	938	9.4%
Total	**110,366**	**110,819**	**(453)**	**(0.4%)**

The costs for services decrease overall by 0.4% compared with the previous period, going from 110,819 thousand euros in 2022 to 110,366 thousand euros in the 2023.

26. *Costs for use of third parties assets*

This item comprises:

(Values in thousands of EUR)	Full Year 2023	Full Year 2022	Change	%
Rental expenses	4,410	3,567	843	23.6%
Royalties	606	1,095	(489)	(44.7%)
Hire charges and similar	1,016	1,019	(3)	(0.3%)
Total	**6,032**	**5,681**	**351**	**6.2%**

The costs for use of third parties assets increases by 351 thousand euros from 5,681 thousand euros in 2022 to 6,032 thousand euros in 2023.

27. *Labour costs*

Labour costs increase by 1,957 thousand euros from 69,862 thousand euros in 2022 to 71,819 thousand euros in 2022, recording an incidence on revenues which changes from 19.8% in 2022 to 22.5% in 2022.

This item comprises:

(Values in thousands of EUR)	Full Year 2023	Full Year 2022	Change	%
Labour costs	71,819	69,862	1,957	2.8%
Total	**71,819**	**69,862**	**1,957**	**2.8%**

In 2023 the average number of employees of the Group is:

Average number of employees by category	Full Year 2023	Full Year 2022	Change	%
Workers	246	231	15	6.5%
Office staff-supervisors	1,069	1,127	(58)	(5.1%)
Executive and senior managers	27	29	(2)	(6.9%)
Total	**1,342**	**1,387**	**(45)**	**(3.2%)**

28. *Other operating expenses*

This item includes:

(Values in thousands of EUR)	Full Year 2023	Full Year 2022	Change	%
Taxes	1,235	1,115	120	10.8%
Gifts	610	281	329	117.1%
Contingent liabilities	375	465	(90)	(19.4%)
Write-down of current receivables	144	30	114	380.0%
Foreign exchange losses	3,179	3,854	(675)	(17.5%)
Other operating expenses	629	733	(104)	(14.2%)
Total	**6,172**	**6,478**	**(306)**	**(4.7%)**

The other operating costs item changes from 6,478 thousand euros in 2022 to 6,172 thousand euros in 2023 with a decrease of 306 thousand euros, mainly due to a decrease in foreign exchange losses.

29. Amortisation, write-downs and provisons

This item includes:

(Values in thousands of EUR)	Full Year 2023	Full Year 2022	Change	%
Amortisation of intangible fixed assets	4,284	4,218	66	1.6%
Depreciation of tangible fixed assets	5,506	4,984	522	10.5%
Depreciation of right-of-use assets	21,095	22,487	(1,392)	(6.2%)
Write-downs and provisions	2,017	2,647	(630)	(23.8%)
Total	**32,902**	**34,336**	**(1,434)**	**(4.2%)**

The item changes from 34,336 thousand euros in 2022 to 32,902 thousand in 2023 mainly due to the decrease in depreciation of assets for rights of use.

30. Financial income/expenses

This item include:

(Values in thousands of EUR)	Full Year 2023	Full Year 2022	Change	%
Interest income	54	269	(215)	(79.9%)
Foreign exchange gains	166	(59)	225	n.a.
Financial discounts	122	112	10	8.9%
Financial income	**342**	**322**	**20**	**6.2%**
Bank interest expenses	6,813	1,815	4,998	275.4%
Other interest expenses	514	224	290	129.5%
Foreign exchange losses	95	369	(274)	(74.3%)
Other expenses	1,285	722	563	78.0%
Financial expenses	**8,707**	**3,130**	**5,577**	**178.2%**
Leasing interest expenses	2,416	2,208	208	9.4%
Leasing interest expenses	**2,416**	**2,208**	**208**	**9.4%**
Total	**10,781**	**5,016**	**5,765**	**114.9%**

The increase in the item financial income/expenses is 5,765 thousand euros, mainly linked to the increase in interest expense generated by the rise in interest rates and the increase in financial debt.

31. Income taxes

This item includes:

(Values in thousands of EUR)	Full Year 2023	Full Year 2022	Change	%
Current income taxes	3,056	5,438	(2,382)	(43.8%)
Deferred income (expenses) taxes	(8,934)	(230)	(8,704)	3,784.3%
Taxes related to previous years	(31)	52	(83)	n.a.
Total taxes	**(5,909)**	**5,260**	**(11,169)**	**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 2023 and 2022 is illustrated in the following table:

(Values in thousands of EUR)	Full Year 2023	Full Year 2022
Profit / loss before taxes	(37,900)	(3,796)
Theoretical tax rate	24.0%	24.0%
Theoretical income taxes (IRES)	**(9,096)**	**(911)**
Fiscal effect	(2,015)	5,847
Effect of foreign tax rates	4,869	(723)
Total income taxes excluding IRAP (current and deferred)	**(6,242)**	**4,213**
IRAP (current and deferred)	**333**	**1,047**
Total income taxes (current and deferred)	**(5,909)**	**5,260**

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.

32. 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 2023	Full Year 2022
From continuing activities		
Earning/(loss) for determining basic result per share	(32,144)	(9,044)
Earning/(loss) for determing result per share	**(32,144)**	**(9,044)**
Dilutive effects	-	-
Earning/(loss) for determing dilutive result per share	**(32,144)**	**(9,044)**
From continuing and discontinued activities		
Earning/(loss) for the period	(32,144)	(9,044)
Earning/(loss) from discontinued operations	-	-
Earning/(loss) for determining basic result per share	**(32,144)**	**(9,044)**
Dilutive effects	-	-
Earning/(loss) for determing dilutive result per share	**(32,144)**	**(9,044)**
Number of reference share		
Average number of shares for determing result per share	**98,425**	**98,425**
Share options	-	-
Average number of shares for determing diluted result per share	**98,425**	**98,425**

Basic earning/(loss) per share

Group net loss attributable to holders of ordinary shares of parent company AEFFE S.p.A., amounts to 32,144 thousand compared to a loss of 9,044 thousand in 2022.

Dilutive earning/(loss) per share

The calculation of diluted loss per share for the period January - December 2023, 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 2023 is EUR 7,032 thousand.

(Values in thousands of EUR)	Full Year 2023	Full Year 2022
Opening balance (A)	**21,658**	**31,307**
Cash flow (absorbed)/ generated by operating activity (B)	6,426	(1,541)
Cash flow (absorbed)/ generated by investing activity (C)	(18,826)	(56,588)
Cash flow (absorbed)/ generated by financing activity (D)	5,368	48,480
Increase (decrease) in cash flow (E)=(B)+(C)+(D)	**(7,032)**	**(9,649)**
Closing balance (F)=(A)+(E)	**14,626**	**21,658**

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

The cash flow generated by operating activity during 2023 amounts to 6,426 thousand euros.

The cash flow from operating activity is analysed below:

(Values in thousands of EUR)	Full Year 2023	Full Year 2022
Profit before taxes	(37,900)	(3,796)
Amortisation / write-downs	32,902	34,336
Accrual (+)/availment (-) of long term provisions and post employment benefits	(1,430)	(314)
Paid income taxes	(2,612)	(2,199)
Financial income (-) and financial charges (+)	10,781	5,016
Change in operating assets and liabilities	4,685	(34,584)
Cash flow (absorbed) / generated by operating activity	**6,426**	**(1,541)**

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

The cash flow absorbed by investing activity during 2023 amounts to 18,826 thousand euros.

The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	Full Year 2023	Full Year 2022
Increase (-)/ decrease (+) in intangible fixed assets	(1,174)	(1,372)
Increase (-)/ decrease (+) in tangible fixed assets	(4,693)	(7,465)
Increase (-)/ decrease (+) in right-of-use assets	(12,957)	(47,742)
Investments ans write-downs (-)/ Disinvestments and revaluations (+)	(2)	(9)
Cash flow (absorbed) / generated by investing activity	**(18,826)**	**(56,588)**

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

The cash flow generated by financing activity during 2023 amounts to 5,368 thousand.

The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	Full Year 2023	Full Year 2022
Other variations in reserves and profits carried-forward of shareholders' equity	1,425	(1,299)
Dividends paid	-	-
Proceeds (+)/ repayments (-) of financial payments	18,544	21,283
Proceeds (+)/repayment (-) of leasing payments	(3,926)	29,233
Increase (-)/ decrease (+) in long term financial receivables	106	4,279
Financial income (+) and financial charges (-)	(10,781)	(5,016)
Cash flow (absorbed) / generated by financing activity	**5,368**	**48,480**

OTHER INFORMATION

36. 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.

37. Statement of indebtedness

As required by ESMA guidance 32-382-1138 of March 4, 2021, in line with the "Warning no. 5/21 "of April 29, 2021 of Consob, it should be noted that the debt of the Aeffe Group at 31 December 2023 is as follows:

(Values in thousands of EUR)	31 December 2023	31 December 2022
A - Cash	14,626	21,658
B - Cash equivalents	-	-
C - Other current financial assets	-	-
D - Liquidity (A + B + C)	**14,626**	**21,658**
E - Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)	68,757	58,998
F - Current portion of non-current financial debt	37,546	35,206
G - Current financial indebtedness (E + F)	**106,303**	**94,204**
H - Net current financial indebtedness (G - D)	**91,677**	**72,546**
I - Non-current financial debt (excluding current portion and debt instruments)	161,796	159,277
J - Debt instruments	-	-
K - Non-current trade and other payables	-	-
L - Non-current financial indebtedness (I + J + K)	**161,796**	**159,277**
M - Total financial indebtedness (H + L)	**253,473**	**231,823**

The financial situation of the Group at December 31, 2023 shows a debt of 253,473 thousand euros, including IFRS 16 effects, compared to the debt of 231,823 thousand at December 31, 2022, with a worsening of 21.650 thousand euros. The debt at December 31, 2023 relating to IFRS 16 amounts to 100,979 thousand euros, of which 17,791 thousand euros is current and 83,188 thousand euros is non-current. Debt net of the IFRS 16 effect at the end of December 2023 amounts to 152,494 thousand euors compared to the debt of 126,918 thousand euros at the end of December 2022, recording a worsening of 25,576 thousand euros.

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 90 million euros 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.

38. 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 2023	Full Year 2022	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	121	141	Revenue
Property rental	50	50	Cost
Cost of services	75	75	Cost
Commercial	490	513	Receivable
Commercial	-	3	Payable
Ferrim with Aeffe S.p.a.			
Property rental	1,991	1,872	Cost
Aeffe USA with Ferrim USA			
Financial income	-	92	Financial income
Commercial	126	128	Receivable
Commercial	-	128	Payable

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 December 31, 2023 and December 31, 2022.

(Values in thousands of EUR)	Balance Full Year	Value rel. party 2023	%	Balance Full Year	Value rel. party 2022	%
Incidence of related party transactions on the income statement						
Revenues from sales and services	318,622	121	0.0%	352,006	141	0.0%
Costs of services	110,366	1,075	1.0%	110,819	1,075	1.0%
Financial Income / expenses	10,781	-	0.0%	5,016	92	1.8%
Incidence of related party transactions on the balance sheet						
Trade receivables	56,122	616	1.1%	62,851	641	1.0%
Trade payables	78,735	-	0.0%	88,596	131	0.1%
Incidence of related party transactions on the cash flow						
Cash flow (absorbed) / generated by operating activities	6,426	(1,060)	n.a.	(1,541)	(163)	10.6%
Cash flow (absorbed) / generated by financing activities	5,368	-	0.0%	48,480	2,914	6.0%
Incidence of related party transactions on the indebtedness						
Net financial indebtedness	(152,494)	(1,060)	0.7%	(126,918)	2,751	n.a.

39. *Atypical and/or unusual transactions*

Pursuant to Consob communication DEM/6064293 dated 28th July 2006, it is confirmed that in 2023 the Group did not enter into any atypical and/or unusual transactions, as defined in that communication.

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

No non-recurring events or transactions were carried out in 2023.

41. *Guarantees and commitments*

As of December 31, 2023, the Group has given performance guarantees to third parties totaling 5,030 thousand euros (4,640 thousand euros as of December 31, 2022).

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 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 2023 for the audit and audit related services provided by the Audit Firm.

(Values in thousand of EUR)	Service provider	2023 fees
Audit	RIA GRANT THORNTON	165
Audit	BDO ITALIA	21
Audit	WARD DIVECHA	9
Audit	ARI AUDIT	4
Audit	GRANT THORNTON SHANGHAI	22
Audit	GRANT THORNTON HONG KONG	9
Audit	GRANT THORNTON ESPANA	3
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	5
Non-financial statement (DNF)	BDO ITALIA	24
Audit non-financial statement (DNF)	RIA GRANT THORNTON	15
Consolidated ESEF financial statements	BDO ITALIA	8
Audit consolidated ESEF financial statements	RIA GRANT THORNTON	8
Total		**310**

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 2022.

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		61,013,859		64,507,805	
Other intangible fixed assets		1,897,894		1,513,335	
Intangible fixed assets	(1)	62,911,753		66,021,140	
Lands		17,123,494		17,123,494	
Buildings		24,575,199		25,339,662	
Leasehold improvements		11,728,767		11,208,330	
Plant and machinary		3,155,045		3,564,074	
Equipment		250,578		318,192	
Other tangible fixed assets		3,604,148		3,696,868	
Tangible fixed assets	(2)	60,437,231		61,250,620	
Right-of-use assets	(3)	102,226,024		110,566,821	
Equity investments	(4)	41,196		39,197	
Other fixed assets	(5)	93,927		199,911	
Deferred tax assets	(6)	16,991,324		13,894,621	
NON-CURRENT ASSETS		**242,701,455**		**251,972,310**	
Stocks and inventories	(7)	112,249,596		116,709,745	
Trade receivables	(8)	56,121,993	615,460	62,850,576	640,464
Tax receivables	(9)	12,165,895		12,987,118	
Derivative assets	(10)	63,229		-	
Cash	(11)	14,625,807		21,657,539	
Other receivables	(12)	26,200,359		33,118,597	
CURRENT ASSETS		**221,426,879**		**247,323,575**	
TOTAL ASSETS		**464,128,334**		**499,295,885**	
Share capital		24,606,247		24,606,247	
Other reserves		89,606,998		93,516,643	
Profits / (losses) carried-forward		(2,973,651)		735,589	
Net profit / (loss) for the Group		(32,143,947)		(9,043,968)	
Group interest in shareholders' equity		79,095,647		109,814,511	
Minority interests in share capital and reserves		(9,052)		3,000	
Net profit / (loss) for the minority interests		153,713		(12,052)	
Minority interests in shareholders' equity		144,661		(9,052)	
SHAREHOLDERS' EQUITY	**(13)**	**79,240,308**		**109,805,459**	
Provisions	(14)	2,179,554		2,371,370	
Deferred tax liabilities	(7)	11,527,794		15,798,928	
Post employment benefits	(15)	3,205,866		3,551,239	
Long term financial liabilities	(16)	161,795,510		159,276,843	
Long term not financial liabilities	(17)	1,397,873		1,634,539	
NON-CURRENT LIABILITIES		**180,106,597**		**182,632,919**	
Trade payables	(18)	78,734,518		88,596,138	131,362
Tax payables	(19)	3,232,628		4,385,845	
Derivative liabilities	(10)	-		173,473	
Short term financial liabilities	(20)	106,303,262		94,204,084	
Other liabilities	(21)	16,511,021		19,497,967	
CURRENT LIABILITIES		**204,781,429**		**206,857,507**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**464,128,334**		**499,295,885**	

ATTACHMENT II

Consolidated Income Statement with related parties

Pursuant to Consob Resolution N. 15519 of 27 July 2006

(Valori in unità di Euro)	Note	Esercizio 2023	di cui Parti correlate	Esercizio 2022	di cui Parti correlate
RICAVI DELLE VENDITE E DELLE PRESTAZIONI	**(22)**	**318,622,270**	**121,144**	**352,005,965**	**141,146**
Altri ricavi e proventi	(23)	10,739,468		11,565,686	
TOTALE RICAVI		**329,361,738**		**363,571,651**	
Var.rim.prod.in c.so lav., finiti,sem.		(843,975)		24,644,721	
Costi per materie prime, mat.di cons. e merci	(24)	(128,345,960)		(159,819,614)	
Costi per servizi	(25)	(110,365,644)	(1,075,330)	(110,818,790)	(1,075,383)
Costi per godimento beni di terzi	(26)	(6,031,801)		(5,681,291)	
Costi per il personale	(27)	(71,819,173)		(69,862,250)	
Altri oneri operativi	(28)	(6,172,332)		(6,478,084)	
Ammortamenti, svalutazioni e accantonamenti	(29)	(32,901,671)	(1,563,000)	(34,336,237)	(1,526,000)
Proventi/(Oneri) finanziari	(30)	(10,780,908)	(276,000)	(5,015,984)	(171,683)
RISULTATO ANTE IMPOSTE		**(37,899,726)**		**(3,795,878)**	
Imposte	(31)	5,909,492		(5,260,142)	
RISULTATO NETTO DELL'ESERCIZIO		**(31,990,234)**		**(9,056,020)**	
Perdita/(Utile) di competenza delle min.azionarie		(153,713)		12,052	
RISULTATO NETTO DELL'ESERCIZIO PER IL GRUPPO		**(32,143,947)**		**(9,043,968)**	

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 2023	of which Related parties	Full Year 2022	of which Related parties
Opening balance		**21,658**		**31,307**	
Profit before taxes		(37,900)	(954)	(3,796)	(842)
Amortisation / write-downs		32,902		34,336	
Accrual (+)/availment (-) of long term provisions and post employment benefits		(1,430)		(314)	
Paid income taxes		(2,612)		(2,199)	
Financial income (-) and financial charges (+)		10,781		5,016	
Change in operating assets and liabilities		4,685	(106)	(34,584)	679
Cash flow (absorbed) / generated by operating activity	**(33)**	**6,426**		**(1,541)**	
Increase (-)/ decrease (+) in intangible fixed assets		(1,174)		(1,372)	
Increase (-)/ decrease (+) in tangible fixed assets		(4,693)		(7,465)	
Increase (-)/ decrease (+) in right-of-use assets (1)		(12,957)		(47,742)	
Investments and write-downs (-)/ Disinvestments and revaluations (+)		(2)		(9)	
Cash flow (absorbed) / generated by investing activity	**(34)**	**(18,826)**		**(56,588)**	
Other variations in shareholders' equity		1,425		(1,299)	
Dividends paid		-		-	
Proceeds (+)/ repayments (-) of financial payments		18,544		21,283	
Proceeds (+)/ repayment (-) of lease payments (2)		(3,926)		29,233	
Increase (-)/ decrease (+) in long term financial receivables		106		4,279	2,914
Financial income (+) and financial charges (-)		(10,781)		(5,016)	
Cash flow (absorbed) / generated by financing activity	**(35)**	**5,368**		**48,480**	
Closing balance		**14,626**		**21,658**	

ATTACHMENT IV

Prospect of crucial data from the statutory financial statements of Fratelli Ferretti Holding at 31 December 2022

(Values in units of EUR)	STATUTORY FINANCIAL STATEMENTS 2022	STATUTORY FINANCIAL STATEMENTS 2021
BALANCE SHEET		
Intangible fixed assets	55,066	63,333
Tangible fixed assets	1,235,226	1,427,949
Equity investments	54,554,986	54,543,586
Non current assets	**55,845,278**	**56,034,868**
Trade receivables	173,739	174,214
Tax receivables	1,049,094	1,195,733
Cash	29,254	266,148
Other receivables	3,374	2,959
Current assets	**1,255,461**	**1,639,054**
Total assets	**57,100,739**	**57,673,922**
Share capital	100,000	100,000
Share premium reserve	49,879,769	50,452,265
Other reserves	20,000	15,038
Profits / (losses) carried-forward	(1)	-
Net profit / loss	(705,665)	(167,534)
Shareholders' equity	**49,294,103**	**50,399,769**
Provisions	43,095	66,601
Long term financial liabilities	-	-
Non-current liabilities	**43,095**	**66,601**
Trade payables	7,763,541	7,207,552
Current liabilities	**7,763,541**	**7,207,552**
Total shareholders' equity and liabilities	**57,100,739**	**57,673,922**
INCOME STATEMENT		
Revenues from sales and services	**480,953**	**498,265**
Other revenues and income	-	4
Total revenues	**480,953**	**498,269**
Operating expenses	(695,463)	(440,359)
Costs for use of third parties assets	-	-
Amortisation and write-downs	(275,479)	(268,177)
Other operating expenses	(18,848)	(15,470)
Financial income / (expenses)	(73,696)	4,784
Profit / (loss) before taxes	**(582,533)**	**(220,953)**
Income taxes	(123,132)	53,419
Net profit / (loss)	**(705,665)**	**(167,534)**

Certification of the Consolidated Financial Statements pursuant to art.81-ter of Consob Regulation N. 11971 of May 14, 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 December 31, 2023.

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 July 19, 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.

14 March 2024

Chief executive officer	Manager responsible for preparing Aeffe S.p.A. financial reports
Simone Badioli	Matteo Scarpellini

DRAFT STATUTORY FINANCIAL STATEMENTS AT 31 DECEMBER 2023

AEFFE SPA

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

Global economic activity moderated in the fourth quarter of 2023. Tailwinds to consumer spending as a result of tight labour markets are beginning to wane, while past monetary policy tightening continues to be transmitted to the economy. Core inflation continued to decline in the fourth quarter, but further progress might be sluggish as wage growth is still high, remaining above long-term averages. Oil prices rose during the period between the Governing Council's monetary policy meetings in December and January, amid some volatility, as attacks on tankers in the Red Sea have intensified geopolitical tensions in the Middle East, while European gas prices have fallen amid continued low demand and high levels of gas storage in the EU.

The Winter 2024 Economic Forecast of European Commission published on February 15th 2024, projects that, the EU economy has entered 2024 on a weaker footing than expected. The European Commission's Winter Interim Forecast revises growth in both the EU and the euro area down to 0.5% in 2023, from 0.6% projected in the Autumn Forecast, and to 0.9% (from 1.3%) in the EU and 0.8% (from 1.2%) in the euro area in 2024. In 2025, economic activity is still expected to expand by 1.7% in the EU and 1.5% in the euro area.

In 2023, growth was held back by the erosion of household purchasing power, strong monetary tightening, the partial withdrawal of fiscal support and falling external demand. After narrowly avoiding a technical recession in the second half of last year, prospects for the EU economy in the first quarter of 2024 remain weak.

However, economic activity is still expected to accelerate gradually this year. As inflation continues to abate, real wage growth and a resilient labour market should support a rebound in consumption. Despite falling profit margins, investment is set to benefit from a gradual easing of credit conditions and the continued implementation of the Recovery and Resilience Facility. In addition, trade with foreign partners is expected to normalise, after a weak performance last year.

The pace of growth is set to stabilise as of the second half of 2024 until end-2025.

This forecast is surrounded by uncertainty amid protracted geopolitical tensions and the risk of a further broadening of the conflict in the Middle East. The increase in shipping costs in the wake of the Red Sea trade disruptions is expected to have only a marginal impact on inflation. Further disruptions could, however, result in renewed supply bottlenecks that could choke production and push up prices.

Domestically, risks to the baseline projections for growth and inflation are linked to whether consumption, wage growth and profit margins underperform or outperform expectations, and to how high interest rates remain, for how long. Climate risks and the increasing frequency of extreme weather events also continue to pose threats.

MACROECONOMIC BACKGROUND TO THE CLOTHING SECTOR

International macroeconomic uncertainty and volatility - rising inflation, high interest rates, geopolitical tensions, price increases and a decline in the purchasing power of middle-high end consumers – point to moderate market growth for 2024.

In Europe, international tourists will compensate for weaker domestic demand and help support the market, which is expected to grow by 4%. Thanks to visa restrictions being lifted and travel firmly back on the agenda, Chinese tourists are now returning to European cities. Growth in the USA is slowing to +2.5%, due to the effects of inflation and the customary Election Year uncertainties.

Positive growth continues in Japan (+6%) fueled by local demand and Chinese visitors. Japan, which is a premier luxury market, is destined to benefit from the increase in tourism. China can expect to see growth of 8%, lower than in previous years, due to lower demand from upper-middle class consumers, who are more cautious spenders. The forecast for the Middle East is a solid growth rate of +7%, despite the tensions and political instability in the region.

2023 saw a growth in sales, above all in value, due to significant increases in the prices of luxury products. In 2024, the increase in sales is expected to be mainly in terms of volume. Accessories continue their positive trend: +6.5% for leather goods and +5% for footwear. Clothing is estimated to grow by 4%, with a return to less casual apparel.

The retail channel - both physical and digital - continues to grow and is the preferred channel for Personal Luxury Goods. The wholesale channel is heavily penalized, and the impact of online is lessening. Physical stores can expect to see growth of 7.5%, continuing to be strategic for the sector.

Digital retail (forecast +4.5% for 2024) continues to grow, but less vigorously than previous years. Both physical and digital wholesale are slackening: no growth is foreseen in 2024 (-1%).

In 2023, companies raised prices to compensate for increases in costs, leading to higher margins. Analysts predict "normalized" growth in 2024 - due to economic uncertainty and volatility. Revenues will maintain a positive trend, with estimates for a low single-digit growth rate of +5% /+6%. In 2024 EBITDA is expected to grow more moderately, around +4%.

2. TREND OF THE COMPANY MANAGEMENT

INCOME STATEMENT

(Values in thousands of EUR)	Full Year 2023	% on revenues	Full Year 2022	% on revenues	Change	%
REVENUES FROM SALES AND SERVICES	**183,696,470**	**100.0%**	**164,666,380**	**100.0%**	**19,030,090**	**11.6%**
Other revenues and income	12,591,914	6.9%	10,146,659	6.2%	2,445,255	24.1%
TOTAL REVENUES	**196,288,384**	**106.9%**	**174,813,039**	**106.2%**	**21,475,345**	**12.3%**
Changes in inventory	(7,897,238)	(4.3%)	(254,693)	(0.2%)	(7,642,545)	3,000.7%
Costs of raw materials, cons. and goods for resale	(60,916,487)	(33.2%)	(65,186,529)	(39.6%)	4,270,042	(6.6%)
Costs of services	(79,023,858)	(43.0%)	(49,587,969)	(30.1%)	(29,435,889)	59.4%
Costs for use of third parties assets	(1,958,276)	(1.1%)	(15,443,032)	(9.4%)	13,484,756	(87.3%)
Labour costs	(46,562,744)	(25.3%)	(30,287,818)	(18.4%)	(16,274,926)	53.7%
Other operating expenses	(3,387,023)	(1.8%)	(1,764,931)	(1.1%)	(1,622,092)	91.9%
Total Operating Costs	(199,745,626)	(108.7%)	(162,524,972)	(98.7%)	(37,220,654)	22.9%
GROSS OPERATING MARGIN (EBITDA)*	**(3,457,242)**	**(1.9%)**	**12,288,067**	**7.5%**	**(15,745,309)**	**(128.1%)**
Amortisation of intangible fixed assets	(2,684,978)	(1.5%)	(566,542)	(0.3%)	(2,118,436)	373.9%
Depreciation of tangible fixed assets	(3,145,440)	(1.7%)	(1,287,059)	(0.8%)	(1,858,381)	144.4%
Depreciation of right-of-use assets	(10,908,975)	(5.9%)	(2,268,274)	(1.4%)	(8,640,701)	380.9%
Revaluations / (write-downs) and provisions	(31,586,983)	(17.2%)	(9,469,199)	(5.8%)	(22,117,784)	233.6%
Total Amortisation, write-downs and provisions	(48,326,376)	(26.3%)	(13,591,074)	(8.3%)	(34,735,302)	255.6%
NET OPERATING PROFIT / LOSS (EBIT)	**(51,783,618)**	**(28.2%)**	**(1,303,007)**	**(0.8%)**	**(50,480,611)**	**3,874.2%**
Financial income	92,582	0.1%	263,806	0.2%	(171,224)	(64.9%)
Financial expenses	(6,162,284)	(3.4%)	(2,447,483)	(1.5%)	(3,714,801)	151.8%
Leasing interest expenses	(1,490,146)	(0.8%)	(288,018)	(0.2%)	(1,202,128)	417.4%
Total Financial Income/(expenses)	(7,559,848)	(4.1%)	(2,471,695)	(1.5%)	(5,088,153)	205.9%
PROFIT / LOSS BEFORE TAXES	**(59,343,466)**	**(32.3%)**	**(3,774,702)**	**(2.3%)**	**(55,568,764)**	**1,472.1%**
Taxes	7,762,559	4.2%	(1,560,026)	(0.9%)	9,322,585	(597.6%)
NET PROFIT / LOSS	**(51,580,907)**	**(28.1%)**	**(5,334,728)**	**(3.2%)**	**(46,246,179)**	**866.9%**

(*) Net of non recurring items, in 2023 *ADJUSTED* EBITDA ammounts a 930 thousand euros.

Revenues from sales and services

In 2023, revenues went from EUR 164,666 thousand in 2022 to EUR 183,696 thousand in 2023, with an increase of 11.6%. In absolute terms, the increase of EUR 19.030 thousand is determined by the following factors that occurred during 2023:

- reduction in revenues from the wholesale channel more than offset by the increase in revenues from the retail channel following the merger by incorporation of the subsidiaries Aeffe Retail S.p.A. and Moschino S.p.A.;

- increase in revenues equal to Euro 23,151 thousand for royalties and commissions following the merger by incorporation of the subsidiary Moschino S.p.A.

The merger operations by incorporation of the subsidiaries Aeffe Retail S.p.A. and Moschino S.p.A. resulted in a total increase in revenues from sales and services of Euro 66,149 thousand.

50% of revenues are earned in Italy while 50% come from foreign markets.

Labour costs

Labour costs increase from EUR 30,288 thousand in 2022 to EUR 46,563 thousand in 2023, with an increase of 53.7% deriving mainly from the merger operations by incorporation of the subsidiaries Moschino S.p.A. and Aeffe Retail S.p.A. and the extraordinary reorganization costs that occurred during the 2023 financial year.

Gross Operating Margin (EBITDA)

In the 2023 financial year, the ADJUSTED EBITDA was positive for Euro 930 thousand (with an incidence of 0.5% on turnover), recording a decrease of Euro 11,358 thousand compared to the 2022 EBITDA equal to Euro 12,288 thousand (with an impact of 7.5% on turnover).

The non-recurring costs incurred in the period, equal to approximately Euro 5 million, refer for approximately Euro 3.2 million to early retirement incentives and legal costs connected to the reorganization of the Company and for approximately 1.8 million to extraordinary promotional events such as the 40th anniversary of the Moschino brand.

The decrease in EBITDA is a consequence of the reduction in wholesale revenues and, due to the mergers, it increased by 0.5 million.

Margins decreased both following the new strategic course of the Moschino brand with the related costs relating to the change of distribution model in China (from 100% wholesale to retail), and the launch of the repositioning plan of the various Moschino collections with consequent effects both in terms of turnover and royalties.

Net operating profit (EBIT)

L'EBIT was negative for Euro 51,784 thousand, recording a decrease of Euro 50,480 thousand, compared to the negative EBIT in 2022 of Euro 1,303 thousand. The contraction is mainly linked to the write-downs carried out by the company towards its subsidiaries. In particular, towards the Chinese company, Moschino Shanghai L.t.d., controlled indirectly through the company Moschino Asia Pacific L.t.d., the trade receivables from previous seasons were written down and the risk provision was set aside to cover the negative net worth.

Net financial charges

Net financial expenses moves from EUR -2,472 thousand in 2022 to EUR -7,560 thousand in 2023 with an increase of 206% mainly due to the increase in interest rates (Euribor).

Result before taxes

Pre-tax profit moves from EUR -3,775 thousand in 2022 to EUR -59,343 thousand in 2023, a negative change in absolute value of EUR 55,569 thousand due to the reasons mentioned above.

Net result

Net income for the year moves from EUR -5,335 thousand in 2022 to EUR -51,581 thousand in 2023, with a negative change in absolute value of EUR 46,246 thousand due to the reasons mentioned above.

BALANCE SHEET

(Values in units of EUR)	31 December 2023	31 December 2022
Trade receivables	56,855,903	78,010,726
Stock and inventories	43,982,492	34,042,900
Trade payables	(3,026,805)	(100,421,365)
Operating net working capital	**37,811,590**	**11,632,261**
Other short term receivables	22,417,064	14,016,860
Tax receivables	7,786,638	8,285,076
Other short term liabilities	(17,582,065)	(7,497,022)
Tax payables	(1,996,912)	(1,498,398)
Net working capital	**48,436,315**	**24,938,777**
Tangible fixed assets	48,912,965	40,897,123
Intangible fixed assets	38,086,686	3,376,633
Right-of-use assets	56,660,267	7,998,552
Equity investments	50,616,053	187,236,420
Other fixed assets	3,855,714	558,843
Fixed assets	**198,131,685**	**240,067,571**
Post employment benefits	(2,627,058)	(2,570,092)
Provisions	(19,475,386)	(4,281,467)
Long term not financial liabilities	(1,397,873)	(197,873)
Deferred tax assets	7,549,454	1,749,688
Deferred tax liabilities	(6,757,376)	(6,839,139)
NET CAPITAL INVESTED	**223,859,761**	**252,867,465**
Share capital	24,606,246	24,606,246
Other reserves	72,156,450	103,599,155
Profits/(Losses) carried-forward	2,374,995	2,374,995
Profits/(Loss) for the period	(51,580,907)	(5,334,728)
Shareholders' equity	**47,556,784**	**125,245,668**
Cash	(2,561,025)	5,761,692)
Long term financial liabilities	58,660,277	76,167,068
Short term financial liabilities	66,014,442	47,589,917
NET FINANCIAL POSITION WITHOUT IFRS 16 EFFECTS	**122,113,694**	**117,995,293**
Short term lease liabilities	9,209,021	2,231,292
Long term lease liabilities	44,980,262	7,395,212
NET FINANCIAL POSITION	**176,302,977**	**127,621,797**
SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS	**223,859,761**	**252,867,465**

NET CAPITAL INVESTED

Compared to December 31, 2022, net invested capital decreased by 11.5% eual to EUR 29,007 thousand.

Net working capital

Net working capital amounts to EUR 48,436 thousand at 31 December 2023 compared with EUR 24,938 thousand at 31 December 2022.

The changes in the main items are commented below:

- the net operating working capital increased overall by Euro 26,179 thousand. This change is related to the reduction in trade receivables and payables and the increase in inventories resulting from the mergers of the subsidiaries Moschino S.p.A and Aeffe Retail S.p.A. The decrease in trade receivables is mainly dictated by both the write-down on receivables from the company Moschino Shanghai L.t.d. and by the contraction in sales that occurred during 2023, especially for the wholesale channel;

- the sum of other receivables and other current payables increased by a total of Euro 18,485 thousand compared to the previous period mainly due to the mergers of the subsidiaries Moschino S.p.A and Aeffe Retail S.p.A. (advance costs and deferrals for advance royalties);

- the overall change in tax receivables and payables of Euro 997 thousand is mainly attributable to the mergers of the subsidiaries Moschino S.p.A and Aeffe Retail S.p.A.

Fixed assets

Fixed assets at 31 December 2023 decreased by Euro 41,936 thousand compared to 31 December 2022, mainly due to the effect of the devaluation of the investments in the various subsidiaries and as a result of the mergers by incorporation of the Moschino S.p.A. subsidiaries. and Aeffe Retail S.p.A.

The changes in the main items are commented below:

- tangible fixed assets increased overall by Euro 8,016 thousand due to the following changes:

• investments of Euro 2,442 thousand in works on third-party assets, IT equipment and general and specific systems, mainly relating to the new shop in Via del Babuino 16 in Rome under the Moschino brand;

• increases of Euro 11,411 thousand following the merger operations by incorporation of the subsidiaries Moschino S.p.A. and Aeffe Retail S.p.A.;

• decreases of Euro 2,694 thousand mainly due to the closure of the stores in Capri and Rome, both under the Moschino brand;

• depreciation of Euro 3,145 thousand.

- intangible assets increased overall by Euro 34,710 thousand due to the following changes:

• increases of Euro 36,400 thousand following the merger by incorporation of the subsidiary Moschino S.p.A. relating mainly to the relevant brand;

• investments of Euro 1,006 thousand in software;

• depreciation of Euro 2,685 thousand.

- the shareholdings changed by Euro 136,620 thousand following the mergers by incorporation of the companies Moschino S.p.A. and Aeffe Retail S.p.A. and following the write-downs carried out to cover the losses incurred by the foreign subsidiaries. For details, please refer to point 4 Equity investments of the explanatory note.

NET FINANCIAL POSITION

The Company's net financial debt stands at Euro 176,303 thousand as of 31 December 2023 compared to Euro 127,622 thousand as of 31 December 2022 with a worsening of Euro 48,681 thousand.

The liquid assets of Aeffe S.p.A, as a result of the mergers, increased by Euro 2,731 thousand.

Financial debt, net of the effect of the application of IFRS 16, is equal to Euro 122,113 thousand at 31 December 2023 compared to Euro 117,995 thousand at 31 December 2022.

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

SHAREHOLDERS' EQUITY

Total shareholders' equity dencreases by EUR 77,689 thousand as a result of the merger by incorporation of the subsidiaries Moschino S.p.A. and Aeffe Retail S.p.A. equal to EUR 26,017 thousand and by the loss for the period equal to EUR 51,581 thousand.

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 26,500 thousand, have been charged to the 2023 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.

With reference to the company's objectives and policies concerning financial risk management, please refer to the information already reported in the financial statement notes.

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 2023, the Company holds 8,937,519 treasury shares, par value EUR 0.25 each, totalling 8.325% of its share capital. During 2023, treasury shares were not purchased by the Company.

As of 31 December 2023, 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

The commitment of the Aeffe Group to environmental and social matters continued unabated during the year, keeping sustainability central to the business strategies adopted with a specific new corporate function responsible for implementing a plan for the identification and achievement of medium/long-term sustainability objectives that reflect predetermined priorities. In this regard, the sustainability strategy of the Group has identified the following three action areas:

- Planet and Environment
- Product and Supply Chain
- People and Community

Major challenges await us from an environmental standpoint, not least the monitoring and reduction of scrap and CO_2 emissions, as we constantly improve our environmental impact.

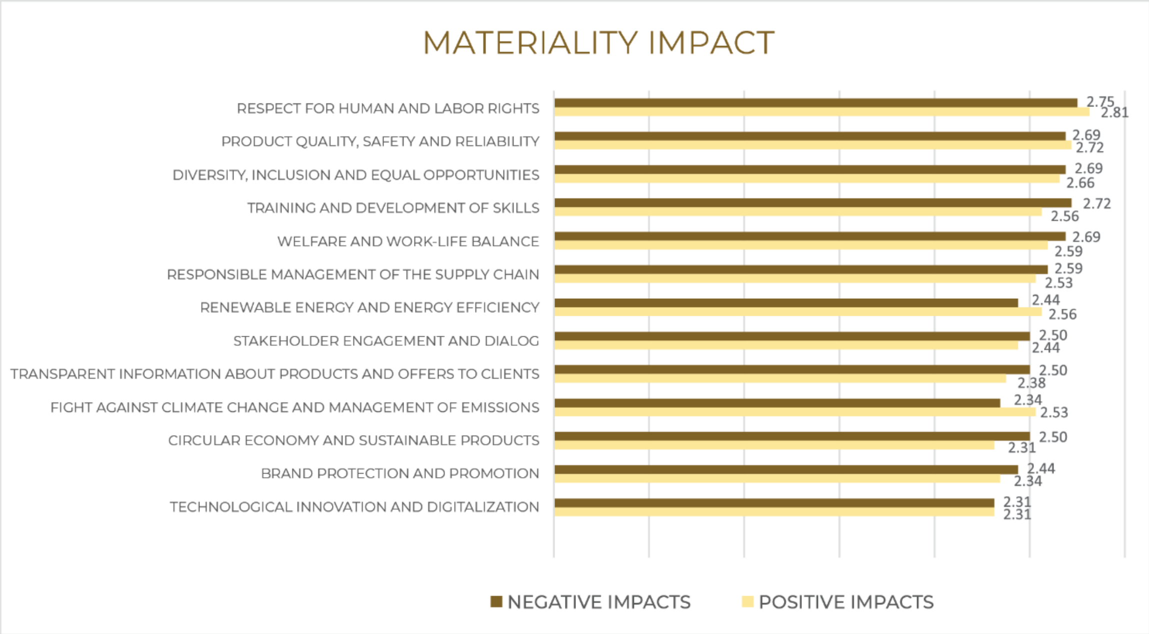
With regard to the Product and Supply Chain area, our objective is to continue work on the mapping and assessment of the social and environmental impact of all our vendors, with a view to increased transparency and satisfaction of the information needs of our stakeholders.

Lastly, on social matters, the Group is committed to disseminating further an internal and external culture of sustainability, so that our values are pursued because shared rather than imposed.

For the 2023 reporting year, the Aeffe Group has updated the analysis of impact materiality and taken a further step forward by performing an initial financial materiality assessment. This analysis of financial materiality is based on an outside-in view, since it seeks to identify the risks and opportunities that may derive from sustainability issues and that may have positive or negative impacts, whether real or potential, short or long term, on the economic-financial performance of an organization.

Aeffe considers this initial approach to double materiality (the union of impact materiality and financial materiality) to be important ahead of the time when the European Sustainability Reporting Standards (ESRS), issued by the European Financial Reporting Advisory Group (EFRAG), become mandatory. These standards are mandatory for the ESG reporting of enterprises subject to the European Corporate Sustainability Reporting Directive (CSRD) that came into force on 5th January 2023. In particular, the Aeffe Group will fall within the scope of application of the CSRD from FY 2024, i.e. with the Sustainability Statement published in 2025.

The following figure presents the material topics identified by the Aeffe Group for the 2023 NFS, with the respective values derived from the assessments made by stakeholders.



Compared with the 2022 NFS, the update of the materiality impact has resulted in the inclusion of new topics, namely:

- Respect for human and labor rights
- Product quality, safety and reliability
- Diversity, inclusion and equal opportunities
- Training and development of skills
- Renewable energy and energy efficiency
- Stakeholder engagement and dialog
- Technological innovation and digitalization

At the same time, the score obtained by certain topics deemed material for FY 2022 did not exceed the materiality threshold this year and, accordingly, they have been excluded. These are:

- Satisfaction and management of client relations
- Territorial presence and markets served
- Anti-corruption and compliance
- Occupational health and safety (topic scoring above the threshold, but excluded by the senior decision-makers)

The chart also identifies other topics with a materiality value of less than 2.43 that, accordingly, are not deemed material. These are:

- Safeguarding biodiversity
- Privacy and security of data and information
- Support for the community and the local territory
- Generation and distribution of economic and financial value, and internationalization
- Technological innovation and digitalization (topic scoring below the threshold, but included by the senior decision-makers)

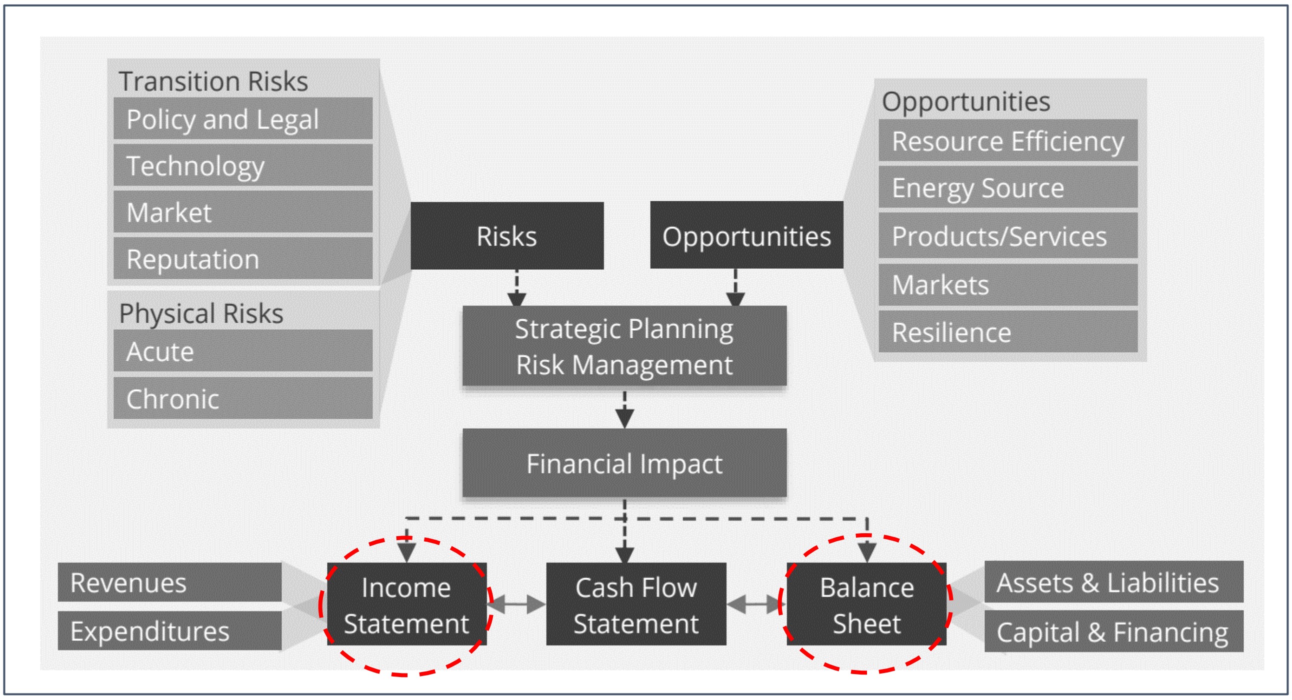
Aeffe has decided to include these topics, although they do not exceed the materiality threshold, as they are considered of significant importance for its business model and the activities that characterize it.

As mentioned, the Aeffe Group will fall within the scope of application of the CSRD from FY 2024 with the Sustainability Statement published in 2025 and, therefore, will be required to carry out a double materiality analysis that comprises both impact and financial materiality. For this reason, starting from the current fiscal year, Aeffe has made an assessment of the risks and opportunities linked to sustainability matters that could influence its economic-financial performance, competitive position and enterprise value. Dependencies on natural and social resources could, in fact, be sources of financial risks and opportunities, with two possible effects:

3. possible influence on the ability of the business to continue to use or to obtain the resources needed for its activities, as well as on the quality and prices of such resources;
4. possible impact on the ability of the business to rely, under acceptable conditions, on the relationships needed for the conduct of its activities.

Given these considerations, financial materiality is a valid tool for identifying, and subsequently controlling, any risks deriving from the ESG realm that might threaten the resilience and continuity of business operations. In the same way, this analysis also makes it possible to identify opportunities linked to the various ESG factors that could impact positively on the performance of the organization.

In order to analyze financial materiality, the Aeffe Group started from the results of analyzing impact materiality and, using an inside-out approach, associated with the topics identified the risks and opportunities deemed most significant for the business. The materiality of these risks and opportunities was determined by assessing the possible financial effects on revenues and costs (income statement), tangible and intangible assets (total assets), as recommended in the official EFRAG Guidelines on double materiality. The validity of the approach adopted found further confirmation in the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) that, as shown in the following diagram, suggest evaluating ESG risks and opportunities in the light of their financial impact on the statements of income, cash flows and financial position.



In order to generate a prospective analysis, the Aeffe Group - with specific support from the financial area and the CFO - took a further step: an incidence rate was identified in percentage terms on the captions reported in the statements of income and financial position, based on their exposure to the risks and opportunities already identified. This exercise made it possible to assess the possible positive and negative financial effects that the opportunities and risks associated with ESG topics might have on the organization.

The results obtained from this analysis of financial materiality are presented below.

As shown in the charts, the results of analyzing financial materiality largely confirm those deriving from the analysis of impact materiality, since most topics are material for both analyses.

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

9. GEOPOLITICAL CONTEXT

Russia's unjustified war against Ukraine and the tragic conflict in the Middle East are significant sources of geopolitical risk. This could lead to a loss of confidence in the future among businesses and families and disruptions in international trade.

10. SIGNIFICANT EVENTS OF THE PERIOD

On March 29, 2023, the Board of Directors of Aeffe S.p.A. approved the merger project by incorporation into Aeffe S.p.A. of the 100% subsidiary Moschino S.p.A. ("Moschino") and the merger project by incorporation into Aeffe S.p.A. of the 100% subsidiary Aeffe Retail S.p.A. ("Aeffe Retail"). Both operations are part of a corporate rationalization and reorganization process, already started with the completion of the merger by incorporation, in 2022, of the subsidiary Velmar S.p.A., aimed at greater efficiency in the management of the Company's activities and their coordination, through the reduction of decision-making levels and the rationalization of the synergies of the Company itself and the consequent saving of costs relating to the corporate, accounting, fiscal and administrative management of the aforementioned controlled companies.

On 8 June 2023 the merger operations by incorporation into Aeffe of the 100% controlled companies Moschino S.p.A. and Aeffe Retail S.p.A. were approved by the Aeffe Shareholders' Meeting and by the meetings of the incorporated companies.

On September 18, 2023, the deed of merger by incorporation of the 100% subsidiary Moschino S.p.A. was stipulated to be effective from October 1, 2023.

On November 21, 2023, the deed of merger by incorporation of the 100% subsidiary Aeffe Retail S.p.A. was stipulated to be effective from Decembre 1, 2023.

The accounting and tax effects of the merger have been backdated to January 1, 2023.

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

11. SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

On January 30, 2024, Aeffe has announced the appointment of Adrian Appiolaza as the new Creative Director of Moschino brand.

12. OUTLOOK

2023 was a year of transition for our Company which saw a radical reorganization of the Moschino brand in terms of both creativity and distribution, and at the same time a transformation of its internal structure through a series of corporate mergers and incorporations. The results we are presenting today, expected but not positive, are clearly the result of these transformations and the strong investments of recent years.

The Company inaugurated the year with the debut of the new creative direction of the Moschino brand led by Adrian Appiolaza, who we are sure will best guide the brand in a new phase of growth. We are certainly operating in an unstable economic and political context at the moment, dealing with a challenging market; however, we look to the future with great positivity and optimism, leveraging on international brands offering unique creative and high-end quality.

In support of the corporate, managerial and stylistic reorganization projects concluded in 2023, the investments made in recent years and the constantly changing macroeconomic context, the Company has prepared a new 2024-2027 Industrial Plan, approved by the Board of Directors on January 25, 2024, in order to set new strategic objectives.

The Business Plan was prepared both at corporate and individual brand level.

At Comapny level, four development areas have been identified:

- Full identification with Made in Italy through an offer of recognizable and distinguishable fashion products
- Increase in profitability to be implemented through an increase in volumes from wholesale and retail channels across all brands
- Continuous improvement process aimed at digitalisation and sustainability
- Agile and efficient organisation

In order to achieve the objectives, numerous projects were scheduled over the course of the plan, including:

- Introduction of a new Enterprise Resource Planning
- Supply Chain management
- Integration of Artificial Intelligence in each phase of the product life cycle
- New Business Intelligence for the management of "big data"
- Traceability with respect to the supply chain
- New designs of E-Commerce platforms
- Development of CRM (Customer Relationship Management)

A medium-long term strategy has been identified for each Brand through the analysis of five areas. Precisely:

- Style, collections and product sustainability
- Distribution
- Communication and Marketing
- Collaborations, Partnerships and Business Combinations
- Human Resources/Team

These areas, integrated with the Company macro-strategy, have led to the setting of specific targets for each Brand.

Moschino brand:

- Increase in the perception of the Brand (also thanks to the change of creative director and the consequent different product offering)
- Progressive improvement of distribution

- Increase in the number of Franchisees and expansion of digital channels
- Progressive increase in retail presence in Asia

Pollini brand:

- Consolidation of performance in consolidated geographical areas
- Penetration into new countries with development potential with respect to the positioning of the Brand
- Progressive increase in Franchisees in Europe (including Italy) and in selected foreign countries
- Opening of pop-ups and shopping shops

Alberta Ferretti brand:

- Development in selected geographical areas that enhance the product
- Expansion of digital channels
- Collaborations and Partnerships

Philosophy di Lorenzo Serafini brand:

- New commercial organization capable of covering all the main geographical areas
- Progressive opening of directly managed boutiques to increase retail presence
- Introduction of collaborations and partnerships on specific products

The Industrial Plan envisages a constant recovery of margins both in absolute value and in percentage value on consolidated revenues, with a consequent improvement also in the Company's net financial position.

13. PROPOSALS TO APPROVE THE FINANCIAL STATEMENTS AND ALLOCATE THE RESULT FOR THE YEAR 2023

Shareholders,
In presenting the financial statements as of 31 December 2023 for your approval, we propose to cover the loss of the year of EUR 51,580,907 through the use of the Share premium reserve.

14 March 2024

Chief executive officer
Simone Badioli

Financial Statements

BALANCE SHEET (*)

(Values in units of EUR)	Notes	31 December 2023	31 December 2022	Change
Trademarks		36,526,209	2,519,864	34,006,345
Other intangible fixed assets		1,560,477	856,769	703,708
Intangible fixed assets	(1)	38,086,686	3,376,633	34,710,053
Lands		17,319,592	17,319,592	-
Buildings		20,628,544	21,239,681	(611,137)
Leasehold improvements		7,199,410	601,517	6,597,893
Plant and machinary		1,224,869	1,107,261	117,608
Equipment		106,994	37,910	69,084
Other tangible fixed assets		2,433,556	591,162	1,842,394
Tangible fixed assets	(2)	48,912,965	40,897,123	8,015,842
Right-of-use assets	(3)	56,660,267	7,998,552	48,661,715
Equity investments	(4)	50,616,053	187,236,420	(136,620,367)
Other fixed assets	(5)	3,855,714	558,843	3,296,871
Deferred tax assets	(6)	7,549,454	1,749,688	5,799,766
NON-CURRENT ASSETS		**205,681,139**	**241,817,259**	**(36,136,120)**
Stocks and inventories	(7)	43,982,492	34,042,900	9,939,592
Trade receivables	(8)	56,855,903	78,010,726	(21,154,823)
Tax receivables	(9)	7,786,638	8,285,076	(498,438)
Cash	(10)	2,561,025	5,761,692	(3,200,667)
Other receivables	(11)	22,417,064	14,016,860	8,400,204
CURRENT ASSETS		**133,603,122**	**140,117,254**	**(6,514,132)**
TOTAL ASSETS		**339,284,261**	**381,934,513**	**(42,650,252)**
Share capital		24,606,246	24,606,246	-
Other reserves		72,156,450	103,599,155	(31,442,705)
Profits / (Losses) carried-forward		2,374,995	2,374,995	-
Net profit / loss		(51,580,907)	(5,334,728)	(46,246,179)
SHAREHOLDERS' EQUITY	**(12)**	**47,556,784**	**125,245,668**	**(77,688,884)**
Provisions	(13)	19,475,386	4,281,467	15,193,919
Deferred tax liabilities	(5)	6,757,376	6,839,139	(81,763)
Post employment benefits	(14)	2,627,058	2,570,092	56,966
Long term financial liabilities	(15)	103,640,539	83,562,280	20,078,259
Long term not financial liabilities	(16)	1,397,873	197,873	1,200,000
NON-CURRENT LIABILITIES		**133,898,232**	**97,450,851**	**36,447,381**
Trade payables	(17)	63,026,805	100,421,365	(37,394,560)
Tax payables	(18)	1,996,912	1,498,398	498,514
Short term financial liabilities	(19)	75,223,463	49,821,209	25,402,254
Other liabilities	(20)	17,582,065	7,497,022	10,085,043
CURRENT LIABILITIES		**157,829,245**	**159,237,994**	**(1,408,749)**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**339,284,261**	**381,934,513**	**(42,650,252)**

(*) 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 2023	%	Full year 2022	%
REVENUES FROM SALES AND SERVICES	**(21)**	**183,696,470**	**100.0%**	**164,666,380**	**100.0%**
Other revenues and income	(22)	12,591,914	6.9%	10,146,659	6.2%
TOTAL REVENUES		**196,288,384**	**106.9%**	**174,813,039**	**106.2%**
Changes in inventory		(7,897,238)	(4.3%)	(254,693)	(0.2%)
Costs of raw materials, cons. and goods for resale	(23)	(60,916,487)	(33.2%)	(65,186,529)	(39.6%)
Costs of services	(24)	(79,023,858)	(43.0%)	(49,587,969)	(30.1%)
Costs for use of third parties assets	(25)	(1,958,276)	(1.1%)	(15,443,032)	(9.4%)
Labour costs	(26)	(46,562,744)	(25.3%)	(30,287,818)	(18.4%)
Other operating expenses	(27)	(3,387,023)	(1.8%)	(1,764,931)	(1.1%)
Amortisation and write-downs	(28)	(48,326,376)	(26.3%)	(13,591,074)	(8.3%)
Financial Income / (expenses)	(29)	(7,559,848)	(4.1%)	(2,471,695)	(1.5%)
PROFIT / LOSS BEFORE TAXES		**(59,343,466)**	**(32.3%)**	**(3,774,702)**	**(2.3%)**
Income Taxes	(30)	7,762,559	4.2%	(1,560,026)	(0.9%)
NET PROFIT / LOSS		**(51,580,907)**	**(28.1%)**	**(5,334,728)**	**(3.2%)**

(*) 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 2023	Full Year 2022
Profit/(loss) for the period (A)	**(51,580,907)**	**(5,334,728)**
Remeasurement of defined benefit plans	91,776	172,551
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)	**91,776**	**172,551**
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)	**91,776**	**172,551**
Total Comprehensive income / (loss) (A) + (B)	**(51,489,131)**	**(5,162,177)**

CASH FLOW STATEMENT (*)

(Values in thousands of EUR)	Notes	Full Year 2023	Full Year 2022
Opening balance of Aeffe S.p.A.		5,762	
Opening balance of Moschino S.p.A. merged for incorporation		1,963	
Opening balance of Aeffe Retail S.p.A. merged for incorporation		768	
Opening balance		**8,493**	**3,992**
Profit before taxes		(59,343)	(3,775)
Amortisation / write-downs		48,326	13,591
Accrual (+)/availment (-) of long term provisions and post employment benefits		(360)	(2,945)
Paid income taxes		1,163	(458)
Financial income (-) and financial charges (+)		7,560	2,472
Change in operating assets and liabilities		8,263	(22,856)
Cash flow (absorbed) / generated by operating activity	**(32)**	**8,340**	**(13,971)**
Increase (-)/ decrease (+) in intangible fixed assets		(992)	(657)
Increase (-)/ decrease (+) in tangible fixed assets		(2,204)	(368)
Increase (-)/ decrease (+) in right-of-use assets (1)		(8,263)	1,745
Investments and write-downs (-)/ Disinvestments and revaluations (+)		(2)	8,257
Cash flow (absorbed) / generated by investing activity	**(33)**	**(11,461)**	**8,977**
Other variations in reserves and profits carried-forward of shareholders' equity			13,997
Proceeds (+)/repayments (-) of financial payments		10,760	(976)
Proceeds (+)/ repayment (-) of lease payments		(79)	(4,204)
Increase (-)/ decrease (+) in long term financial receivables		(3,202)	419
Financial income (+) and financial charges (-)		(7,560)	(2,472)
Cash flow (absorbed) / generated by financing activity	**(34)**	**(80)**	**6,764**
Closing balance		**2,561**	**5,762**

(*) 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 JANUARY 31,2023	**24,606**	**67,599**	**21,265**	**7,742**	**(90)**	**4,032**	**3,807**	**(755)**	**2,375**	**(5,335)**	**125,246**
Cover of 2022 loss		(5,335)								5,335	-
Total comprehensive income/(loss) 2023										(51,581)	(51,581)
Merger by incorporation Moschino S.p.A.			(21,450)		5,578			(122)			(15,994)
Merger by incorporation Aeffe Retail S.p.A.			(15,724)		5,765			(64)			(10,023)
Other variations								(92)			(92)
AT DECEMBER 31,2023	**24,606**	**62,264**	**(15,909)**	**7,742**	**11,253**	**4,032**	**3,807**	**(1,033)**	**2,375**	**(51,581)**	**47,556**

(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 JANUARY 31, 2022	**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) 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**

Report of the Board of Statutory Auditors to the Shareholders' Meeting

of "AEFFE S.p.A."

called to approve the financial statements as of 31st December 2023

(art. 153, Decree 58/98 and art. 2429 - para. 2 - Italian Civil Code)

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 **"Company"** or **"Issuer"**).

Given that AEFFE has adopted the traditional governance model, the Board of Statutory Auditors also acts as the "Internal control and audit committee" and, accordingly, this report will also take account of the specific control and monitoring functions with regard to financial disclosures and the legal audit of the accounts envisaged in art. 19 of Decree 39 dated 27th January 2010, as amended by Decree 135 dated 17th July 2016.

For this purpose, in addition to attending the meetings of the Board of Directors, the Executive Committee and the Board Committees, the Board of Statutory Auditors also exchanged information constantly with the relevant administrative and audit functions, the Supervisory Body responsible for monitoring the effectiveness of, compliance with and update of the Organization, Management and Control Model adopted pursuant to Decree No. 231/01 (the **"SB"**), and RGT "RIA GRANT THORNTON S.p.A." (hereinafter also referred to as **"RGT"**), the auditing firm engaged to perform the legal audit of the accounts, check the conformity of the Non-Financial Statement pursuant to Decree 254/2016 (the **"Non-Financial Statement" or "NFS"**), and issue the related attestation.

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 27th April 2023 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 2023 have been prepared in accordance with the international accounting standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, in force on 31st December 2023.

The separate and consolidated financial statements of AEFFE as of 31st December 2023 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.

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 29th March 2023 the Board of Directors of AEFFE approved the absorption by the Company of Moschino S.p.A. and Aeffe Retail S.p.A., both wholly-owned subsidiaries. On 8th June 2023, the above mergers by absorption were approved at the Shareholders' Meetings of AEFFE and of the absorbed companies.

The deed for the absorption of Moschino S.p.A. was signed on 18th September 2023, while the deed for the absorption of Aeffe Retail S.p.A. was signed on 21st November 2023.

The accounting and tax effects of both mergers were backdated to 1st January 2023.

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

No other non-recurring transactions 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 14th March 2024 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

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 2023 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 2023

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 Chief Executive Officer, 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 Manager of the Company, obtaining information from her about the implementation status of the Audit Plan for the year;
- monitored the adequacy of the administrative-accounting system by meeting regularly with the Executive responsible for preparing the Company's accounting documentation (Law 262/2005), and with RGT, 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:
  - 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 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;
- monitored compliance by the directors with the obligations prescribed by article 123-ter of the TUF.

Given all of the above 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 2023, approved by resolution of the Board of Directors on 14th March 2024 and included in the Annual Financial Report as of 31st December 2023, 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 supervised compliance with the instructions given in Decree 254/2016 and Consob Regulation 20267/2018 regarding the NFS that has been prepared by the Company and that describes i) the areas most impacted by the activities of the Group, ii) the principal positive and negative impacts, actual and potential, generated by business activities on the economy, the environment and persons, including the impacts on their human rights, and iii) the principal instruments adopted by AEFFE to monitor each topic and prevent or mitigate the negative impacts associated with them.

During 2023, the Company continued to implement a program of alignment with sector sustainability standards, focusing on three fundamental pillars:

- *planet & environment;*
- *product & supply chain;*
- *people & community.*

In its report issued today, RGT, 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 2023 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 2023, 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 2023, the Board of Statutory Auditors issued a favorable opinion on the determination of the emoluments assigned to the executive directors and the allocation among the non-executive directors of the total emoluments authorized at the Shareholders' Meeting, pursuant and consequent to art. 2389, para. 3, of the Italian Civil Code.

Other opinions expressed by the Board of Statutory Auditors

During 2023, the Board of Statutory Auditors expressed favorable opinions, as envisaged in art. 154-bis, para. 1, TUF, on the mutually-agreed termination of the employment relationships with the General Manager of the subsidiary Moschino S.p.A. and the Group General Manager for Beachwear and Underwear.

No other opinions were issued by the Board of Statutory Auditors during the Shareholders' Meetings held during the year.

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 RGT, 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 RGT, the auditing firm, to describe *inter alia* the overall methodology, the audit approach adopted to the various important areas of the financial statements, the fundamental aspects of the audit plan and the principal evidence that emerged from the work carried out.

With regard to the independence of RGT, the auditing firm, 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 RGT 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 2023 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 29 March 2024, RIA GRANT THORNTON S.p.A., the auditing firm, 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;
- said reports contain, with reference to the financial statements of AEFFE S.p.A and the consolidated financial statements of the Group, a reminder of information regarding the use, by the Directors, of the business continuity assumption despite the presence of negative results and, with reference to the only the financial

statements of AEFFE, a reminder of information relating to the merger operations by incorporation of the subsidiaries Moschino S.p.A. and Aeffe Retail S.p.A.;

- the Auditors expressed an unqualified opinion on the financial statements and consolidated financial statements, also with reference to the objects of "Recall for information", and the certification that they provide a true and correct representation of the equity and financial situation of the Company and the Group as at 31 December 2023, of the economic result and cash flows, in compliance with the applicable accounting principles;
- 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 2023, the outcome of which is specifically documented in the *"Report on corporate governance and the ownership structure 2023"* 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 2023:

- the Board of Statutory Auditors held 13 meetings, each with a duration of about 2 hours and 15 minutes;
- the Board of Statutory Auditors held periodic meetings and exchanged information with the representatives of RGT, the auditing firm;
- the Board of Directors held 7 meetings. In this regard, it is noted that the Board of Directors has ten members, five of whom are independent; four of the ten directors are female;
- the Executive Committee met 4 times;
- the Control, Risks and Sustainability Committee held 8 meetings, while the Compensation Committee held 4.

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, the Board of Statutory Auditors confirms that it attended the Shareholders' Meetings held on 27th April 2023 and 8th June 2023.

* * * * * * * * *

On 14th March 2024, 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 view of the economic and financial position of the Issuer and the Group.

The Board of Statutory Auditors monitored the process of financial reporting in accordance with the law.

* * * * * * * * *

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, issued today - expressing an unqualified opinion - the Board of Statutory Auditors, pursuant to art. 153, para. 2, of Decree 58 of 24th February 1998, believes to the extent of its responsibilities that the financial statements present a true and fair view of the financial position of the Company as of 31st December 2023 and represent fully the business reality of AEFFE S.p.A. as of 31st December 2023, 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 2023;
- coverage of the loss for the year of Euro 51,580,907 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.

San Giovanni in Marignano,29 March 2024

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, 2023, 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 material accounting policy information.

In our opinion, the separate financial statements give a true and fair view of the financial position of the Company as at December 31, 2023 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.

Emphasis of matter

We draw attention to the paragraph "Directors' assessment of the going concern assumption" in the notes to the financial statements, where the Directors explain the reasons for which, despite the largely negative results achieved by the Company in the 2023 financial year, they considered appropriate use the assumption of business going concerne in the preparation of the financial statements at 31 December 2023. In particular, the Board shall highlight the following. "2023 was a year of transition for our Company which saw a radical reorganization of the Moschino brand in terms of both creativity and distribution, and at the same time a transformation of its internal structure through a series of corporate mergers and incorporations. The results we are presenting today, expected but not positive, are clearly the result of these transformations and the strong investments of recent years. The Company recorded a loss in the income statement amounting to a total of 51,6 million euros and a negative net financial position which stood at 176,3 million euros (including the effects deriving from the application of the IFRS16 standard), worsening compared to the same figure for the previous year of 48,7 million euros. Starting from these results, the Directors have prepared the financial statements as at December 31, 2023 according to the principle of business continuity considering the uncertainties linked to the reference market and macroeconomic situation and on the basis of the strategies illustrated in the 2024-2027 industrial plan approved by the board of directors on January 25, 2024 which involve a series of actions aimed at maintaining the Company in a balanced situation. Specifically, the industrial plan mainly envisages a strategic relaunch of the Moschino brand initially focused on changing the product offering with consequent raising of the brand's position on the market. These results will be achieved thanks to the contribution of the new creative director Adrian Appiolaza, appointed on January 30, 2024. Furthermore, again with a view to raising the Moschino brand, in general for the wholesale channel in all areas where the brand is present, the plan envisages a progressive improvement of the distribution channel with the objective of increasing turnover through new sales models, building strong relationships with selected customers. For the retail channel, the industrial plan mainly envisages maintaining the direct presence in China, with the consolidation of the stores already open and a gradual increase in the sales network through the opening of new directly managed stores in the main cities. Specifically, the Company has reviewed its investment strategies relating to Moschino's direct sales points in China (through the subsidiary Moschino Shanghai) with the aim of containing the Company 's financial position; for these reasons the openings of new sales points in the country will be completed, starting from 2024, in a medium/long time frame, longer than the years of the industrial plan. For the Company, the 2024 financial year will still be an exercise in moving closer to the desired path of recovery in volumes and sales performance of products, especially those of the Moschino brand, in consideration of the difficulties that the reference market continues to present and the limited albeit positive effects , yet to be fully expressed, of the imprint of the new creative director, who debuted with the "main autumn-winter 2024" collection with the February 2024 fashion show and who will curate his first complete collection dedicated to the "spring-summer 2025" season ". Already starting from 2025, with a consolidation trend projected for 2026 and 2027, a reversal of the trend is expected with a recovery in sales volumes of all the brands of the Company, in particular that of the Moschino brand (both wholesale and retail), when all the collections presented will bear the imprint of the new creative director and when the conditions of the reference market should also become more favorable again. Given the reduction in sales and turnover volumes, the plan envisages various organizational efficiency and cost containment actions, in particular with regard to the provision of services (consultancy, stylistic and communication) and staff performance. These actions will allow, despite the contractions in turnover expected in 2024, to achieve a recovery in margins compared to 2023. The directors will continue to monitor the trend and evolution of the reference markets with extreme attention, with respect to the hypotheses and actions envisaged in the 2024-2027 industrial plan, while maintaining proactive and constant attention to organizational and management efficiency, to contain costs and identify initiatives that can further protect expected cash and income flows, also through any specific operations".

We also draw attention to the information provided by the Directors regarding the completion of the merger by incorporation of the subsidiaries Moschino S.p.A. and Aeffe Retail S.p.A., with accounting and tax effects from 1th January 2023. As indicated in the paragraph "Merger by incorporation of Moschino S.p.A. and Aeffe Retail S.p.A. in the parent company Aeffe S.p.A." the effects of these transactions on the comparability of the data in the annual financial statements closed at 31 December 2023 with those of the previous year have been explained, where not insignificant, in the explanatory notes to the financial statements.

Our opinion is not modified in respect of this matter.

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 Brands Alberta Ferretti and Moschino

Description of the Key matter	Audit procedures in response to the Key matter
The financial statements as at December 31, 2023 include among the non-current assets Alberta Ferretti and Moschino brands (hereinafter also the "brands") for a value of Euro 36,5 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 Brands 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 brands subject to impairment testing, management has applied the method of discounting royalties hypothetical. 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. 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 Brands as a key aspect of the auditing activity. The paragraphs "Brands" and " Determination of recoverable value (Impairment)" in the notes to the financial statements contain information on the tests carried out with regard to rands, including a "sensitivity analysis".	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; – the analysis of the reasonableness of the main assumptions, adopted to prepare the Aeffe Group business plan 2024-2027, approved by the Company’s Board of Directors on 25 January 2024, from which the cash flows underlying the impairment tests are derived; – an understanding of the calculation of hypothetical royalties; – the analysis of the methodological correctness and mathematical accuracy of the model used to determine the value of use of the brands; – the assessment of the reasonableness of the interest rate (WACC) and perpetual growth rate (g-rate); – the examination of the sensitivity analysis with reference to the key assumptions used for the impairment tests including the interest rate (WACC) and the perpetual growth rate applied (g-rate); – 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 performed in response to the Key matter
The financial statement as at December 31, 2023 include among current assets net inventories of Euro 44 million. The determination of the carrying amount of inventories, as the lower value between the production cost or purchase cost and the estimate net realisable value, is a complex accounting estimate requiring a high degree of judgment, as 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 paragraph "Inventories" and note 7 "Stocks and Inventories" of the explanatory notes to the financial statements contain information on the valuation of inventories.	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 sale, also through the channel of the stockists; – verification, by means of documentary analysis and discussion with the company departments involved, of the methodology adopted for the purposes of determining minor between the cost of production or purchase and the presumed net realisable value, 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 minor between the cost of production or purchase and the presumed net realisable value; – 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, 2023, 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, 2023 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, 2023, 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, 2023 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, 2023 and are prepared in accordance with the law.

Ria Grant Thornton

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, 2024

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 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 (UD)i street n.47/8 – Milan (MI)
2) Office and showroom in San Gregorio 28/32 – Milan (MI)
3) Office and showroom in Napo Torriani 1/1a – Milan (MI)
4) Storage in Felice Casati 32 – Milan (MI)
5) Storage in Tavollo snc street – San Giovanni in Marignano (RN)
6) Store in Case Nuove sn – San Giovanni in Matignano (RN)
7) Boutique Moschino – Spiga 26 Street - Milan (MI)
8) Boutique Moschino – Babuiono 16 Street - Milan (MI)
9) Boutique Alberta Ferretti – Montenapoleone 18 Street - Milan (MI)
10) Boutique Alberta Ferretti – Condotti 34 Street - Rome (RM)
11) Boutique Philosophy of Lorenzo Serafini – Belsiana 70 Street - Rome (RM)
12) Space A – Porta Rossa 107 Streeet – Firenze (FI)
13) Space A – S.re San Marco 295/296 – Venezia (VEI)
14) Outlet Alberta Ferretti-Moschino – Della Moda 1 Street – Serravalle Scrivia (AL)
15) Outlet Alberta Ferretti-Moschino – SP 126 Km. 1,6 – Aiello (UD)
16) Outlet Alberta Ferretti-Moschino – Ponte di Piscina Cupa Street – Castel Romano (RM)
17) Outlet Alberta Ferretti-Moschino – Str Provinciale Sannitica, 336 – Marcianise (CE)
18) Outlet Alberta Ferretti-Moschino – Aretina 61 Street – Leccio di Reggello (FI)
19) Outlet Alberta Ferretti-Moschino – Marco Polo 1 Street – Noventa di Piave (VE)
20) Outlet Alberta Ferretti-Moschino – Armea 43 Street– Sanremo (IM)
21) Outlet Alberta Ferretti-Moschino – Contrada Mandre Bianche – Agira (EN)

Furthermore, the Company has the following deposits with third parties:

1) Storage in Rivoltona 2/d Segrate – Milan (MI)
2) Storage in Delle industrie 6 Street – Località Montaletto – Cervia (RA)
3) Storage in Olmi 15 Street – San Giovanni in Marignano (RN)
4) Storage in Erbosa I street n. 92 – Gatteo (FC)
5) Storage in Tamerici 9 street – San Giovanni in Marignano (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 2023. 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.

MERGER BY INCORPORATION OF MOSCHINO SPA AND AEFFE RETAIL SPA INTO THE PARENT COMPANY AEFFE SPA

On March 29, 2023, the Board of Directors of Aeffe S.p.A. approved the merger project by incorporation into Aeffe S.p.A. of the 100% subsidiary Moschino S.p.A. ("Moschino") and the merger project by incorporation into Aeffe S.p.A. of the 100% subsidiary Aeffe Retail S.p.A. ("Aeffe Retail"). Both operations are part of a corporate rationalization and reorganization process, already started with the completion of the merger by incorporation, in 2022, of the subsidiary Velmar S.p.A., aimed at greater efficiency in the management of the Company's activities and their coordination, through the reduction of decision-making levels and the rationalization of the synergies of the Company itself and the consequent saving of costs relating to the corporate, accounting, fiscal and administrative management of the aforementioned controlled companies.

On 8 June 2023 the merger operations by incorporation into Aeffe of the 100% controlled companies Moschino S.p.A. and Aeffe Retail S.p.A. were approved by the Aeffe Shareholders' Meeting and by the meetings of the incorporated companies.

On September 18, 2023, the deed of merger by incorporation of the 100% subsidiary Moschino S.p.A. was stipulated to be effective from October 1, 2023.

On November 21, 2023, the deed of merger by incorporation of the 100% subsidiary Aeffe Retail S.p.A. was stipulated to be effective from Decembre 1, 2023.

The accounting and tax effects of the merger have been backdated to January 1, 2023.

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

The simplifications referred to in art. 2505 of the Civil Code have been applied to the merger operations described above. Furthermore, as these are mergers by incorporation of companies wholly owned by the incorporating company, the latter did not increase its share capital and, therefore, no changes were made to Aeffe's statute and there were no impacts on the composition of the shareholder structure of the Society.

The merger process canceled the shareholdings of Aeffe S.p.A. in Moschino S.p.A. and Aeffe Retail S.p.A. equal to the entire share capital of the latter with the assumption by the Company of the assets of Moschino S.p.A. and Aeffe Retail S.p.A.

The transactions are configured as "transactions between related parties" pursuant to Consob Regulation 17221/2010, as subsequently amended (the "OPC Regulation") and the Procedure on transactions with related parties adopted by Aeffe (the "OPC Procedure") , being Moschino and Aeffe Retail companies entirely controlled by Aeffe. The operations are, however, exempt from the application of the RPT Procedure, pursuant to art. 3.3 letter d) of the same, as implemented by the Company with two of its own subsidiaries in which there are no significant interests of other related parties of the Company, in compliance with the provisions of art. 14 of the RPT regulation OPC.

In these separate financial statements, the company has adopted the Assirevi preliminary guidelines on IFRS referred to in OPI document no. 2 (Revised). According to this orientation, own mergers fall within the scope of IFRS 3 Business Combinations. However, mother-subsidiary merger operations cannot be classified as business combinations as they do not involve any exchange with third-party economies with reference to the activities being aggregated, nor an acquisition in an economic sense. For the reasons indicated above, mergers by parent-subsidiary incorporation are classified as business combinations under common control and are excluded from the scope of IFRS 3. The merger operations of the two companies did not lead to the recognition of differences that can be allocated to the values of the assets but generated the recognition of a merger deficit reserve in the net equity of the incorporating company Aeffe S.p.A.

It should be noted that in the financial statements the comparative data refers to the situation of Aeffe S.p.A. as of 31 December 2022, situation before the merger. For the purposes of a better understanding of the Explanatory Notes, the balances of the incorporated companies Moschino S.p.A. have been explained in the accounting statements and, where the amount is not irrelevant, in the balance sheet data. and Aeffe Retail S.p.A. as of 1 January 2023 and the contribution of Moschino S.p.A. is highlighted in the economic data. and Aeffe Retail S.p.A. during the financial year.

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, 2023, except for the following interpretations and amendments to the accounting principles that have been mandatory since January 1, 2023.

Directors’ assessment of the going concern assumption

The Directors are responsible for assessing the capacity of the Company to pursue operating activities and, in preparing the consolidated financial statements, the appropriateness of applying the going concern principle, in addition to the provision of adequate disclosure. The Directors apply the going concern principle in preparing the consolidated financial statements unless they have assessed that the conditions for the winding up of the parent company Aeffe S.p.A. or for the interruption of operations exist or that they have no realistic alternatives to these options.

2023 was a year of transition for our Company which saw a radical reorganization of the Moschino brand in terms of both creativity and distribution, and at the same time a transformation of its internal structure through a series of corporate mergers and incorporations. The results we are presenting today, expected but not positive, are clearly the result of these transformations and the strong investments of recent years. The Company recorded a loss in the income statement amounting to a total of 51.6 million euros and a negative consolidated net financial position which stood at 176.3 million euros (including the effects deriving from the application of the IFRS16 standard), worsening compared to the same figure for the previous year of 48.7 million euros.

Starting from these results, the Directors have prepared the financial statements as at December 31, 2023 according to the principle of business continuity considering the uncertainties linked to the reference market and macroeconomic situation and on the basis of the strategies illustrated in the 2024-2027 industrial plan approved by the board of directors on January 25, 2024 which involve a series of actions aimed at maintaining the Company in a balanced situation.

The Business Plan was prepared both at corporate and individual brand level.

At Company level, four development areas have been identified:

- Full identification with Made in Italy through an offer of recognizable and distinguishable fashion products
- Increase in profitability to be implemented through an increase in volumes from wholesale and retail channels across all brands
- Continuous improvement process aimed at digitalisation and sustainability
- Agile and efficient organisation

In order to achieve the objectives, numerous projects were scheduled over the course of the plan, including:

- Introduction of a new Enterprise Resource Planning
- Supply Chain management
- Integration of Artificial Intelligence in each phase of the product life cycle
- New Business Intelligence for the management of "big data"
- Traceability with respect to the supply chain
- New designs of E-Commerce platforms
- Development of CRM (Customer Relationship Management)

A medium-long term strategy has been identified for each Brand through the analysis of five areas. Precisely:

- Style, collections and product sustainability
- Distribution
- Communication and Marketing
- Collaborations, Partnerships and Business Combinations
- Human Resources/Team

These areas, integrated with the Company macro-strategy, have led to the setting of specific targets for each Brand.

Moschino brand:

- Increase in the perception of the Brand (also thanks to the change of creative director and the consequent different product offering)
- Progressive improvement of distribution
- Increase in the number of Franchisees and expansion of digital channels
- Progressive increase in retail presence in Asia

Pollini brand:

- Consolidation of performance in consolidated geographical areas
- Penetration into new countries with development potential with respect to the positioning of the Brand
- Progressive increase in Franchisees in Europe (including Italy) and in selected foreign countries
- Opening of pop-ups and shopping shops

Alberta Ferretti brand:

- Development in selected geographical areas that enhance the product
- Expansion of digital channels
- Collaborations and Partnerships

Philosophy di Lorenzo Serafini brand:

- New commercial organization capable of covering all the main geographical areas
- Progressive opening of directly managed boutiques to increase retail presence
- Introduction of collaborations and partnerships on specific products

Specifically, the industrial plan mainly envisages a strategic relaunch of the Moschino brand initially focused on changing the product offering with consequent raising of the brand's position on the market. These results will be achieved thanks to the contribution of the new creative director Adrian Appiolaza, appointed on January 30, 2024.

Furthermore, again with a view to raising the Moschino brand, in general for the wholesale channel in all areas where the brand is present, the plan envisages a progressive improvement of the distribution channel with the objective of increasing turnover through new sales models, building strong relationships with selected customers. For the retail channel, the industrial plan mainly envisages maintaining the direct presence in China, with the consolidation of the stores already open and a gradual increase in the sales network through the opening of new directly managed stores in the main cities.

Specifically, the Company has reviewed its investment strategies relating to Moschino's direct sales points in China (through the subsidiary Moschino Shanghai) with the aim of containing the Company's financial position; for these reasons the openings of new sales points in the country will be completed, starting from 2024, in a medium/long time frame, longer than the years of the consolidated industrial plan.

For the Company, the 2024 financial year will still be an exercise in moving closer to the desired path of recovery in volumes and sales performance of products, especially those of the Moschino brand, in consideration of the difficulties that the reference market continues to present and the limited albeit positive effects , yet to be fully expressed, of the imprint of the new creative director, who debuted with the "main autumn-winter 2024" collection with the February 2024 fashion show and who will curate his first complete collection dedicated to the "spring-summer 2025" season ".

Already starting from 2025, with a consolidation trend projected for 2026 and 2027, a reversal of the trend is expected with a recovery in sales volumes of all the brands of the Company, in particular that of the Moschino brand (both wholesale and retail), when all the collections presented will bear the imprint of the new creative director and when the conditions of the reference market should also become more favorable again.

Given the reduction in sales and turnover volumes, the plan envisages various organizational efficiency and cost containment actions, in particular with regard to the provision of services (consultancy, stylistic and communication) and staff performance. These actions will allow, despite the contractions in turnover expected in 2024, to achieve a recovery in margins compared to 2023.

The directors will continue to monitor the trend and evolution of the reference markets with extreme attention, with respect to the hypotheses and actions envisaged in the 2024-2027 industrial plan, while maintaining proactive and constant attention to organizational and management efficiency, to contain costs and identify initiatives that can further protect expected cash and income flows, also through any specific operations.

Accounting standards, amendments and interpretations approved by the European Union, applicable from 1 January 2023:

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 January 1, 2023;

- **amendments to IAS 8 Definition of Accounting Estimates**: The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. To provide greater guidance, the amendments clarify that the effects on an accounting estimate of a change in an input or valuation technique are changes in accounting estimates, unless they result from the correction of prior period errors. Furthermore, changes in accounting estimates resulting from new information are not corrections of errors. The amendments applies on January 1, 2023.

- **amendments to IAS 1 and IFRS Practice Statement Disclosure of Accounting Policies**: The amendments are intended to support entities in deciding which accounting policies to disclose in the financial statements. In this respect: – the amendments to "IAS 1 - Presentation of Financial Statements" require companies to disclose their material accounting policy information rather than their significant accounting policies; – the amendments to "IFRS Practice Statement 2 - Making Materiality Judgements" seek to provide a guide on how to apply the concept of materiality to disclosures of accounting policies.

Disclosure of accounting policies in accordance with IAS 1 is material if, taken together with other information included in the financial statements, it can reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

- **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.

Accounting standards, amendments and interpretations published by the IASB approved by the European Union but not yet adopted in the preparation of these financial statements:

- **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 IFRS16 Lease Liability in a Sale and Leaseback**: The document requires the seller-lessee to measure the lease liability arising from a sale and leaseback transaction so as not to recognise an income or loss that relates to the retained right of use. The amendments will apply from 1 January 2024, with early adoption 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 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 Company 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).

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

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

To determine the recoverable value of the brands recorded in the balance sheet, the current value was estimated 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 revenue that the brand is able to generate prospectively, over its useful life. The industry averages were used as the royalty rates (equal to 10%), from which the average percentage of incidence of the maintenance costs of each brand on the turnover was deduced (equal to 3.01% for Moschino and 6, 99% for Alberta Ferretti). The presumed royalty percentage was also determined net of the tax effect.

In this case, considering the historicity of the trademarks being evaluated, it was considered correct to use a time horizon (useful life) of unlimited duration of the distinctive sign, which in any case corresponds to an algorithm equal to approximately 25/30 years.

The expected royalties were determined on the basis of the turnover attributable to each specific brand and extrapolated from the 2024 Budget and for the financial years 2025-2027 from the expected economic development plans approved by the Company.

For the period following the explicit planning period (post 2027), in determining the expected turnover and, therefore, the presumed royalties, a minimum annual growth rate g was considered (equal to 2.02%), equal to inflation average expectation in the countries in which the Company operates, weighted based on the 2027 EBITDA produced in these countries. The average cost of capital (WACC) was used as the discount rate, equal to 9.40% (8.40% as at 31/12/2022) for the explicit planning period and equal to 10.08% (8, 40% that at 12/31/2022) for the subsequent period.

Furthermore, the Company conducted the usual sensitivity analyses, required by IAS 36, in order to highlight the effects produced on the "value in use" of the brands by an increase in the WACC discount rate. In particular, the percentage increase in the WACC was identified which would lead to a zeroing of the headroom found between the value in use and the carrying amount (percentage increase in the WACC for each brand: +32.67% Moschino; +11 .63% Alberta Ferretti).

The analysis carried out did not reveal any situations of impairment as the net book value of the individual brands was lower than the related recoverable value.

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	3%

Research costs are charged to the income statement as incurred.

At 31 December 2023 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

The 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 31/12/23 amounts to 2.44%.

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 amortization of right-of-use assets is applied on the basis of the provisions of IAS 16. Finally, right-of-use assets are subjected to impairment testing on the basis of the provisions of IAS 36. The item right-of-use assets it therefore also includes the key money paid by the Company, as it is classified, based on the IFRS16 principle, as initial direct leasing costs. The "rights of use" of each individual CGU are subjected to impairment tests in the presence of triggering events (involving the individual CGU).

The impairment test is carried out by comparing the net book value of the CGU (understood as Net Invested Capital - in the CGU) with the recoverable value (understood, as required by paragraphs 18 and 74 of the international accounting standard IAS 36, as the greater of fair value less costs to sell and value in use).

IFRS 13 brings together the definition of fair value by establishing that it is the price that would be received for the sale of an asset or that would be paid for the transfer of a liability in a regular transaction between market operators at the measurement date. IFRS 13 establishes a hierarchy that classifies the inputs of the measurement techniques adopted to measure fair value into levels. The expected levels, displayed in hierarchical order, are as follows:

- level 1 inputs: are quoted prices (unadjusted) in active markets for identical assets and liabilities that the entity can access at the measurement date;

- level 2 inputs: these are variables other than the quoted prices included in level 1 that can be observed directly or indirectly for assets or liabilities;
- level 3 inputs: these are unobservable variables for assets or liabilities.

To determine the value in use of an asset, the present value of the estimated future financial flows is calculated, before taxes, by applying a discount rate, before taxes, which reflects the current market assessments of the time value of money and specific risks of the activity.

To estimate the "fair value", the Aeffe discounts future rents to market value while for the "value in use" it discounts the expected future cash flows (Discounted Cash Flow - DCF) generated by the CGU.

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 Companymainly 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 Comapny 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.

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 Company'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.

Furthermore, it is specified that, also taking into account the uncertainty of the reference context, the estimate of the value in use and the fair value were entrusted to an independent external expert.

Therefore, we first proceeded to carry out the impairment test on the two divisions of the Company: "Pret-a-porter" and "Pollini". The Company's activity is divided, in fact, on the basis of the different product lines and brands that make up its offer, into two segments: (i) Prêt-à-porter (CGU «Pret-a-porter»); and (ii) footwear and leather goods (CGU «Pollini»). The «Prêt-à-porter» division, which is made up of the Aeffe corporate reality, operates mainly in the creation, creation and distribution of luxury ready-to-wear clothing collections and lingerie, beachwear and loungewear collections; the «Pollini» division operates mainly in the creation, production and distribution of footwear, small leather goods, bags and coordinated accessories, characterized by exclusive materials.

The impairment test was conducted by first testing the recoverability of the carrying amount, i.e. the Net Invested Capital, of each CGU through the value in use, determined by discounting the result flows of the plan each CGU, or by applying the methodology directly referred to by IAS 36: the financial method of Discounted Cash Flow, in the asset side formulation.

The flows of the explicit period were determined starting from the operating income (EBIT) of each financial year 2024 - 2027, calculating and subtracting the notional direct taxes at the full rate and subsequently adding the negative income components that do not give rise to monetary outflows, such as depreciation and provisions, in order to identify the "financial flow of current operational management", which can be interpreted as a "potential" monetary flow; in fact, the amount of monetary resources actually released by current core management is affected by the variation undergone over the period by the assets elements that arise and expire as a result of the operating cycles (trade receivables, inventories, trade payables, payables to personnel, etc.) – changes in Net Working Capital (NCC). Finally, the monetary flow of operational management was determined taking into consideration both the aforementioned CCN deltas and investments (net of disinvestments) in fixed capital - so-called CAPEX – and changes in operating funds. For the years following 2027, i.e. for the years following the explicit planning period - and, therefore, for the estimate of the Terminal Value -, it was prudentially decided to identify the prospectively average cash flows that could be produced by the two «Pret-a» divisions -porter" and "Pollini" with the average (normalized for non-repeatable and extraordinary flows) of the EBITs of the last two explicit planning years (2026 - 2027), appropriately considered net of notional taxes at the full rate and projected in perpetuity. For the post-2027 period, a minimum annual g growth rate was also considered (equal to 2.02%), equal to the average expected inflation in the countries in which the Company operates, weighted based on the 2027 EBITDA produced in these countries.

The flows were discounted at the weighted average cost of capital of the Company WACC, equal to 9.40%, determined on the basis of the following parameters:

- Free Risk Rate of a mature country (Germany), i.e. rate of return on 10Y Bunds relating to the twelve months preceding 12/31/2023 (Source: investing.com).
- Beta volatility coefficient constructed as the average of the 2Y unlevered β of a sample of comparable companies leveraged as a function of the average D/E ratio of the same comparables (Source: Bloomberg).
- Equity Risk Premium, premium for the ideal risk as identified by best practices.
- Country Risk Premium, determined as the average risk of the countries in which the Company operates, weighted by the percentage of production of the 2027 EBIT in said countries (Source: Aswath Damodaran).
- Coefficient α, which considers, among other things, the small cap and randomness premiums of execution of the plan.
- Cost of the Company's net debt, determined by considering the actual average rate (as of 12/31/2023) of the Company's credit lines.
- Financial structure, determined as the average of the comparables already considered for the definition of the β (Source: Bloomberg).

To discount the Terminal Value, a WACC of 10.08% was adopted, determined by considering an additional premium α on the cost of equity capital.

The value in use of the two CGUs, calculated according to the DCF methodology, was higher than the book value of the related Net Invested Capital.

Furthermore, the Company nevertheless conducted the usual sensitivity analyses, required by IAS 36, in order to highlight the effects produced on the "value in use" of the CGUs by an increase in the WACC discount rate and a decrease in the growth rate.

The analysis carried out did not reveal any situations of impairment as the net book value of the two CGUs was lower than the related recoverable 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 prospectively, over the course of its useful life. The industry averages were used as the royalty rates (equal to 10%), from which the average percentage of incidence of the maintenance costs of each brand on the turnover was deduced (equal to 3.01% for Moschino, 1.35% for Pollini and 6.99% for Alberta Ferretti). The presumed royalty percentage was also determined net of the tax effect.

In this case, considering the historicity of the trademarks being evaluated, it was considered correct to use a time horizon (useful life) of unlimited duration of the distinctive sign, which in any case corresponds to an algorithm equal to approximately 25/30 years.

The expected royalties were determined on the basis of the turnover attributable to each specific brand and extrapolated from the 2024 Budget and for the financial years 2025-2027 from the expected economic development plans, approved by the Parent Company.

For the period following the explicit planning period (post 2027), in determining the expected turnover and, therefore, the presumed royalties, a minimum annual growth rate g was considered (equal to 2.02%), equal to inflation average expectation in the countries in which the Company operates, weighted based on the 2027 EBITDA produced in these countries. In line with what was done for the two CGUs of the Company, the average cost of capital (WACC) equal to 9.40% (8.40% as at 31/12/2022) for the period was used as the discount rate. of explicit planning and equal to 10.08% (8.40% as at 12/31/2022) for the subsequent period.

Moreover, the Company has conducted the usual sensitivity analyzes, required by IAS 36, in order to highlight the effects produced on the "value in use" of brands by an increase in the WACC discount rate. In particular, the percentage increase in the WACC was identified which would lead to a zeroing of the headroom found between the value in use and the carrying amount (percentage increase in the WACC for each brand: +32.67% Moschino; +2 .86% Pollini; +11.63% Alberta Ferretti).

From the analysis carried out, no impairment situations emerged as the net book value of the individual brands is lower than 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) - substantially attributable to the key money paid for the takeover - which highlighted impairment indicators linked to the increase in rates.

In particular, for the stores (Cash Generating Units - CGU), the recoverable value, has been determined as the greater of the fair value and the value in use of the relative CGU, and compared with the net carrying amount ("carrying amount").

The test was conducted first of all by identifying the recoverable value of the stores (for which the Comapny appears to have recorded key money) in the sense of fair value. In particular, the fair value was calculated based on current empirical data from the real estate market, as the difference between:

- the current value of the residual rents considering the market values (Sources: Main Streets across the World - Cushman & Wakefield; Real Estate Market Observatory - Revenue Agency) of the rents applicable for properties located in the same cities and streets as stores being estimated and the specific size (m2) of the stores being tested;
- the current value of the residual rental payments considering the contractual values.

Also in this case the discount rate is the Compony WACC, adjusted to consider the specific country and inflation risks of the state in which the store is located. The useful life of the CGU was assumed to be equal to the duration of the lease contract. The fair value thus determined was compared with the net book value of the key money and fittings of each store. In the event that this comparison highlighted a loss of value, considering that the Accounting Standard provides that the recoverable value represents the greater of the fair value and the value in use, the value in use of the stores was also determined using the previously exposed DCF financial methodology.

To estimate the value in use of the stores (CGU), the operating cash flows deduced from the actual economic data as of 12/31/2023, as well as the prospective 2024 - 2027 data, as approved by the Parent Company, were considered. For the years after 2027 and until the expiry date of the rental contract, the cash flows were estimated analytically, year by year, on the basis of the latest available EBIT increased by a growth rate g - equal to expected inflation 2028 in Italy or France, based on the geographical location of the shop - netted considering full rate taxes. To discount the cash flows, the same WACC rate determined for the two CGUs «Pret-a-porter» and «Pollini» was adopted, modified only to consider only the country risk of Italy or France, and not the weighted average of Countries of operation of the entire Company.

The analysis carried out revealed a write-down for impairment of EUR 203 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.

For the stores that, however, passed the impairment test, the usual sensitivity analyzes were conducted, required by IAS 36, in order to highlight the effects produced on the "fair value" or "value in use" of the stores following: a hypothetical reduction in the rental price per square meter or a hypothetical increase in the WACC discount rate.

The analyzes on the variability of the results of the estimates made regarding the stores as the main valuation inputs assumed changed, hypothesized alternatively: for fair value valuations, the potential decrease in market prices per square meter and, for fair value valuations, value in use, the percentage increase in the WACC discount rate, which respectively lead to the elimination of the margins found in the impairment test.

A sensitivity analysis was first carried out on the market prices per square meter of the rents of each shop in order to identify the decrease in the same which would lead the recoverable value of the assets of each shop to be at least equal to the relative carrying amount (i.e. all zeroing of the headroom encountered). This decrease is between 28% and 82%.

In the event that the comparison between fair value and net book value has highlighted a loss in value, considering that the Accounting Standard provides that the recoverable value represents the greater of the fair value and the value in use, we also proceeded to determine the use value of the shops.

A sensitivity analysis on the discount rates (WACC) was carried out on the value in use of these stores, in order to identify the rate increase that would bring the recoverable value to be at least equal to the relative carrying amount (i.e. to zero of the headroom encountered). The increase in WACC is between 2% and 25%.

In defining the recoverable value of all assets subject to impairment testing, the financial impacts estimated by management for achieving its Environmental, social, and corporate governance (ESG) objectives were taken into consideration. In fact, in 2023 the AEFFE continued the path started previously regarding the in-depth mapping of ESG risks, also with the support of external professionals, starting from the materiality analysis, which will lead to a progressive integration of the factors of sustainability within its corporate risk management model. The company has identified its sustainability objectives and defined a prospective implementation plan for their achievement. The same was formalized in terms of economic impacts in a timely manner for the year 2024, implemented in the company budget. Aeffe has also estimated, on the basis of the 2024 budget, the economic impacts over the plan period, including them in its industrial economic plan, considered for the purposes of the impairment test.

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.

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. A specific analysis is carried out both of the positions in dispute and of the positions that present some symptoms of delay in collections for the purpose of determining the provision for bad debts. Furthermore, the evaluation of residual credits is also carried out considering the expected loss which is calculated over the entire life of the trade credit. The evaluation of the overall realizable value of trade receivables requires the development of estimates regarding the probability of recovery of the aforementioned practices, as well as the percentages of write-downs applied to receivables not in dispute. The allocation to the bad debt fund is made consistently with the situation of your credits, considering that these credits are partly covered by insurance.

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 valued to reflect their likely use or realisability.

In particular, the Company, in relation to finished products relating to previous seasons present in inventories at 31 December 2023, adjusts the value of such inventories to the realizable value obtained from the sale through the stockists channel.

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.

A part of the Company'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 Company's revenues derive from list prices that can vary depending on the type of product, brand and geographical region. Some contracts with the Comapny'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 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 for actuarial calculation serve to calculate the benefit plans in the sphere of future benefits of the working relationship:**
– The inflation rate foreseen is 2.0%;
– The discount rate used is 3.08%;
– The annual rate in increase of the severance indemnity fund foreseen is 3.0%;
– 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 2023 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 2023	31 December 2022	Change	%
Trade receivables	56,856	78,011	(21,155)	(27.1%)
Other current receivables	22,417	14,017	8,400	59.9%

Total	**79,273**	**92,028**	**(12,755)**	**(13.9%)**

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 2023, overdue trade receivables amount to EUR 45,527 thousand (EUR 42,241 thousand in 2022). The breakdown by due date is as follows:

(Values in thousands of EUR)	31 December 2023	31 December 2022	Change	%
By 30 days	2,460	4,115	(1,655)	(40.2%)
31 - 60 days	4,514	3,940	574	14.6%
61 - 90 days	2,917	5,554	(2,637)	(47.5%)
Exceeding 90 days	35,636	28,632	7,004	24.5%
Total	**45,527**	**42,241**	**3,286**	**7.8%**

The change in overdue receivables of Euro 3,286 thousand is determined by the mergers by incorporation of the subsidiaries Moschino S.p.A. and Aeffe Retail S.p.A.

It should be noted that the portion of trade receivables overdue beyond 90 days includes receivables from the Chinese subsidiary amounting to Euro 24,871 thousand, of which Euro 13,091 thousand were written down by allocation to the write-down provision.

There are no further risks of uncollectability relating to overdue receivables.

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 01.01.22	**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**
Increases externally acquired	-	1,006	1,006
Increases merger Moschino S.p.A.	36,059	341	36,400
Disposals	-	(11)	(11)
Amortisation	(2,053)	(632)	(2,685)
Net book value as of 31.12.23	**36,526**	**1,561**	**38,087**

Brands

This caption is related to the value of the brand owned by the Company: “Alberta Ferretti”.

Brand “Alberta Ferretti” equal to EUR 2,395 thousand, residual amortisation period is 19 years.

Brand “Moschino” equal to EUR 34,131 thousand, residual amortisation period is 21 years.

Other

The caption “Other” relates to user licenses for software.

Key money

Following the merger operations by incorporation of the subsidiaries Moschino S.p.A. and Aeffe Retail S.p.A. at the same time as the application of IFRS 16, the Company included the amortization plans of the Key Manuals including them within the rights of use.

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**	**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**
Increases			1,554	179	58	651	2,442
Increases merger Moschino			7,944	243	166	2,067	10,420
Infreases merger Aeffe Retail			330	107	8	546	991
Disposals			(1,793)	(25)	(102)	(774)	(2,694)
Depreciation		(611)	(1,438)	387)	(61)	(648)	(3,145)
Net book value as of 31.12.23	**17,320**	**20,629**	**7,199**	**1,224**	**106**	**2,433**	**48,911**

Tangible fixed assets have changed mainly as follows:

- Increases of EUR 2,442 thousand in improvements to the building and leasehold, information tools and general and specific plant and machinery, mainly referred to the new point of sale in rome Via del Babuino 16, brand Moschino;
- Increases of EUR 11,411 thousand following the merger by incorporation of the subsidiary Moschino S.p.A. and Aeffe Retail S.p.A.;
- Decreases of EUR 2,694 thousand mainly for closing of the shops of sale in Capri and in Rome, both brand Moschino;
- Depreciation of EUR 3,145 thousand.

3. *Right-of-use assets*

The following table details its composition and movements:

(Values in thousands of EUR)	Buildings	Cars	Other	Total
Net book value as of 01.01.22	**10,830**	**245**	**938**	**12,013**
Increases	515	846	-	1,361
Disposals	(3,087)	-	(20)	(3,107)
Translation differences and other variations	-	-	-	-
Depreciation	(1,516)	(368)	(385)	(2,269)
Net book value as of 31.12.22	**6,743**	**723**	**533**	**7,999**
Increases Moschino	19,895	132	101	20,127
Increases Aeffe Retail	31,383			31,383
Increases	7,032	827	788	8,648
Disposals	(384)			(384)
Translation differences and other variations	(203)			(203)
Depreciation	(9,921)	(502)	(486)	(10,909)
Net book value as of 31.12.23	**54,544**	**1,181**	**936**	**56,661**

The Buildings item includes right-of-use assets mainly relating to rental contracts for shops and to a residual extent relating to rental contracts for offices and other spaces. The increases are linked to new rental contracts relating to the opening or relocation of retail stores and the renewal of existing rental contracts. The decreases are linked to the closure of two Moschino brand stores, Capri and Rome.

During the year, the Company formalized an impairment test with the methods described previously in the paragraph "IFRS 16". In particular, for the Cash Generating Units (CGU) the recoverable value was calculated as the greater of the fair value and value in use of the relevant Cash Generating Unit with the book value of its net invested capital ("carrying amount").

The analysis carried out revealed a write-down for impairment of Euro 203 thousand relating to the Florence store which, in the current context, has manifested trigger events, highlighting, on the basis of the economic and financial forecasts formulated by the Management, the non-recoverability of the investments made.

4. Equity investments

4.1 Equity investments in controlled companies

The composition of the item Investments in subsidiaries as of 31 December 2023 and 2022 is highlighted in the following table: (values in thousands of Euro)

Company	Direct interest %	Net book vale at 31/12/2022	Contributions from Moschino S.p.A. merger			2023 changes			Net book value at 31/12/2023
			Gross book value	Provision for equity investments write-downs	Net book value	Write-downs	Riclassification from provision	Decreases for Mergers	
Pollini SpA	100.0%	41,945			-				41,945
Aeffe Retail SpA	100.0%	19,787			-			(19,787)	-
Moschino SpA	100.0%	113,949			-			(113,949)	-
Moschino Kids Srl	70.0%		7		7				7
Aeffe Germany Gbmh	100.0%	525			-	(525)			-
Aeffe Spagna Slu	100.0%	320			-				320
Aeffe Netherlands Bv	100.0%	25			-	(25)			-
Aeffe Group Inc. (ex Aeffe Usa ed ex Moschino Usa)	100.0%	10,665	3,297	(12,060)	(8,763)	(1,463)			440
Fashoff UK Ltd	100.0%		2,342		2,342				2,342
Moschino France Sarl	100.0%		8,400	(2,452)	5,948	(9)	(399)		5,539
Moschino Asia Pacific Ltd	100.0%		54		54	(54)			-
Moschino Korea Ltd	100.0%		4		4	(4)			-
Moschino Shangai Ltd (subsidiary through Moschino Asia Pacific Ltd)	100.0%				-				
Totale		187,216	14,105	(14,512)	(408)	(2,080)	(399)	(133,736)	50,594

The changes recorded during 2023 refer to the effects deriving from the mergers by incorporation of Moschino S.p.A. and Aeffe Retail S.p.A. and to the write-downs carried out by the Company to cover the losses reported by the subsidiaries indicated above. From the analyzes carried out on the basis of the provisions of IAS 36, no other impairment test indicators were identified, therefore, the Company did not carry out the impairment tests.

It should be noted that the provision for write-downs relating to the shareholding of Aeffe Group Inc., brought about by the merger of the subsidiary Moschino S.p.A., is determined by the sum of the provision for write-downs of the investment (3,297 thousand euros), the provision for bad debts (1,803 thousand euros) and the provision for risks future charges (Euro 6,960 thousand) relating to the company Moschino Usa Inc.

The following table shows the movements in the Provision for Excess Devaluation of Equity Investments, which reports in the provisions item the amount deemed adequate to cover the losses (for the pertinent percentage share) that remain after the book value of the equity investment has been written off to zero:

(values in thousands of Euro)

Company	Direct interest %	Book vale at 31/12/2022	2023 provision	Riclassification to equity investments write-downs	2023 provision release	Book value at 31/12/2023
Aeffe Germany Gbmh	100.0%		(401)			(401)
Aeffe Netherlands Bv	100.0%		(140)			(140)
Aeffe UK Ltd (inactive company)		(2,848)			2,848	-
Moschino France Sarl	100.0%	(399)		399		-
Moschino Asia Pacific Ltd	100.0%		(3,073)			(3,073)
Moschino Korea Ltd	100.0%		(2,613)			(2,613)
Moschino Shangai Ltd (subsidiary through Moschino Asia Pacific Ltd)	100.0%		(11,515)			(11,515)
Totale		(3,248)	(17,743)	399	2,848	(17,743)

The following table shows the main data of the IAS financial statements of the subsidiaries as of 31 December 2023 together with the historical cost of the investments and, if present, the Provision for Depreciation and Provision for Excess Depreciation of Participations as of 31 December 2023: (values in thousands of Euro)

Comapany	Registered office	Share Capital	Net profit for the period	Net equity	Direct interest %	Number of shares	Book value	Provision for equity investments write-downs	Provision for risks and charges	Equity investments net of provisions
Pollini SpA	Gatteo (FC) Italia	6,000	1,670	62,865	100.0%	6,000,000	41,945			41,945
Moschino Kids Srl	Padernello (TV) Italia	10	512	482	70.0%	n.d.	7			7
Aeffe Germany Gmbh	Metzingen (Germany)	25	(394)	(401)	100.0%	n.d.	525	(525)	(401)	(401)
Aeffe Spagna Slu	Barcellona (Spain)	320	(58)	396	100.0%	n.d.	320			320
Aeffe Netherlnads Bv	Rotterdam (Netherlands)	25	(228)	(140)	100.0%	n.d.	25	(25)	(140)	(140)
Aeffe Group Inc.	New York (USA)	9	(3,162)	463	100.0%	n.d.	13,962	(13,523)		440
Fashoff UK Ltd	London (GB)	1,800	(492)	5,081	100.0%	n.d.	2,342			2,342
Moschino France Sarl	Paris (France)	50	(197)	5,539	100.0%	n.d.	8,400	(2,861)		5,539
Moschino Asia Pacific Ltd	Hong Kong (H.K.)	58	(3,138)	(3,073)	100.0%	n.d.	54	(54)	(3,073)	(3,073)
Moschino Korea L.t.d.	Seoul (KR)	4,320	(3,495)	(2,613)	100.0%	n.d.	4	(4)	(2,613)	(2,613)
Moschino Shangai Ltd	Huangpu (Shanghai)	5,304	(9,033)	(11,515)	100.0%	n.d.			(11,515)	(11,515)
Total							67,585	(16,991)	(17,743)	32,851

4.2 Equity investments in other companies

The composition of the item Investments in subsidiaries as of 31 December 2023 is highlighted in the following table:

(values in thousands of Euro)

Comapny	Registered office	Share Capital	Net profit for the period	Net equity	Direct interest %	Number of shares	Book value
Conai							0,19
Caaf Emilia Romagna					0,688%	5.000	3
Assoform					1,670%		2
Consorzio Assoenergia Rimini					2,100%		1
Fondazione MadeinItaly circolare-sostenibile							9
Consorzio RE.CREA							2
Effegidi							6
Total interests in other companies:							22

5. *Other fixed assets*

This item mainly includes receivables from subsidiary companies.

The item other assets recorded an increase of Euro 3,297 thousand with a balance at the end of the year of Euro 3,856 thousand. This increase derives from the taking out of the loan granted to the subsidiary Moschino Asia Pacific Ltd of Euro 3,761 thousand for the recapitalization of the company Moschino Shanghai Ltd, 100% owned by Moschino Asia Pacific and from the decrease of Euro 559 thousand for the closure and transfer of items from the previous year.

6. *Deferred tax assets and liabilities*

This caption is analysed below as of 31 December 2023 and 2022:

(Values in thousands of EUR)	Receivables		Liabilities	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Tangible fixed assets	0	0	-17	-17
Intangible fixed assets	3	3	(130)	(130)
Provisions	717	362		(6)
Costs deducible in future periods	262	399		-
Income taxable in future periods		-	69	(137)
Tax losses carried forward	6,547	-		-
Other tax assets (liabilities) from transition to IAS	20	986	(6,679)	(6,549)
Total	**7,549**	**1,750**	**(6,757)**	**(6,839)**

Changes in temporary differences during the year are shown in the following table:

(Values in thousands of EUR)	Opening balance	Incorportation Merger Moschino S.p.A. and Aeffe Retail S.p.a.	Recorded in the income statement	Other	Closing balance
Tangible fixed assets	(17)				(17)
Intangible fixed assets	(127)				(127)
Provisions	356	306	48	7	717
Costs deducible in future periods	399	218	(388)	33	262
Income taxable in future periods	(137)	136	76	(6)	69
Tax losses carried forward	-		8,008	(1,461)	6,547
Other tax assets (liabilities) from transition to IAS	(5,563)	(1,766)	(3)	673	(6,659)
Tax previous periods			21	(21)	-
Totale	**(5,089)**	**(1,106)**	**7,762**	**(775)**	**792**

The decrease not transferred to the income statement of Euro 775 thousand is mainly attributable to the use of deferred tax assets on operating losses.

As of 31 December 2023, deferred tax assets amounting to Euro 6,547 thousand were recognised, calculated on the tax losses for the 2023 financial year. The recognition is linked to the assessment of the reasonable certainty of recoverability on the basis of the 2024-2027 Business Plan approved on 25 January 2024.

CURRENT ASSETS

7. Stocks and inventories

This caption comprises:

(Values in thousands of EUR)	31 December 2023	31 December 2022	Variations	%
Raw, ancillary and consumable materials	5,290	6,671	(1,381)	(20.7%)
Work in progress	4,533	5,762	(1,229)	(21.3%)
Finished products and goods for resale	34,159	21,594	12,565	58.2%
Advance payments		16	(16)	(100.0%)
Total	**43,982**	**34,043**	**9,939**	**29.2%**

The value of inventories shows an increase of EUR 12,565 thousand compared to the value of the previous year following the merger by incorporation of the subsidiaries Moschino S.p.A. and Aeffe Retail S.p.A.

Raw materials and work in progress products mainly concern the Spring/Summer collections 2024, while finished products mainly relate to the Autumn/Winter 2023 and to the Spring/Summer 2024 collections and to the Autumn/Winter 2024 samples collections.

Inventories are valued at the lower value between of cost and net realizable value.

For finished products, the production cost includes the costs of raw materials, materials and external processing, as well as all other direct and indirect production costs, for the portions reasonably attributable to the products, with the exclusion of financial charges.

During the year 2023, due to some stock sales, the allowance for doubtful inventory of EUR 1,917 thousand was used, as shown:

(Values in thousands of EUR)	31 December 2022	Decrease	Provisions/Other variations	31 December 2023
Allowance for doubtful inventories	1,917	(1,917)		-
Total	**1,917**	**(1,917)**		**-**

Obsolete and "slow-moving" stocks are valued in relation to their possibility of use or realization. In particular, the Company, in relation to the finished products relating to previous seasons present in inventories at 31 December 2023, has adjusted the value of these inventories to the realizable value obtained from the sale through the stockists channel.

8. Trade receivables

This caption is analysed in the following table:

(Values in thousands of EUR)	31 December 2023	31 December 2022	Change	%
Customers receivables	21,752	17,595	4,157	23.6%
Subsidiaries receivables	50,513	61,899	(11,386)	(18.4%)
Parent Company receivables	5	3	2	66.7%
(Allowance for Subsidiaries doubtful receivables)	(13,091)		(13,091)	n.a.
(Allowance for doubtful receivables)	(2,323)	(1,486)	(837)	56.3%
Total	**56,856**	**78,011**	**(21,155)**	**(27.1%)**

At 31 December 2023, trade receivables amounted to Euro 56,856 thousand, with a decrease of 27.1% compared to their value at 31 December 2022, mainly due to the merger operations by incorporation of the subsidiaries Moschino S.p.A. and Aeffe Retail S.p.A.

Receivables from subsidiary companies show a balance at the end of the year of 50,513 compared to 61,899 in the previous year, with a reduction of 18.4%. This decrease is attributable both to the merger operations that took place during the financial year and to the write-down of Euro 13,091 thousand towards the company Moschino Shanghai Ltd. with reference to the receivables arising in the 2022 financial year.

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 2022	Increases by merger incorporation Moschino Spa	Increases	Decreases	31 December 2023
(Allowance for doubtful account)	1,484	766	500	(427)	2,323
Total	**1,484**	**766**	**500**	**(427)**	**2,323**

9. Tax receivables

This caption is analysed in the following table:

(Values in thousands of EUR)	31 December 2023	31 December 2022	Change	%
VAT	1,355	4,193	(2,838)	(67.7%)
Corporate income tax (IRES)	3,162	2,659	503	18.9%
Local business tax (IRAP)	686	334	352	105.4%
Other tax receivables	2,583	1,099	1,484	135.0%
Total	**7,786**	**8,285**	**(499)**	**(6.0%)**

The change in tax credits is mainly attributable to the decrease in the group VAT credit while the change in the item "other tax credits" is attributable to the increase in the R&D credit of Euro 1,223 thousand brought about by the merger by incorporation of the subsidiary Moschino S.p.A.

10. Cash

This caption comprises:

(Values in thousands of EUR)	31 December 2023	31 December 2022	Change	%
Bank and post office deposits	2,346	5,749	(3,403)	(59.2%)
Cash in hand	215	13	202	1,553.8%
Total	**2,561**	**5,762**	**(3,200)**	**(55.5%)**

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.

Cash of Aeffe S.p.A company increased for an amount of EUR 957 thousand, determinated from the merger.

11. Other receivables

This caption comprises:

(Values in thousands of EUR)	31 December 2023	31 December 2022	Change	%
Credits for prepaid costs	18,160	12,644	5,516	43.6%
Advances to suppliers	1,023	164	859	523.8%
Accrued income and prepaid expenses	1,021	477	544	114.0%
Others	1,667	732	935	127.7%
Firr	547		547	n.a.
Total	**22,418**	**14,017**	**7,854**	**56.0%**

The credits for advance costs refer to the suspension of the portion of the design and production costs of the samples relating to the spring/summer 2024 and autumn-winter 2024 collections for which the corresponding sales revenues have not yet been generated.

The increase of Euro 5,516 thousand is mainly determined by the merger by incorporation of the subsidiary Moschino S.p.A.

Accruals and deferrals mainly refer to rent expenses, insurance premiums and periodic maintenance and/or subscription fees and the increase is mainly determined by the merger operations by incorporation of the subsidiary Moschino S.p.A. and Aeffe Retail S.p.A.

The receivable from Firr arises following the merger by incorporation of the subsidiary Moschino S.p.A. which carries out agency activities.

The item "Other" mainly refers to receivables from suppliers for credit notes relating to returns of materials/finished products and discounts on purchases, credits vs. Social security institutions, credits towards employees, credits for advance payments and short-term security deposits.

12. SHAREHOLDERS' EQUITY

The main elements comprising shareholders' equity as of 31 December 2023 are described below.

(Values in thousands of EUR)	31 December 2023	31 December 2022	Change
Share capital	24,606	24,606	-
Share premium reserve	62,264	67,599	(5,335)
Other reserves	4,979	4,979	-
Fair value reserve	7,742	7,742	-
Legal reserve	4,032	4,032	-
IAS reserve	11,253	(90)	11,343
Reamisurement of defined benefit plans reserve	(1,033)	(755)	(278)
Extraordinary reserve from realignment of D.L. 104/2020	3,807	3,807	-
Profits/(Losses) carried-forward	2,375	2,375	-
Net profit / (loss)	(51,581)	(5,335)	(46,246)
Incorporation merger reserve	(20,888)	16,286	(37,174)
Total	**47,556**	**125,246**	**(77,690)**

Share capital

Share capital as of 31 December 2023, 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 2023 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 2023, no treasury shares were purchased by the Company.

Share premium reserve

The variation in the share premium reserve amounts to EUR 5,335 thousand is related to the coverage of losses for year 2022.

Other reserves

The item "Other reserves" as of 31 December 2023 amounts to 4,979 thousand and has not changed compared to the year 2022.

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 2023 and has not changed compared to the year 2022.

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.
The item changed due to the mergers by incorporation of the Moschino S.p.A., equal to Euro 5,578 thousand and Aeffe Retail S.p.A. equal to Euro 5,765 thousand.

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 278 thousand compared to the value at 31 December 2022, of which eur 186 thousand due to the mergers by incorporation of the Moschino S.p.A and Aeffe Retail S.p.a.

Extraordinary reserve from realignement of D.L. 104/2020

The Extraordinary reserve from realignement amounts to EUR 3,807 thousand at 31 December 2023 and has not changed compared to the year 2022.

This reserve has been registered in Year 2021 when 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 2023, amounts to EUR 2,375 thousand and has not changed compared to the year 2022.

Net Profit /loss

This caption highlights a net loss of EUR 51,581 thousand.

Merger Reserve

The merger by incorporation reserve is increased by EUR 21,450 because of the merger by incorporation of the subsidiary Moschino S.p.A., and by Eur 15,724 thousand because of merger by incorporation of subsidiary Aeffe Retail 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	61,375	A,B,C	61,375	5,335		
- 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)	11,253	B				
Fair Value reserve (art. 6 D.Lgs. 38/2005)	7,742	B				
Remeasurement of defined benefit plans reserve	(1,033)					
Merger reserve	(20,888)					
Profit/(losses) carried-forward	2,375	A,B,C	2,375			
Extraordinary reserve from realignment L.D. 104/2020	3,807	A,B,C	3,807			
Total	**99,137**		**72,536**	**42,284**	**-**	**-**

LEGEND: A (for capital increases); B (to cover losses); C (for shareholder distribution)

Restricted Reserves

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 2022	Increases	Decreases	31 December 2023
Pensions and similar obligations	1,034	582	(133)	1,483
Other	3,247	17,993	(3,247)	17,993
Total	**4,281**	**18,575**	**(3,380)**	**19,476**

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 Moschino S.p.A. resulted in an increase in the pensions and similar obligations of EUR 5 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:

- Moschino Shangai Ltd EUR 11,515 thousand;
- Moschino Korea Ltd EUR 2,613 thousand;
- Moschino Asia Pacific EUR 3,073 thousand;
- Aeffe Germany EUR 401 thousand;
- Aeffe Netherlands BV EUR 140 thousand.

The "Other" decreases refer to the release of the provisions set aside in 2022 for the following subsidiaries:

- Aeffe Uk Ltd EUR 2,848 thousand;
- Moschino France Sarl EUR 399 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 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 2022	Merger Moschino S.p.A. and Aeffe Retail S.p.A.	Increases	Decreases / Other changes	31 December 2023
Post employment benefits	2,570	332	78	(353)	2,627
Total	**2,570**	**332**	**78**	**(353)**	**2,627**

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.

15. Non-current financial liabilities

Non-current financial payables are analysed in the following table:

(Values in thousands of EUR)	31 December 2023	31 December 2022	Change	%
Loans from financial institutions	58,660	56,362	2,298	4.1%
Lease liabilities	44,980	7,395	37,585	508.2%
Amounts due to other creditors		19,805	(19,805)	(100.0%)
Total	**103,640**	**83,562**	**20,078**	**24.0%**

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 13,222 thousand.

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

The merger by incorporation of the subsidiaries Moschino S.p.A. and Aeffe Retail S.p.A. determined an increase in the item payables to banks equal to EUR 4,750 thousand.

Lease liabilities relate to the application of IFRS 16, and the increase is due to merger by incorporation of the subsidiaries Moschino S.p.A. and Aeffe Retail S.p.A. Below is the table with the movement and temporal distribution of the debt:

(Values in thousands of EUR)	Lease liabilities	By 1 year	From 2 to 5 years	Exceeding 5 years
Net book value as of 31.12.22	**9,627**	**2,231**	**5,125**	**2,270**
Moschino merger	22,427	1,855	8,437	12,136
Aeffe Retail merger	22,215	3,749	14,205	4,262
Increases	8,668			
Decreases	(352)			
Lease repayment	(9,886)			
Financial expenses	1,490			
Net book value as of 31.12.23	**54,189**	**9,209**	**29,849**	**15,131**

The reduction in the item "Payables to other lenders" refers to interest-bearing loans granted by the subsidiaries Moschino S.p.A. and Aeffe Usa Inc. extinct during the year 2023.

The following table details the bank loans outstanding as of 31 December 2023, including both the current and the non-current portion:

(Values in thousands of EUR)	Total amount	Current portion	Non-current portion
Bank borrowings	76,562	17,902	58,660
Total	**76,562**	**17,902**	**58,660**

Maturities beyond five years amount to EUR 10,828 thousand.

16. Non-current not financial liabilities

Non-financial liabilities increased by Euro 1,327 as a result of the merger operations by incorporation of the subsidiary Moschino S.p.A. and Aeffe Retail S.p.A. and relate to contributions granted by the lessors, during the opening phase of the store, for renovation and fit-out works and charged to the income statement on the basis of the duration of the rental contract.

CURRENT LIABILITIES

17. Trade payables

This caption is analysed below on a comparative basis:

(Values in thousands of EUR)	31 December 2023	31 December 2022	Change	%
Payables for advances from costumers	2,058	3,292	(1,234)	(37.5%)
Payables with subsidiaries	22,579	62,724	(40,145)	(64.0%)
Payables with third parties	38,390	34,406	3,984	11.6%
Total	**63,027**	**100,422**	**(37,395)**	**(37.2%)**

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

Increase of Payables with third party and decrease of Payables with subsidiaries are due to the mergers by incorporation of Moschino S.p.A. and Aeffe Retail S.p.A.

18. Tax payables

Tax payables are analysed on a comparative basis in the following table:

(Values in thousands of EUR)	31 December 2023	31 December 2022	Change	%
Amounts due to tax authority for withheld taxes	1,997	1,328	669	50.4%
Other		170	(170)	(100.0%)
Total	**1,997**	**1,498**	**499**	**33.3%**

19. Short-term financial liabilities

This caption is analysed in the following table:

(Values in thousands of EUR)	31 December 2023	31 December 2022	Change	%
Due to banks	66,014	47,590	18,424	38.7%
Lease liabilities	9,209	2,231	6,978	312.8%
Total	**75,223**	**49,821**	**25,402**	**51.0%**

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.

The mergers by incorporation of the subsidiaries Moschino S.p.A. and Aeffe Retail S.p.A. determined an increase in the “due to banks” item equal to EUR 2,583 thousand.

Lease liabilities relate to the application of IFRS 16, and increase is due to mergers by incorporation of the subsidiaries Moschino S.p.A. and Aeffe Retail S.p.A.

20. Other liabilities

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

(Values in thousands of EUR)	31 December 2023	31 December 2022	Change	%
Due to total security organization	2,766	1,834	932	50.8%
Due to employees	3,395	2,214	1,181	53.3%
Trade debtors - credit balances	1,748	3,126	(1,378)	(44.1%)
Accrued expenses and deferred income	9,460	5	9,455	189,100.0%
Other	213	318	(105)	(33.0%)
Total	**17,582**	**7,497**	**10,085**	**134.5%**

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.

The increases of the various items shown in the table are determined to mergers by incorporation of the subsidiaries Moschino S.p.A. and Aeffe Retail S.p.A.

In particular, the item Accured expenses and deferred income relates to deferreds on royalties invoiced by Maison Moschino.

COMMENTS ON THE INCOME STATEMENT

21. Revenues from sales and services

Accounting Policy:

Sales and performance revenue is derived primarily from the sale of goods with revenue recognition "at point in time" when control of the good has been transferred to the customer. This is expected both for Wholesale distribution (shipping of goods to the customer) and for retail distribution when the goods are sold through a physical store. Regarding the export of goods, control can be transferred in various phases depending on the type of Incoterm applied to the specific customer. Given this, it leads to a limited judgment on the identification of the transfer of control of the asset and the consequent recognition of revenue.

A part of the Company's revenues comes from the recognition of royalties, agreed on the basis of a percentage pre-established in the contract with the customer, on the net turnover. Royalties accrue "at point in time", therefore at the moment of issue by the licensee of the sales invoices of the licensed products.

Determination of the transaction price:

The majority of the Company's revenues are derived from list prices which may vary depending on product type, brand and geographic region. Some contracts with the Company's retail companies provide for the transfer of control with the right of return.

Regarding the recognition of royalties, these are calculated on the basis of a percentage of the licensee's net turnover. The percentage may vary based on the type of product.

Breakdown of revenues from sales and services (IFRS 15)

(Values in thousands of EUR) Full Year 2023	Prêt-à porter Division	Footwear and leather goods Division	Total
Geographical area	**145,173**	**38,523**	**183,696**
Italy	71,699	21,026	92,725
Europe (Italy excluded)	32,027	6,013	38,040
Asia and Rest of the World	34,372	9,667	44,039
America	7,075	1,817	8,892
Brand	**145,173**	**38,523**	**183,696**
Alberta Ferretti	18,928	2,216	21,144
Philosophy	16,236	1,023	17,259
Moschino	109,133	35,279	144,412
Other	876	5	881
Distribution channel	**145,173**	**38,523**	**183,696**
Wholesale	101,614	17,623	119,237
Retail	29,074	13,950	43,024
Royalties	14,485	6,950	21,435
Timing of goods and services transfer	**145,173**	**38,523**	**183,696**
POINT IN TIME (transfer of significant risks and benefits connected to the property of the asset)	101,614	17,623	119,237
POINT IN TIME (Royalties accrual on Licensee's turnover)	14,485	6,950	21,435

In the 2023 financial year, revenues went from Euro 164,666 thousand in 2022 to Euro 183,696 thousand in 2023, with an increase of 11.6%. In absolute value, the increase of Euro 19,030 thousand is determined by the following factors that occurred during 2023:

- reduction in revenues from the wholesale channel more than offset by the increase in revenues from the retail channel following the merger by incorporation of the subsidiaries Aeffe Retail S.p.A. and Moschino S.p.A.;

- increase in revenues equal to Euro 23,151 thousand for royalties and commissions following the merger by incorporation of the subsidiary Moschino S.p.A.

The merger operations by incorporation of the subsidiaries Aeffe Retail S.p.A. and Moschino S.p.A. resulted in a total increase in revenues from sales and services of Euro 66,149 thousand.

50% of the revenues were achieved on the Italian market and 50% on foreign markets.

22. Other revenues and income

This caption comprises:

(Values in thousands of EUR)	Full Year 2023	Full Year 2022	Change	%
Rental income	3,089	3,985	(896)	(22.5%)
Other income	9,503	6,161	3,342	54.2%
Total	**12,592**	**10,146**	**2,446**	**24.1%**

The item other revenues, equal to Euro 12,592 thousand in the 2023 financial year, mainly includes the provision of services, profits on exchange rates of a commercial nature, sales of raw materials and packaging, R&D tax credit and the release of some funds. The increase is mainly linked to the merger operations by incorporation of Moschino S.p.A. and Aeffe Retail S.p.A. for Euro 4,701 thousand, of which Euro 1,100 thousand linked to the cancellation of the Capri store.

23. Costs of raw materials

This caption comprises:

(Values in thousands of EUR)	Full Year 2023	Full Year 2022	Change	%
Raw, ancillary and consumable materials and goods for resale	60,916	65,187	(4,271)	(6.6%)
Total	**60,916**	**65,187**	**(4,271)**	**(6.6%)**

This item mainly includes the costs for purchases of raw materials such as fabrics, yarns, leather and accessories, purchases of finished products for resale (marketed products) and packaging.

The decrease in costs for raw materials is determined by the contraction in turnover on the wholesale channel compared to the order of the previous year and by the merger operations by incorporation of Moschino S.p.A. and Aeffe Retail S.p.A.

24. Costs of services

This caption comprises:

(Values in thousands of EUR)	Full Year 2023	Full Year 2022	Change	%
Subcontracted work	18,297	17,902	395	2.2%
Consultancy fees	25,147	8,385	16,762	199.9%
Advertising	13,467	3,003	10,464	348.5%
Commission	6,311	8,185	(1,874)	(22.9%)
Transport	3,949	4,592	(643)	(14.0%)
Utilities	1,186	948	238	25.1%
Directors' and auditors' fees	2,717	2,510	207	8.2%
Insurance	303	279	24	8.6%
Bank charges	296	232	64	27.6%
Travelling expenses	894	630	264	41.9%
Other services	6,457	2,922	3,535	121.0%
Total	**79,024**	**49,588**	**29,436**	**59.4%**

Costs for services went from Euro 49,588 thousand in financial year 2022 to Euro 79,024 thousand in financial year 2023, with an increase of 59.4%. The change is mainly determined by the merger by incorporation of Moschino S.p.A. and Aeffe Retail S.p.A. and partly for the non-recurring costs incurred in the year 2023 for the reorganization of the Company and for extraordinary promotional events such as the 40th anniversary of the Moschino brand.

25. Costs for use of third parties assest

This caption comprises:

(Values in thousands of EUR)	Full Year 2023	Full Year 2022	Change	%
Rental expenses	972	338	634	187.6%
Royalties	597	14,939	(14,342)	(96.0%)
Hire charges and similar	388	166	222	133.7%
Total	**1,957**	**15,443**	**(13,486)**	**(87.3%)**

The change in the item "costs for the use of third party assets" is mainly determined by the merger operations by incorporation of Moschino S.p.A.

26. Labour costs

This caption comprises:

(Values in thousands of EUR)	Full Year 2023	Full Year 2022	Change	%
Wages and payrolls	46,563	30,288	16,275	53.7%
Total	**46,563**	**30,288**	**16,275**	**53.7%**

Labour costs went from Euro 30,288 thousand in 2022 to Euro 46,563 thousand in 2023, with an increase of 53.7% mainly deriving from the merger operations by incorporation of the subsidiaries Moschino S.p.A. and Aeffe Retail S.p.A. and the extraordinary reorganization costs that occurred during the 2023 financial year.

The national labor contract applied is that of the textile and clothing industry sector of January 2022.

The average number of employees in 2023 is analysed below:

(Average number of employees by category)	Full Year 2023	Full Year 2022	Change	%
Workers	165	143	22	15.4%
Office staff - supervisors	595	383	212	55.4%
Executive and senior managers	20	16	4	25.0%
Total	**780**	**542**	**238**	**43.9%**

The merger operations by incorporation of the subsidiaries Moschino S.p.A. and Aeffe Retail S.p.A. resulted in an increase of 249 units (4 managers - 236 employees - 9 workers).

27. Other operating expenses

This caption comprises:

(Values in thousands of EUR)	Full Year 2023	Full Year 2022	Change	%
Taxes	887	545	342	62.8%
Gifts	594	188	406	216.0%
Other operating expenses	1,905	1,032	873	84.6%
Total	**3,386**	**1,765**	**1,621**	**91.8%**

The change in the item "other operating expenses" is mainly determined by the merger operations by incorporation of Moschino S.p.A. and Aeffe Retail S.p.A.

The item “Other” mainly includes donations, contributions to trade associations and exchange losses.

28. Amortisation and write-downs

This caption comprises:

(Values in thousands of EUR)	Full Year 2023	Full Year 2022	Change	%
Amortisation of intangible fixed assets	2,685	567	2,118	373.5%
Depreciation of tangible fixed assets	3,145	1,287	1,858	144.4%
Depreciation of right-of-use assets	10,909	2,268	8,641	381.0%
Write-downs and provisions	31,587	9,469	22,118	233.6%
Total	**48,326**	**13,591**	**34,735**	**255.6%**

The item goes from Euro 13,591 thousand in financial year 2022 to Euro 48,326 thousand in financial year 2023. The increase is determined by the merger operations by incorporation of Moschino S.p.A. and Aeffe Retail S.p.A.

The item "Write-downs and provisions" includes both the write-downs of the cost of the investments mentioned above and the further provisions to the risk fund to cover losses for the part of the write-down exceeding the historical cost of the investments themselves.

The 2023 write-downs concern the following investments:

- Moschino Korea Ldt equal to Euro 4 thousand;
- Moschino Asia Pacific equal to Euro 54 thousand;
- Aeffe Group Inc. equal to Euro 1,463 thousand;
- Moschino France Sarl equal to Euro 9 thousand;
- Aeffe Germany equal to Euro 525 thousand;
- Aeffe Netherlands BV equal to Euro 25 thousand.

The 2023 provisions concern the following equity investments:

- Moschino Shanghai Ltd equal to Euro 11,515 thousand;
- Moschino Korea Ldt equal to Euro 2,613 thousand;
- Moschino Asia Pacific equal to Euro 3,073 thousand;
- Aeffe Germany equal to Euro 401 thousand;
- Aeffe Netherlands BV equal to Euro 140 thousand.

The 2023 provisions concern:

- provision for bad debts due to Moschino Shanghai Ltd equal to Euro 13,091 thousand;
- provision for bad debts due from customers for Euro 500 thousand;
- customer supplementary indemnity fund of Euro 569 thousand;
- provision for risks and future losses of Euro 250 thousand.

Finally, during the year 2023 we proceeded:

- the write-down of Euro 203 thousand relating to the Florence store based on the impairment test carried out;
- to release the fund set aside in previous years for the following subsidiaries Aeffe Uk Ltd equal to Euro 2,848 thousand.

29. Financial income/ expenses

The caption “Financial income” comprises:

(Values in thousands of EUR)	Full Year 2023	Full Year 2022	Change	%
Interest income	79	261	(182)	(69.7%)
Financial discounts	1	3	(2)	(66.7%)
Foreign exchange gains	13	-	13	n.a.
Financial income	**93**	**264**	**(171)**	**(64.8%)**
Bank interest expenses	5,733	1,911	3,822	200.0%
Foreign exchange losses	25	233	(208)	(89.3%)
Other expenses	497	304	193	63.5%
Financial expenses	**6,255**	**2,448**	**3,807**	**155.5%**
Leasing interest expenses	1,490	288	1,202	417.4%
Leasing interest expenses	**1,490**	**288**	**1,202**	**417.4%**
Total	**7,652**	**2,472**	**5,180**	**209.5%**

Net financial charges went from Euro 2,472 thousand in 2022 to Euro 7,652 thousand in 2023 with an increase of 209.5% mainly due to the increase in interest rates (Euribor).

The increase in financial charges caused by the merger by incorporation of Moschino S.p.A. and Aeffe Retail S.p.A. amounts to Euro 229 thousand.

Leasing interest increased as a result of the merger by incorporation of Moschino S.p.A. and Aeffe Retail S.p.A..

30. Income taxes

This caption comprises:

(Values in thousands of EUR)	Full Year 2023	Full Year 2022	Change	%
Current income taxes		598	(598)	(100.0%)
Deferred income (expenses) taxes	7,763	962	6,801	707.0%
Total income taxes	**7,763**	**1,560**	**6,203**	**397.6%**

The changes in deferred income (expenses) taxes are analysed in the note on deferred tax assets and liabilities.

The effective tax rates for 2022 and 2023 are reconciled with the theoretical rate in the following table:

(Values in thousands of EUR)	Full Year 2023	Full Year 2022
Profit before taxes	(59,343)	(3,775)
Theoretical tax rate	24.0%	24.0%
Theoretical income taxes (IRES)	**(14,242)**	**(906)**
Fiscal effect	6,539	2,128
Total income taxes excluding IRAP (current and deferred)	**(7,703)**	**1,222**
IRAP (current and deferred)	**(59)**	**338**
Total income taxes (current and deferred)	**(7,763)**	**1,560**

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)	Full Year	Full year
From continuing and discontinued activities	2023	2022
From continuing activities		
Earning/(loss) for determining basic result per share	(51,581)	(5,335)
Earning/(loss) for determing result per share	**(51,581)**	**(5,335)**
Dilutive effects	-	-
Earning/(loss) for determing dilutive result per share	**(51,581)**	**(5,335)**
From continuing and discontinued activities		
Earning/(loss) for the period	(51,581)	(5,335)
Earning/(loss) from discontinued operations	-	-
Earning/(loss) for determining basic result per share	**(51,581)**	**(5,335)**
Dilutive effects	-	-
Earning/(loss) for determing dilutive result per share	**(51,581)**	**(5,335)**
Number of reference share		
Average number of shares for determing result per share	**98,425**	**98,425**
Share options	-	-
Average number of shares for determing diluted result per share	**98,425**	**98,425**

Basic earning/(loss) per share

Net loss attributable to holders of ordinary shares of the Company, amounts to EUR 51,581 thousand (December 2022: EUR -5,335 thousand).

Dilutive earning/(loss) per share

The calculation of diluted loss per share for the period January - December 2023, 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 used in 2023 amounts to EUR 3,201 thousand.

(Values in thousands of EUR)	Full Year 2023	Full Year 2022
Opening balance of Aeffe S.p.A.	5,762	
Opening balance of Moschino S.p.A. merged for incorporation	1,963	
Opening balance of Aeffe Retail S.p.A. merged for incorporation	768	
Opening balance (A)	**8,493**	**3,992**
Cash flow (absorbed) / generated by operating activity (B)	8,340	(13,971)
Cash flow (absorbed) / generated by investing activity (C)	(11,461)	8,977
Cash flow (absorbed) / generated by financing activity (D)	(80)	6,764
Increase / (decrease) in cash flow (E)=(B)+(C)+(D)	**(3,201)**	**1,770**
Closing balance (F)=(A)+(E)	**2,561**	**5,762**

32. Net cash flow (absorbed)/generated by operating activity

Operational management in 2023 generated cash flows of Euro 8,340 thousand.

The cash flow from operating activities is analysed below:

(Values in thousands of EUR)	Full Year 2023	Full Year 2022
Opening balance of Aeffe S.p.A.	5,762	
Opening balance of Moschino S.p.A. merged for incorporation	1,963	
Opening balance of Aeffe Retail S.p.A. merged for incorporation	768	
Opening balance (A)	**8,493**	**3,992**
Profit before taxes	(59,343)	(3,775)
Amortisation	48,326	13,591
Accrual (+)/availment (-) of long term provisions and post employment benefits	(360)	(2,945)
Paid income taxes	1,163	(458)
Financial income (-) and financial charges (+)	7,560	2,472
Change in operating assets and liabilities	8,263	(22,856)
Cash flow (absorbed)/ generated by operating activity	**8,340**	**(13,971)**

33. Net cash flow (absorbed)/generated by investing activity

The cash flow used Euro 11,461 thousand in the investment activity of 2023.

The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	Full Year 2023	Full Year 2022
Increase (-)/decrease (+) in intangible fixed assets	(992)	(657)
Increase (-)/decrease (+) in tangible fixed assets	(2,204)	(368)
Increase (-)/decrease (+) in right-of-use assets	(8,263)	1,745
Investments (-)/Disinvestments (+)	(2)	8,257
Cash flow (absorbed)/ generated by investing activity	**(11,461)**	**8,977**

34. Net cash flow (absorbed)/generated by financing activity

The cash flow used by the financial activity in 2023 is Euro 80 thousand.

The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	Full Year 2023	Full Year 2022
Other variations in reserves and profits carried-forward of shareholders' equity	-	13,997
Proceeds (+)/repayments (-) of financial payments	10,760	(976)
Proceeds (+)/repayment (-) of lease payments	(79)	(4,204)
Increase (-)/decrease (+) in long term financial receivables	(3,202)	419
Financial income (+) and financial charges (-)	(7,560)	(2,472)
Cash flow (absorbed)/ generated by financing activity	**(80)**	**6,764**

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 2023 is as follows:

(Values in thousands of EUR)	31 December 2023	31 December 2022
A - Cash	2,561	5,761
B - Cash equivalents		
C - Other current financial assets	-	-
D - Liquidity (A + B + C)	**2,561**	**5,761**
E - Current financial debt	48,112	31,950
F - Current portion of non-current financial debt	27,111	17,871
G - Current financial indebtedness (E + F)	**75,223**	**49,821**
H - Net current financial indebtedness (G - D)	**72,662**	**44,060**
I - Non-current financial debt	103,640	83,562
J - Debt instruments	-	-
K - Non-current trade and other payables	-	-
L - Non-current financial indebtedness (I + J + K)	**103,640**	**83,562**
M - Total financial indebtedness (H + L)	**176,302**	**127,622**

The Company's net financial debt stands at Euro 176,302 thousand as of 31 December 2023 compared to Euro 127,622 thousand as of 31 December 2022 with a worsening of Euro 48,680 thousand.

The liquid assets of Aeffe S.p.A, as a result of the mergers, increased by Euro 2,731 thousand.

Financial debt net of the effect of the application of IFRS 16 is equal to Euro 122,113 thousand at 31 December 2023 compared to Euro 117,995 thousand at 31 December 2022.

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

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 2023 and 2022 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 2023	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 France Sarl	1,202	3	248	3,205			11
Fashoff Uk Ltd	362	2	12	1,529			5
Moschino Shanghai Ltd	11,366			1,339			
Moschino Korea Ltd	2,478	3					
Moschino Asia Pacific Ltd	343	31		1,118			32
Moschino Kids Srl	1,991		583				
Aeffe Group Inc	5,126	34	1	1,510			(109)
Pollini Group	12,664	4,201	17,574	197	5		
Aeffe Germany Gmbh	800		230				
Aeffe Spagna Slu	862		7				
Aeffe Netherlands Bb	850	2	8				
Total Group companies	**38,044**	**4,276**	**18,663**	**8,898**	**5**	**-**	**(61)**
Total income statement	183,696	12,592	(60,916)	(79,024)	(1,958)	(3,387)	(7,560)
Incidence % on income statement	**20.7%**	**34.0%**	**(30.6%)**	**(11.3%)**	**(0.3%)**	**0.0%**	**0.8%**

(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)
Fashoff Uk Ltd	591			2,119		1	
Moschino Shanghai Ltd	10,125						
Moschino Korea Ltd	2,451						
Moschino France Sarl	620		2	260			
Moschino SpA	9,110	41	173	2,083	14,470		(320)
Moschino Usa Inc	890						
Moschino Asia Pacific Ltd				46			
Pollini Group	2,473	3,220	16,591	278	8	-	1
Aeffe Retail SpA	15,091	842	16	113	-	2	-
Aeffe Usa Inc.	6,278	1	-	556	-	1	(78)
Aeffe UK Ltd	(276)	9	3	250	-	5	3
Aeffe France Sarl	215	1	3	391	-	8	2
Aeffe Germany Gmbh	766	-	-		-	-	-
Aeffe Spagna Slu	817	1	-	-	-	-	-
Aeffe Netherlands Bv	935	2	-	-	-	-	-
Total Group companies	**50,086**	**4,117**	**16,788**	**6,096**	**14,478**	**17**	**(392)**
Total income statement	164,666	10,147	(65,187)	(49,588)	(15,443)	(1,765)	(2,472)
Incidence % on income statement	**30.4%**	**40.6%**	**(25.8%)**	**(12.3%)**	**(93.8%)**	**(1.0%)**	**15.9%**

RECEIVABLES AND PAYABLES

(Values in thousands of EUR) Year 2023	Other fixed assets	Trade receivables	Other provisions	Non-current financial liabilities	Non-current not financial liabilities	Trade payables
Fashoff UK Ltd		160				1,402
Moschino Shanghai Ltd		11,780	11,515			499
Moschino France Sarl		1,965				3,243
Moschino Korea Ltd		9,111	2,613			1,790
Moschino Usa Inc		4,980				157
Moschino Kids Srl		1,097				158
Moschino Asia Pacific Ltd	3,761	418	3,073			15
Aeffe Group Inc		4				565
Pollini Group		5,677				14,741
Aeffe Germany Gmbh		1,093	401			-
Aeffe Spagna Slu		214				1
Aeffe Netherlands Bv		924	140			8
Total Group companies	**3,761**	**37,423**	**17,743**	**-**	**-**	**22,579**
Total balance sheet	3,856	56,856	19,475	103,641	1,398	63,027
Incidence % on balance sheet	**97.5%**	**65.8%**	**91.1%**	**0.0%**	**0.0%**	**35.8%**

(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 SpA	-	27,206	-	17,180	-	32,323
Fashoff Uk Ltd						3,976
Moschino France Sarl						454
Moschino Usa Inc						1
Moschino Asia Pacific Ltd						46
Pollini Group	-	5,885	-	-	-	10,972
Aeffe Retail SpA	-	18,978	-	-	-	10,197
Aeffe Usa Inc.	-	1,375	-	2,625	-	1,967
Aeffe UK Ltd	316	3,982	2,848	-	-	1,793
Aeffe France Sarl	243	2,445	399	-	-	670
Aeffe Germany Gmbh	-	1,268	-	-	-	325
Aeffe Spagna Slu	-	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%**

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 2023	31 December 2022	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	121	141	Revenue
Cost of services	75	75	Cost
Property rental	50	50	Cost
Commercial	490	513	Credit
Ferrim with Aeffe S.p.A.			
Property rental	1,991	1,872	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 2023 and 31 December 2022:

(Values in thousands of EUR)	31 December 2023	31 December 2022
A - Cash	2,561	5,761
B - Cash equivalents		
C - Other current financial assets	-	-
D - Liquidity (A + B + C)	**2,561**	**5,761**
E - Current financial debt	48,112	31,950
F - Current portion of non-current financial debt	27,111	17,871
G - Current financial indebtedness (E + F)	**75,223**	**49,821**
H - Net current financial indebtedness (G - D)	**72,662**	**44,060**
I - Non-current financial debt	103,640	83,562
J - Debt instruments	-	-
K - Non-current trade and other payables	-	-
L - Non-current financial indebtedness (I + J + K)	**103,640**	**83,562**
M - Total financial indebtedness (H + L)	**176,302**	**127,622**

For further information, please refer to the attachments of this note.

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 2023, the Company has given performance guarantees to third parties totaling EUR 4,394 thousand (EUR 1,876 thousand as of 31 December 2022).

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	2023 fees
Audit	RIA GRANT THORNTON S.p.A.	105
Audit	BDO ITALIA S.p.A.	21
Audit non-financial statement (DNF)	BDO ITALIA S.p.A.	24
Audit non-financial statement (DNF)	RIA GRANT THORNTON S.p.A.	15
R&D tax credit certification	RIA GRANT THORNTON S.p.A.	9
R&D tax credit certification	BDO ITALIA S.p.A.	9
Consolidated ESEF financial statements	BDO ITALIA S.p.A.	8
Audit Consolidated ESEF financial statements	RIA GRANT THORNTON S.p.A.	8
Visto di conformità iva	RIA GRANT THORNTON S.p.A.	5
Total		**204**

ATTACHMENTS TO THE EXPLANATORY NOTES

ATTACHMENT I

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 2023	Of which related parties	31 December 2022	Of which related parties
Trademarks		36,526		2,520	
Other intangible fixed assets		1,560		857	
Intangible fixed assets	(1)	38,087		3,377	
Lands		17,320		17,320	
Buildings		20,629		21,240	
Leasehold improvements		7,199		602	
Plant and machinery		1,225		1,107	
Equipment		107		38	
Other tangible fixed assets		2,434		591	
Total tangible fixed assets	(2)	48,913		40,897	
Right-of-use assets	(3)	56,660		7,999	
Equity investments	(4)	50,616	50,594	187,236	187,216
Other fixed assets	(5)	3,856	3,761	559	559
Deferred tax assets	(6)	7,549		1,750	
NON-CURRENT ASSETS		**205,681**		**241,817**	
Stocks and inventories	(7)	43,982		34,043	
Trade receivables	(8)	56,856	37,913	78,011	62,412
Tax receivables	(9)	7,787		8,285	
Cash	(10)	2,561		5,762	
Other receivables	(11)	22,417		14,017	
CURRENT ASSETS		**133,603**		**140,117**	
TOTAL ASSETS		**339,284**		**381,935**	
Share capital		24,606		24,606	
Other reserves		72,156		103,599	
Profits / (Losses) carried-forward		2,375		2,375	
Net profit / loss		(51,581)		(5,335)	
SHAREHOLDERS' EQUITY	**(12)**	**47,557**		**125,246**	
Provisions	(13)	19,475	17,743	4,281	3,247
Deferred tax liabilities	(5)	6,757		6,839	
Post employment benefits	(14)	2,627		2,570	
Long term financial liabilities	(15)	103,641	4,742	83,562	26,560
Long term not financial liabilities	(16)	1,398		198	
NON-CURRENT LIABILITIES		**133,898**		**97,451**	
Trade payables	(17)	63,027	22,579	100,421	62,274
Tax payables	(18)	1,997		1,498	
Short term financial liabilities	(19)	75,223	1,869	49,821	1,576
Other liabilities	(20)	17,582		7,497	
CURRENT LIABILITIES		**157,829**		**159,238**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**339,284**		**381,935**	

ATTACHMENT II

Income Statement, with related parties

Pursuant to Co.N.So.B Resolution no. 15519 dated 27 July 2006

(Values in thousands of EUR)	Notes	Fyll year 2023	of which relate parties	Full year 2022	of which relate parties
REVENUES FROM SALES AND SERVICES	**(21)**	**183,696**	**38,165**	**164,666**	**50,227**
Other revenues and income	(22)	12,592	4,276	10,147	4,117
TOTAL REVENUES		**196,288**		**174,813**	
Changes in inventory		(7,897)		(255)	
Costs of raw materials, cons. and for resale	(23)	(60,916)	(18,663)	(65,187)	(16,788)
Costs of services	(24)	(79,024)	9,973)	(49,588)	(7,171)
Costs for use of third parties assets	(25)	(1,958)	(5)	(15,443)	(14,478)
Labour costs	(26)	(46,563)		(30,288)	
Other operating expenses	(27)	(3,387)		(1,765)	(17)
Amortisation and write-downs	(28)	(48,326)	(1,563)	(13,591)	(1,526)
Financial income/(expenses)	(29)	(7,560)	(276)	(2,472)	(656)
PROFIT / LOSS BEFORE TAXES		**(59,343)**		**(3,775)**	
Income taxes	(30)	7,763		(1,560)	
NET PROFIT / LOSS		**(51,581)**		**(5,335)**	

ATTACHMENT III

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 2023	Of which related parties	Full year 2022	Of which related parties
Opening balance of Aeffe S.p.A.		5,762			
Opening balance of Moschino S.p.A. merged for incorporation		1,963			
Opening balance of Aeffe Retail S.p.A. merged for incorporation		768			
Opening balance		**8,493**		**3,992**	
Profit before taxes		(59,343)		(3,775)	
Amortisation / write-downs		48,326	(1,563)	13,591	(1,526)
Accrual (+)/availment (-) of long term provisions and post employment benefits		(360)		(2,945)	
Paid income taxes		1,163		(458)	
Financial income (-) and financial charges (+)		7,560		2,472	
Change in operating assets and liabilities		8,263	(15,646)	(22,856)	(9,258)
Cash flow (absorbed) / generated by operating activity	**(32)**	**8,340**		**(13,971)**	
Increase (-)/ decrease (+) in intangible fixed assets		(992)		(657)	
Increase (-)/ decrease (+) in tangible fixed assets		(2,204)		(368)	
Increase (-)/ decrease (+) in right-of-use assets (1)		(8,263)		1,745	
Investments and write-downs (-)/ Disinvestments and revaluations (+)		(2)	136,622	8,257	(66,356)
Cash flow (absorbed) / generated by investing activity	**(33)**	**(11,461)**		**8,977**	
Variations in shareholders' equity	-			13,997	
Proceeds (+)/repayments (-) of financial payments		10,760	(2,625)	(976)	(17,865)
Proceeds (+)/ repayment (-) of lease payments		(79)	1,720	(4,204)	1,700
Increase (-)/ decrease (+) in long term financial receivables		(3,202)	(3,202)	419	(137)
Financial income (+) and financial charges (-)		(7,560)	(276)	(2,472)	(656)
Cash flow (absorbed) / generated by financing activity	**(34)**	**(80)**		**6,764**	
Closing balance		**2,561**		**5,762**	

ATTACHMENT IV

Prospect of crucial data from the statutory financial statements of Fratelli Ferretti Holding at 31 December 2022

(Values in units of EUR)	STATUTORY FINANCIAL STATEMENTS 2022	STATUTORY FINANCIAL STATEMENTS 2021
BALANCE SHEET		
Intangible fixed assets	55,066	63,333
Tangible fixed assets	1,235,226	1,427,949
Equity investments	54,554,986	54,543,586
Non current assets	**55,845,278**	**56,034,868**
Trade receivables	173,739	174,214
Tax receivables	1,049,094	1,195,733
Cash	29,254	266,148
Other receivables	3,374	2,959
Current assets	**1,255,461**	**1,639,054**
Total assets	**57,100,739**	**57,673,922**
Share capital	100,000	100,000
Share premium reserve	49,879,769	50,452,265
Other reserves	20,000	15,038
Approximations	-1	-
Net profit/(loss)	(705,665)	(167,534)
Shareholders' equity	**49,294,103**	**50,399,769**
Provisions	43,095	66,601
Long term financial liabilities	0	-
Non-current liabilities	**43,095**	**66,601**
Trade payables	7,763,541	7,207,552
Current liabilities	**7,763,541**	**7,207,552**
Total shareholders' equity and liabilities	**57,100,739**	**57,673,922**
INCOME STATEMENT		
Revenues from sales and services	**480,953**	**498,265**
Other revenues and income		4
Total revenues	**480,953**	**498,269**
Operating costs	(695,463)	(440,359)
Costs for use of third parties assets	0	-
Amortisation and write-downs	(275,479)	(268,177)
Other operating expenses	(18,848)	(15,470)
Financial income (expenses)	(73,696)	4,784
Profit before taxes	**(582,533)**	**(220,953)**
Income taxes	(123,132)	53,419
Net profit/(loss)	**(705,665)**	**(167,534)**

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 2023.

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.

14 March 2024

Chief executive officer

Simone Badioli

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

Matteo Scarpellini