PATTERN S.P.A.

Direction and coordination BO.MA. Holding S.r.l.

FINANCIAL STATEMENTS AT 31 DECEMBER 2020

registered office in Collegno, via Italia 6/a
authorized share capital € 1,436,292.90 of which € 1,371,538.40 subscribed and paid up
listed with the Turin Company Register no. 10072750010 tax code
R.E.A. no. 1103664

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COMPANY OVERVIEW

Registered office

PATTERN S.P.A.

registered office in via Italia 6/a

10093 - Collegno (TO) - Italy

Tel. 011/4531597

Legal data

Joint-stock company listed on the AIM

Authorized share capital € 1,436,292.90 of which € 1,371,538.40 subscribed and paid up

Tax code, VAT no. and registration number with the Turin Company Register: 10072750010

R.E.A. of Turin no. 1103664

Direction and coordination:

BO.MA. Holding S.r.l.

Registered office in Via Ottavio Assarotti 10

10122 - Turin (TO) - Italy

Tax Code and VAT number: 12067380019

COMPOSITION OF CORPORATE BODIES

Board of Directors(1)	Francesco Martorella	Chairman
	Fulvio Botto	Vice Chairman
	Luca Sburlati	Chief Executive Officer
	Innocenzo Tamborrini	
	Stefano Casini(2)	
	Anna Maria Roscini	
	Emilio Paolucci	
Board of Statutory Auditors(1)	Lucia Maria Starola	Chair
	Alcide Casini	Standing Auditor
	Lucia Margherita Calista Rota	Standing Auditor
	Cristiano Casini	Alternate Auditor
	Riccardo Cantino	Alternate Auditor
Independent Auditors(3)	PricewaterhouseCoopers S.p.A., in short PWC	

DURATION

(1) The Board of Directors and the Board of Statutory Auditors were appointed by a resolution of the Shareholders' Meeting held on 28 June 2019 for three financial years, and will therefore expire with the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2021.

(2) Stefano Casini was appointed by co-optation at the Board meeting held on 5 March 2021, following the formal resignation of Director Claudio Saracco.

(3) The Independent Auditors' statutory audit assignment was granted by a resolution of the Shareholders' Meeting of 27 April 2018 for three financial years, and will therefore expire with the Shareholders' Meeting called to approve the financial statements at 31 December 2020.

PATTERN SPA

Direction and Coordination pursuant to Article 2497 of the Italian Civil Code: BO.MA. Holding S.r.l.

registered office in Collegno, via Italia 6/a

authorized share capital € 1,436,292.90 of which € 1,371,538.40 subscribed and paid up

listed with the Turin Company Register no. 10072750010 tax code

R.E.A. no. 1103664

DIRECTORS' REPORT ON OPERATIONS AT 31 DECEMBER 2020

Shareholders,

We hereby present the financial statements of Pattern Spa at 31 December 2020, which consist of the “Statement of Financial Position”, the "Income Statement”, the “Statement of Cash Flows" and the "Notes to the Financial Statements”.

The financial statements have been prepared in strict compliance with current legislation, with particular regard to their content and valuation criteria; as for the *“Statement of Financial Position*", the "*Income Statement*" and the “*Statement of Cash Flows*", the comparison pursuant to Article 2423-ter, paragraph V, of the Italian Civil Code, with prior year-end figures, facilitates the reading and understanding of the individual items.

As permitted by Article 40, paragraph 2 bis, of Legislative Decree no. 127 of 9 April 1991, the Parent Company has prepared the Directors’ Report on Operations as the sole document for both the statutory Financial Statements of Pattern Spa and the Group's consolidated financial statements.

The Directors’ Report on Operations has been prepared in accordance with the provisions of Article 2428 of the Italian Civil Code. It contains a fair, balanced and comprehensive analysis of the Group's standing, and of the performance and result of operations; the report contains, *inter alia*, the business outlook, as well as, where appropriate, the main risks/uncertainties to which the Group is exposed, as well as information regarding the environment, employees and information systems, research and development and the use of financial instruments.

The Group's operating and financial position are shown separately with specific statements for the Group and for Pattern Spa. Since 1 January of the year under review, the scope of consolidation has in fact changed, with the entry of Società Manifattura Tessile Srl ("S.M.T."). In the analysis of the results from operations, the results of the 2020 financial statements will be compared with the 2019 pro forma results obtained by also consolidating S.M.T. results.

The performance for the year was positive overall. The acquisition of S.M.T. offset Pattern's sharp drop in revenue, due largely to lower revenue of its customers, which were impacted by the outbreak of the coronavirus pandemic. The Group's ability to turn operating results into cash allowed it to retain a solid financial position, which improved significantly in the second half of the year.

More specifically, the consolidated financial statements under review closed with the following results:

- Value of production € 54.0 million (€ 55.3 million in 2019).
- EBITDA € 5.4 million (€ 5.9 million last year).
- Net profit for the period just under € 3 million, of which € 2.3 million attributable to the Group (€ 3.8 million in 2019).
- Positive net financial position € 8.8 million (€ 12.4 million at 31 December 2019).

PATTERN GROUP IN FIGURES: 2020 HIGHLIGHTS

INCOME STATEMENT	**31.12.2020**	**31.12.2019**	**% chg**
(€)			
Value of production	**54,019,871**	**55,337,914**	**-2.4%**
EBITDA	5,384,785	5,944,538	-9.4%
EBIT	3,563,421	5,490,852	-35.1%

Profit (loss) for the period	**2,996,144**	**3,792,621**	**-21.0%**
- of which Group	*2,269,894*	*3,792,621*	***-40.1%***
STATEMENT OF FINANCIAL POSITION	**31.12.2020**	**31.12.2019**	**% chg**
(€)			
Net fixed assets	10,849,768	3,589,295	202.3%
Net working capital	3,228,821	2,346,961	37.6%
Liability funds	-1,923,253	-928,131	107.2%
Net capital employed	**12,155,336**	**5,008,125**	**142.7%**
Consolidated equity	20,931,499	17,393,698	20.3%
- of which Group	*18,932,242*	*17,393,698*	*8.8%*
Net financial position	-8,776,163	-12,385,573	-29.1%
Equity and net financial position	**12,155,336**	**5,008,125**	**142.7%**

1. THE PATTERN GROUP AND THE MARKET SCENARIO

1.1. Group profile and increase in the stake in S.M.T. from 51% to 80%

Pattern Spa - listed on the AIM market since 17 July 2019 - is the parent company. It operates on international markets and specializes in the design and production of men's and women's clothing in the segment named "*absolute luxury*", a market where "made in Italy" boasts a leadership position in all stages of the chain, from fabrics to production.

There are two subsidiaries:

a) Pattern Project Srl
b) Società Manifattura Tessile Srl

Pattern Project is 100% controlled. It owns the “Esemplare” trademark, licensed to Pattern, which manages the design, production and sale of garments.
Società Manifattura Tessile designs and produces knitwear items for a number of brands in Pattern’s same market segment.
The initial acquisition stake, with the closing date on 31 March 2020, was 51%, completed at end March 2020. The stake was recently raised to 80%, confirming both the positive results achieved in such a short time, despite the extraordinarily harsh backdrop, and the further growth prospects that this company is believed to have.
The increase in the stake from 51% to 80% was accomplished earlier this year through the following steps.

On 24 February, an Investment Agreement was approved and signed between the parties; the Agreement envisages the purchase of 19% directly from the founder and CEO of S.M.T. Stefano Casini, and the acquisition of a further 10% from Camer Srl, 100% controlled by Stefano Casini, for a total price of € 3.9 million.
A cash payment of € 2,555,000 (65.62% of the total) was agreed upon for the purchase of 19%, while for the remaining 10%, the price of which was set at € 1,345,000 (34.48% of the total), a payment in kind was agreed upon, through allocation to Camer of newly-issued ordinary shares in Pattern, to be subscribed as part of a share capital increase to service the transaction, intended for Camer.
The subscription price of the newly-issued shares was set at € 3.87 per share, as calculated on the basis of the weighted average price of all stock market trading of Pattern shares on AIM Italy in the six months prior to the date of signing of the Investment Agreement. On the same date, the Company's Board of Directors approved the Directors' Report pursuant to Article 2441, paragraph VI, of the Italian Civil Code.
An independent expert performed an appraisal of the investment subject to the transfer, pursuant to Article 2343-ter, paragraph II, letter b), of the Italian Civil Code; the appraisal shows a value of the investment higher than the value set out in the Investment Agreement.
The transaction was closed last 5 March and was executed through the: i) signing of the deed of sale for the transfer of 19% of S.M.T. by Stefano Casini to Pattern against a cash payment of € 2,555,000; ii) signing of the deed for the transfer of 10% of S.M.T. by Camer to Pattern against the allocation to Camer, on the effective date of the transfer, of newly-issued Pattern ordinary shares for a total value of € 1,345,000.
In this regard, again on 5 March, the Company's Board of Directors resolved on a share capital increase of € 1,345,000, including share premium reserve, intended for Camer. The portion posted to the share capital will amount to € 34,754.50, while the portion posted to the share premium reserve will amount to € 1,310,245.50. The new shares issued will amount to no. 347,545, with a unit value, as mentioned, of € 3.87.
Effectiveness of the transfer is, in fact, conditional on the failure of the shareholders holding at least 5% of Pattern's share capital, to request a valuation, pursuant to Article 2343 of the Italian Civil Code, within 30 days of the notarial resolution of the Board of Directors to increase the share capital in kind intended for Camer to service the transaction. The transfer will take effect on the first business day following fulfilment of this condition, which will be next 9 April.
The share capital increase is subject to the provisions of Articles 2343-ter, 2343-quater and 2440 of the Italian Civil Code; the new ordinary shares of Pattern allocated to Camer as part of the share capital increase will, therefore, be inalienable until entry of the statement referred to in Article 2343-quater, paragraph 3, letter d), of the Italian Civil Code in the Company Register, and will remain filed with Pattern until such entry.

1.2. Market scenario, 2021 and medium-term outlook

The COVID-19 pandemic dominated 2020 and the economic effects are plain to see. The analyses that take account of 2020 market capitalization in the global fashion industry, in fact, indicate a 93% collapse of the industry's earnings in 2020, following a 4% growth in 2019, thus leading to a sharp increase in the presence of so-called "*value destroyer*" companies.
The fashion industry will therefore be called to align itself towards a new concept of normal, dubbed by McKinsey in "The State of Fashion 2021" as the “new normal", a new set of values that will develop starting from the pressure for maximum performance, changes in consumer purchasing and an increasingly overblown demand for digitization and sustainability across all segments, from fabric to leather.
After a year of record profits recorded by the industry in a negative sense, fashion and luxury businesses are striving to react and innovate while staying true to their identity. This need, for instance, has brought the omnichannel

strategy into the foreground, a strategy that has recently made its way in the industry, where the relationship with the supply chain plays a pivotal role.
On the other hand, the pandemic has also accelerated a number of processes that can lead to positive outcomes. Many companies, in fact, have seized the opportunity of the COVID-related slowdown to design new business models, streamline certain processes or improve their customer proposition. Government measures are, at the same time, partly offsetting the negative economic impacts. One thing for sure is that the main driver of upswings and positive trends for luxury brands will definitely be the digital channels, the use of which has increased five-fold over the last year versus the pre-COVID-19 scenario and with increasing cost barriers to entry for new players.
The "Earlier Recovery Scenario" model envisioned by McKinsey in "The State of Fashion 2021" develops under the cautious but optimistic assumption that all countries will implement a strong vaccine response in the immediate term, that government actions will partly offset the economic impact of the pandemic, and that global travel will resume soon. Against this backdrop, the model points to a sharp recovery in China, where sales are estimated to increase 5 to 10% in 2021 versus 2019. On the other hand, Europe will feel the heaviest brunt of the effects of the collapse in tourism, with sales in the industry dropping by -2% to -7% in 2021 versus 2019. The United States shows a similar trend to the latter.
In this scenario, pre-COVID-19 business levels in Europe are unlikely until late 2022, in the U.S. until early 2023.
More specifically, Pattern's core segment (womenswear and outerwear) was greatly affected by the pandemic, as there were no “moments of use" to boost purchases. S.M.T.’s knitwear segment of operation, however, was barely affected since it produces much easier and comfier items.
The decision to create an Italian Luxury Design Hub was therefore strategic to curb the negative effects of a global crisis that has delivered a strong blow to the fashion industry. A project that will continue in the medium-long term, also with the aim of restoring significant levels of volumes and margins, also in absolute terms, with regard to activities already in place.
Over the past year, Pattern has continued to invest in technology and digital research, which has allowed it to develop lines of business that proved crucial during the lockdown period in spring 2020 and the long aftermath of the following months. An example includes the development of advanced 3D software applied to design, a technology that has allowed the Company to continue operations while overcoming the physical restrictions enforced by the pandemic.
In autumn 2020, the Company continued with the construction of the digital warehouse at its Turin headquarters, a state-of-the-art facility in logistics and supply chain management, confirming its decision to maintain strategic investments in 2020 as well.

2021 AND MEDIUM-TERM OUTLOOK

The fashion market will be dominated in 2021 by some of the new trends emerging in the luxury business.
Companies will need to learn to live with COVID-19 until vaccination campaigns are fully up and running, in a context where flexibility, uncertainty and decision-making readiness will dominate.
Changes will be seen in the purchasing behaviour of consumers and investors, in the eyes of whom the issue of environmental awareness and respect for workers will represent a key driver, in addition to the omnichannel service and digital approach of B2C companies.
The market will concurrently see a sharp reduction in demand from pre-COVID-19 levels, leading the *maisons* to cut collections and encourage demand-focused production (e.g. through see now-buy now) to reduce inventory levels, both in 2021 and moving ahead.
Strategically speaking, the mantra in 2021 will be to seize the commercial opportunities in different segments, markets and channels, including through M&A operations if any arise.

As far as the economic trend is concerned, the outlook for 2021 still sees a market in great distress, as in 2020, with a sluggish first half (the only exception being the Far-East market) and a second half, where we imagine the first signs of recovery for Western countries as well, starting from autumn-winter, thanks to the rollout of the vaccination campaigns.
In the medium term, the outlook for 2022 and 2023 appears to be positive. In general, greater attention will be attached to the quality aspects of manufacturing and the sustainability of the product and the supply chain. Such attention could lead to a potential reshoring in Italy of activities previously carried out abroad, with a resulting expansion of Made in Italy in the luxury segment.
This scenario will further benefit the *maisons* held by the industry's top foreign groups - the French in particular - since their supply chain has never left Italy.

2. SIGNIFICANT EVENTS IN THE PERIOD

2.1. Management of critical issues arising from the COVID-19 pandemic

Since the beginning of the pandemic crisis, the Group has not only proactively adopted the protocols and legal measures required to protect the health of its workers, but has also sought to encourage prudent behaviour on the part of its staff, both in and outside the company premises.

Specifically, external and in-company visits have been cut to a minimum, making use, where possible, of remote connections and smart-working.

A situation that has greatly hampered design activities, which require regular meetings with customers' style departments. The introduction of 3D design even before COVID-19 has represented a crucial tool in this area.

Pattern has created its own personal protective masks, called E-Mask. These items are washable and reusable up to 20 times, produced with a special cotton, and are antibacterial, breathable and anti-drop thanks also to the certified filter.

2.2. Granting of one hundred thousand new shares to the Chief Executive Officer and revision of the Stock Grant Plan

With the Company listing, the Board of Directors had approved a Stock Grant plan intended for the CEO for the four-year period 2020-2024.
On 24 April 2020, the Board of Directors of Pattern granted no. 100,000 new shares to the CEO Luca Sburlati, in accordance with the provisions of the abovementioned Plan. The Board of Directors, in fact, assessed the achievement of the target set for the granting, while Mr. Sburlati, at the same meeting, informed the Board of his decision to exercise his rights. This led to an increase of € 10 thousand in the share capital of Pattern, by drawing on the reserve recorded in the financial statements to service the abovementioned Plan.
On 17 December, the Board of Directors took note of the need to amend point 5.4 in order to allow for the cumulation of rights, which did not become exercisable in a tranche, owing to the total or partial non-achievement of the target set, in the following tranches.
It was deemed that the achievement of the Group's growth targets, which are no less important in the current economic and industry context, must consider the impact from the severe effects of the pandemic. In the interest of the beneficiary of the Plan, but also in the interest of the Group.

For this reason, a proposal will be made at the next Shareholders' Meeting to approve the amendment of the Plan in the abovementioned terms.

2.3. New medium-term loans taken out by Group companies

In 2020, both Pattern and S.M.T. signed a number of medium-term loan agreements, albeit with different targets.
Pattern took out new loans for a total of € 8.3 million, on highly favourable terms, in order to address the uncertainties arising from the current crisis, and to have sufficient resources to carry out extraordinary transactions if the case, in line with its strategic plan, such as the cash acquisition of a further 19% stake in S.M.T..
The latter company also concluded new loan agreements for an amount just under € 3.2 million. In this case, the aim was not only to strengthen the company's liquidity position, but also to pay off existing loans it had on less favourable terms.
With the exception of an initial phase, immediately following the outbreak of the pandemic, the Group did not resort to the possibility of a standstill on the repayment of bank payables.

2.4. Construction of the new warehouse in Collegno

In the first half of this year, except during the lockdown-related stoppage, work continued on the construction of the new warehouse in Collegno, next to and connected to Pattern's headquarters.
The second half saw the implementation of the new software for the warehouse management, linked to the company's management system. The staff was thus able to make their acquaintance with the software approach to handling, the prep stage to the e-management of locations, which can be activated only with the start-up of the new warehouse.
In brief, we have divided the change into two major steps: handling through the coding of master data and quantities on each SKU and e-management of the locations, which took place only at the end of the work for setting up the new warehouse.
As a result of the changes adopted, intensive staff training was developed and is expected to be completed, depending on the COVID-19 emergency, by May 2021. In addition to those directly impacted by the change, various corporate entities were involved across the board in order to set up and implement the new operating procedures, as well as the processes that were reviewed to better guarantee the quality and overall effectiveness of production supply chain management.
Mid-February 2021 saw the start of the loading of production accessories into the "Modula" vertical drawer warehouses, and the start of the transfer to the new facility of the finished garment handling and storage activities, the accessories warehouse and the finished product testing and quality control area. ERP and WMS systems were connected and tested to manage the hanging garments warehouse, using RFID (radio frequency identification) technology.
By September 2021, the existing section of the warehouse will be reorganized, expanding the area dedicated to the location of bulky accessories, defining the space dedicated to sample accessories, which will remain linked to traditional management, and setting up an internal production line dedicated to the packaging of samples, print garments and small production batches, operated by the staff currently employed at the local unit in Bricherasio.

2.5. Shareholders' Meeting of 11 June 2020

On 11 June 2020, the Ordinary Shareholders' Meeting approved the Company's Financial Statements for 2019. The meeting decided to allocate the entire net profit for the year to the reserve, deferring the distribution of a dividend to a subsequent decision.

2.6. Shareholders' Meeting of 4 December 2020

A second Shareholders' Meeting was held on 4 December, partly in ordinary and partly in extraordinary session.
The ordinary session approved:

- the distribution of an ordinary dividend, from the 2019 result, of € 0.05 per share, for a total of € 685,769.20;
- the authorization to purchase treasury shares, up to a maximum amount equal to 10% of the share capital, for a period of 18 months as from the date of the meeting's resolution. On the other hand, the possible disposal of treasury shares was authorized with no time limits.

The extraordinary session resolved:

- to grant the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, the power to increase the share capital in divisible form up to a maximum of € 15 million, inclusive of share premium, to be implemented by 31 December 2022, through contributions in kind and consequently excluding pre-emption rights;
- the amendment to Article 9 of the Bylaws regarding publication procedures of the notice of call;
- the amendment of Articles 7 (Takeover bids), 9 (limited to paragraph 9.5), 10 (limited to paragraph 10.2) and 12 (Board of Statutory Auditors) of the Bylaws to bring them into line with the new AIM Italia Market Regulation, as amended by Borsa Italiana notice no. 17857 of 8 July.

3. GROUP CAPITAL EXPENDITURE

In 2020, excluding financial fixed assets, the Group's capital expenditure amounted to approximately € 1.8 million. Approximately € 173 thousand was spent in intangible fixed assets and approximately € 1.6 million in property, plant and equipment.
Among the former, the largest expenses were incurred for software solutions (€ 60 thousand, almost all of which were acquired in Pattern) and extraordinary work on third-party assets (€ 89 thousand, of which € 70 thousand in Pattern).
As for property, plant and equipment, expenditure regarded mainly:

- plant and machinery totaling approximately € 340 thousand (including € 120 thousand in Pattern);
- fixed assets under construction for almost € 1.1 million, all in Pattern as part of the construction of the new finished garments warehouse.

Overall, i.e. taking account of all asset categories, the expenditure incurred in the new warehouse in 2020 amounted to just over € 1.1 million.
There were no significant changes in financial fixed assets in the consolidated financial statements. Pattern's financial statements include the completion of the acquisition of 51% of S.M.T. for € 5.5 million, of which € 1.1 paid at end 2019.
Disposals in the period were not so meaningful, amounting to € 114 thousand, and referred almost entirely to machinery. Most of these disposals took place at S.M.T. and amounted to € 96 thousand.

4. GROUP OPERATING AND FINANCIAL SITUATION

4.1. Income statement

The table below shows the income statement amounts, with changes recorded versus the same period of 2019, which did not include the consolidation of S.M.T..

INCOME STATEMENT OF THE PATTERN GROUP	31.12.2020	31.12.2019	% chg
(€)			
Revenue from sales	52,584,370	55,603,081	-5.4%
Other revenue	1,279,351	134,505	851.2%
Total revenue	**53,863,721**	**55,737,586**	**-3.4%**
Change in inventory of products	156,150	-399,672	139.1%
Value of production	**54,019,871**	**55,337,914**	**-2.4%**
- Purchases of raw materials	15,183,869	17,019,073	-10.8%
- Change in inventory of raw materials	330,226	-556,733	-159.3%
Consumption of raw materials	15,514,095	16,462,340	-5.8%
Costs for services	19,048,678	22,979,628	-17.1%
Rentals and leases	1,470,197	571,771	157.1%
Payroll costs	12,405,697	9,238,945	34.3%
Other operating expense	196,420	140,691	39.6%
EBITDA	**5,384,785**	**5,944,539**	**-9.4%**
Amortization, depreciation, provisions and write-downs	1,819,224	453,687	301.0%
EBIT	**3,565,561**	**5,490,852**	**-35.1%**
Net financial expense	-111,622	-54,579	104.5%
Value adjustments on net financial assets	-2,140	0	**n.a.**
Profit (loss) before tax	**3,451,799**	**5,436,273**	**-36.5%**
Current and deferred tax	455,655	1,643,652	-72.3%
Profit (loss) for the period	**2,996,144**	**3,792,621**	**-21.0%**
Group profit (loss) for the period	**2,269,894**	**3,792,621**	**-40.1%**

As mentioned in the Half-Year Report, the acquisition of S.M.T. enabled the Group to achieve significant results in a highly challenging year, in the clothing and luxury area in particular.
The value of production amounted to € 54.0 million versus € 55.3 million in the prior year (down by 2.4%).

In this item, revenue from sales totaled € 52.6 million, down by 5.4% from € 55.6 million in the prior year.
Other revenue closed at a high figure, reaching € 1.3 million versus € 135 thousand in the prior year. The figure includes € 795 thousand referring to tax credits and government grants. In this regard, mention should be made that in May last year Pattern was granted a tax credit of € 500 thousand for listing costs. Other revenue other than the abovementioned public grants amounted to € 484 thousand and include rental income and other cost chargebacks, recorded primarily in S.M.T..
The change in inventory of semi-finished and finished products amounted to a positive € 156 thousand versus a negative € 400 thousand in the prior year. This is a positive figure indeed as, in the specific case, it indicates, on the one hand, a recovery in work in progress, and, on the other, the fact that a significant portion of the PE21 orders must be implemented and delivered.
EBITDA dropped by 9.4% from € 5.9 to € 5.4 million (down by 17.8% without the tax credit for listing costs). EBITDA dropped from 10.7% to 10.0% as a percentage of revenue from sales. Net of the tax credit for listing costs, EBITDA as a percentage of total revenue came to 9.2%.
Operating costs show divergent trends.
Despite the consolidation of S.M.T., consumption of raw materials fell by 5.8% from € 16.5 to € 15.5 million, while service costs fell by 17.1% from € 23 to € 19 million. This is attributable to the greater contribution margin from S.M.T.'s orders with a sales revenue figure that is not far off from the figure recorded last year, at the time achieved solely by Pattern; the weight of these items dropped sharply. Additionally, last year's service costs included € 1.2 million in listing costs.
Changes in other operating costs, however, reflect the impact of the consolidation of S.M.T..
Specifically:

- rentals and leases rose by 157.1%, from € 572 thousand to € 1.5 million (including € 817 thousand for S.M.T.);
- personnel expense increased by 34.3%, from € 9.2 million to € 12.4 million (including € 4.6 million for S.M.T.). The increase would have been higher without the cost savings from the resort to the redundancy fund and the voluntary reduction of managers' fees, totaling € 2 million (of which approximately € 400 thousand in S.M.T.);
- sundry operating expense rose by 39.6% from € 141 thousand to € 196 thousand (of which € 56 thousand from the consolidation of S.M.T.).

Expense for amortization, depreciation, provisions and write-downs increased significantly, attributable again to the consolidation of S.M.T., increasing from € 454 thousand in 2019 to € 1.8 million in 2020 (+301%). The contribution from S.M.T. amounted to € 959 thousand. Additionally, mention should be made of the amortization of the consolidation difference amounting to € 418 thousand. This item is the result of the difference between the purchase cost of the investment and the corresponding share of equity.
As explained in the Half-Year Report, the consolidation of S.M.T. has changed the structure of the income statement. Against a higher contribution margin, the impact of payroll costs and amortization/depreciation increased, as a result of a greater vertical integration on the design and production cycle, as also shown by the higher amount of fixed capital.
As a result of these changes, EBIT fell significantly from € 5.5 to € 3.6 million (down by 35.1%).
Net financial expense rose from € 55 thousand to € 112 thousand (including € 73 thousand for S.M.T.), increasing by 104.5%. In Pattern, interest and other financial expense doubled from € 25 thousand to € 50 thousand as a result of new loans taken out. In S.M.T., which is not included in the 2019 figures, this item decreased from € 112 thousand to € 73 thousand (-35%), due to the strong improvement in the financial position and the better rate conditions applied to medium-term bank debt.

Profit before tax came to € 3.5 million versus € 5.4 million in 2019 (-36.5%).
Tax came to a modest € 455 thousand versus € 1.6 million in the prior year (-72.3%), with the tax rate falling from 30.2% to 13.2%. This trend is explained mainly by the following reasons:

- the non-taxability of tax credits and government grants posted under other revenue, amounting to € 795 thousand;
- lower tax from prior years amounting to € 184 thousand, following cancellation of the second instalment of IRAP 2019 and application of the benefit of the patent box again on the 2019 accounts in Pattern;
- a lower percentage of tax for the year in S.M.T. due to the utilization of prior losses.

As a result, net profit - € 3 million versus € 3.8 million in 2019 - fell by 21%, less than the drop of profit before tax (-34.2 percent without the listing tax credit). Group net profit amounted to € 2.3 million (-40.1% versus 2019).
Net profit as a percentage of revenue came to 5.6% versus 6.8% in 2019 (4.7% less the tax credit for listing costs).

Revenue from sales by geographical area of the Pattern Group	**31.12.2020**	**31.12.2019**
Revenue Italy	31.4%	12.0%
Revenue EU countries	67.5%	87.1%
Revenue Extra-EU countries	1.1%	0.9%
Total	100.0%	100.0%

As seen in the half-year figures, the geographical distribution of sales shows a sharp increase in revenue from Italian customers, whose share of the total rose from 12.0% to 31.4%. S.M.T.'s sales internationalization rate is high but lower than Pattern's.

As a result, the share of revenue from EU countries fell from 87.1% to 67.5%, while the share from Extra-EU countries rose from 0.9% to 1.1%.

Overall, the foreign share of revenue from sales remains quite high at 68.6% of total sales.

The table below shows the trend of the key operating and profitability ratios.

OPERATING AND PROFITABILITY RATIOS OF THE PATTERN GROUP	**31.12.2020**	**31.12.2019**
(Percentage or absolute amounts)		
Turnover / Total revenue	33.0%	27.2%
EBITDA / Total revenue	10.0%	10.7%
EBITDA / Total revenue (net of tax credit for listing)	9.2%	
Net profit / Total revenue	5.6%	6.8%
Profit / Total revenue (net of tax credit for listing)	4.7%	
Return on equity ratio - Roe (Net profit / Equity, average of the two years, net of profit or loss	17.0%	37.0%

for the year)		
Return on loans ratio - Roa (Net Profit / Assets, average of the two years)	7.2%	15.2%
Operating return on net capital employed ratio - Roi (Operating profit / Net capital employed, average of the two years)	41.5%	137.2%
Return ratio - Cash-flow / Net revenue	10.7%	8.4%
Free Cash-flow / EBITDA	51.4%	68.8%
Value added per capita	63,105	90,409
Payroll costs per capita	44,010	55,234
Cost of bank debt	1.1%	0.7%

The impact of EBITDA and net profit on total revenue has already been commented on.

The other profitability ratios generally show a decrease in profitability, due to both a reduction in income amounts and a concurrent increase in equity amounts, following consolidation of S.M.T., as in the case of Roa and Roi.

The Group's ability to quickly turn operating profit into cash remains high.

The cost of bank borrowing rose, slightly exceeding 1%, due to the consolidation of S.M.T., whose interest rate terms were significantly improved, starting from the second half of the year in particular.

4.2 Review of income statement changes from 2019 pro forma figures

In order to provide a better picture of the performance of the year, the following is a comparison of the main balances of the 2020 financial statements with those of 2019 pro forma, obtained by consolidating the results of S.M.T..

For each year, the corresponding Pattern and S.M.T. financial statement figures are also shown (the Pattern Project weight is not material) in order to understand where these changes come from. The total of Pattern and S.M.T. balances do not match the total of the consolidated financial statements, due to consolidation adjustments and differences.

MAIN INCOME STATEMENT BALANCES OF THE PATTERN GROUP (€)	**31.12.2020**	**31.12.2019 Pro forma**	**% chg**
Total revenue	**53,863,721**	**74,647,239**	**-27.8%**

- of which Pattern	34,923,324	55,738,583	-37.3%
- of which S.M.T.	18,971,861	18,909,653	0.3%
Value of production	**54,019,871**	**73,713,652**	**-26.7%**
- of which Pattern	35,184,714	55,338,911	-36.4%
- of which S.M.T.	18,866,621	18,375,738	2.7%
EBITDA	**5,384,785**	**7,681,339**	**-29.9%**
- of which Pattern	2,544,450	5,888,664	-56.8%
- of which S.M.T.	2,786,414	1,736,800	60.4%
EBIT	**3,565,561**	**5,847,818**	**-39.0%**
- of which Pattern	2,122,622	5,455,449	-61.1%
- of which S.M.T.	1,826,993	774,469	135.9%
Profit for the period	**2,996,144**	**4,065,477**	**-26.3%**
- of which Pattern	1,950,762	3,810,925	-48.8%
- of which S.M.T.	1,482,142	690,359	*114.7%*

The comparison with the 2019 pro forma amounts shows a reduction in total revenue of 27.8%, from € 74.6 million to € 53.9 million. Specifically, Pattern's revenue fell by 37.3%, from € 55.7 million to € 34.9 million, while S.M.T.'s revenue was in line with last year, just under € 19 million.

The reduction in the value of production is slightly less noticeable: from € 73.7 million to € 54.0 million (-26.7%), with Pattern down by 36.4% (from € 55.3 million to € 35.2 million) and S.M.T. up by 2.7% (from € 18.4 million to € 18.9 million).

EBITDA dropped slightly more than revenue by 29.9% (from € 7.7 million in 2019 pro forma to € 5.4 million in 2020). Pattern's EBITDA decreased by 56.8% (the decrease would have been higher without the stringent measures adopted to contain payroll costs), while S.M.T.'s EBITDA grew by 60.4%. The latter change is explained not only by greater efficiency achieved by S.M.T., but also by a number of extraordinary items appearing in the 2019 financial statements, which had weighed on the result.

As a percentage of revenue from sales, the figure came to 10%, in line with the 2019 figure of 10.3% (9.2% in 2020 without the contribution of the € 500 thousand listing tax credit), with Pattern's figure falling from 10.6% to 7.3% (5.9% without the aforementioned tax credit) and S.M.T.'s rising from 9.2% to 14.7%.

EBIT fell by 39%, from € 5.8 million to € 3.6 million. The change was negative in Pattern by 61.1% (from € 5.5 million to € 2.1 million) and positive in S.M.T. by 136% (from € 774 thousand to € 1.8 million). The latter result is explained by the fact that amortization and depreciation remained steady as operating margins increased.

Net profit dropped by 26.3%, less than the drop seen in revenue from sales, due to the above lower tax rate. Pattern's net profit fell by 48.8% (from € 3.8 million to just under € 2 million), while S.M.T.'s net profit increased by 114.7% (from € 690 thousand to € 1.5 million).

In this case, too, the impact on total revenue shows the important contribution of S.M.T., rising from 5.4% to 5.6% in 2020 (4.7% without the contribution of the above tax credit), with Pattern's figure falling from 6.8% to 5.6% (4.2% without the tax credit), while S.M.T.'s rose from 3.7% to 7.8%.

The table below shows the income statement for the year with the pro forma income statement for 2019.

INCOME STATEMENT OF THE PATTERN GROUP (€)	**31.12.2020**	**31.12.2019** **Pro forma**	**% chg**
Revenue from sales	52,584,370	73,506,067	-28.5%
Other revenue	1,279,351	1,141,172	12.1%
Total revenue	**53,863,721**	**74,647,239**	**-27.8%**
Change in inventory of products	156,150	-1,033,587	-115.1%
Increases in fixed assets	0	100,000	-100.0%
Value of production	**54,019,871**	**73,713,652**	**-26.7%**
- Purchases of raw materials	15,183,869	21,394,521	-29.0%
- Change in inventory of raw materials	330,226	-125,954	-362.2%
Consumption of raw materials	15,514,095	21,268,567	-27.1%
Costs for services	19,048,678	29,299,990	-35.0%
Rentals and leases	1,470,197	1,266,167	16.1%
Payroll costs	12,405,697	13,932,430	-11.0%
Other operating expense	196,420	265,159	-25.9%
EBITDA	**5,384,785**	**7,681,339**	**-29.9%**
Amortization, depreciation, provisions and write-downs	1,819,224	1,833,521	-0.8%
EBIT	**3,565,561**	**5,847,818**	**-39.0%**
Net financial expense	-111,622	-166,237	-32.9%
Value adjustments on net financial assets	-2,140	-22,000	**n.a.**
Profit (loss) before tax	**3,451,799**	**5,659,581**	**-39.0%**
Current and deferred tax	455,655	1,594,104	-71.4%
Profit for the period	**2,996,144**	**4,065,477**	**-26.3%**

4.3. Statement of Financial Position

The Group's financial performance versus the prior year is marked by two elements:

- the consolidation of S.M.T., which led to a significant increase in balance sheet assets;
- a resilient net financial position, which improved significantly in the second half of the year, and a strong liquidity position.

The table below provides details on the Group's financial position.

RECLASSIFIED STATEMENT OF FINANCIAL POSITION OF THE PATTERN GROUP	31.12.2020	31.12.2019	% chg
(€)			
Intangible fixed assets	5,301,429	900,835	488.5%
Property, plant and equipment	5,354,105	1,562,500	242.7%
Financial fixed assets	194,234	1,125,960	-82.7%
Total fixed assets	**10,849,768**	**3,589,295**	**202.3%**
Inventory	4,288,676	3,434,954	24.9%
Receivables from customers	8,682,850	8,005,583	8.5%
Other receivables	2,059,491	1,331,972	54.6%
Accrued income and prepaid expenses	529,684	512,461	3.4%
Working capital	**15,560,701**	**13,284,970**	**17.1%**
Payables to suppliers	-9,664,036	-8,894,442	8.7%
Other payables	-2,512,753	-2,021,039	24.3%
Accrued expenses and deferred income	-155,091	-22,528	588.4%
Net working capital	**3,228,821**	**2,346,961**	**37.6%**
Provisions for risks and post-employment benefits	-1,923,253	-928,131	107.2%
Net capital employed	**12,155,336**	**5,008,125**	**142.7%**
Equity	**20,931,499**	**17,393,698**	**20.3%**
- of which Group	*18,932,242*	*17,393,698*	*8.8%*
Financial debt less than 12 months	2,096,254	925,818	126.4%
Financial debt more than 12 months	12,746,586	2,762,509	361.4%
Cash and cash equivalents	-23,619,003	-16,073,900	46.9%
Net financial position	**-8,776,163**	**-12,385,573**	**-29.1%**
Equity and net financial position	**12,155,336**	**5,008,125**	**142.7%**

Net capital employed at 31 December 2020 amounted to € 12.2 million, up by 142.7% versus € 5 million at the end of the prior year.

The largest increase was in fixed assets, which rose from € 3.6 million to € 10.8 million (+202.3%).

This increase is due to:

- the recognition of goodwill arising from consolidation, deriving from the acquisition of 51% of S.M.T., which, net of amortization/depreciation for the period, amounted to € 3.8 million;
- the consolidation of S.M.T., whose net fixed assets amounted to € 3.5 million at end 2020.

Property, plant and equipment includes an increase of € 1.1 million in Pattern, as a result of the capital expenditure in progress mentioned in the section on capital expenditure, while financial fixed assets saw a corresponding decrease explained by the transfer to investments of the € 1.1 million guarantee deposit, which had been paid in December 2019 as part of the acquisition of 51 percent of S.M.T..

Working capital increased by € 1 million (+37.6%). This is a very slight increase if one considers the enlarged scope of consolidation and the figures, as shown further, for 30 June.

This result is attributable to the consolidation of S.M.T. for € 1.3 million and the concurrent decrease in Pattern's net working capital of € 400 thousand.

Provisions for risks and post-employment benefits rose by approximately € 1 million, including € 800 thousand for the consolidation of S.M.T..

All things considered, the Group carried out investments as scheduled without postponing them in light of the economic context brought by the pandemic. At the same time, working capital was managed effectively, the result of the solidity of its customers, enabling it to have a short financial cycle with no particular risks. This element, typical of the Group's activities and market positioning, together with the positive performance of business, resulted in a highly positive financial and liquidity position at year end, as shown from the structure of sources.

Equity increased by 20.3% from € 17.4 million to € 20.9 million (by 8.8% to € 18.9 million for Group equity). This latter figure stems from:

- the distribution of dividends amounting to € 686 thousand;
- the recognition of a reserve to cover expected cash flows totaling € 46 thousand;
- the Group's share of profit for the period amounting to just under € 3 million.

The net financial position decreased by 29.1% from € 12.4 million to € 8.8 million. The starting figure, however, does not take account of the consolidation of S.M.T.. The table below shows the trend of the net financial position of the consolidated companies and of the consolidation itself, with adjustments to reconcile the movements of the net financial position with the consolidated statement of cash flows.

CHANGE IN NET FINANCIAL POSITION (amounts in €)	**PATTERN**	**PROJECT**	**SMT**	**AGGREGATE**	**ADJUSTMENTS**	**CONSOLIDATED**
Opening NFP (A)	**12,384,725**	**848**	**-2,721,311**	**9,664,262**	**-378,461**	**9,285,801**
Profit (loss) for the year before income tax, interest,	2,129,792	25,743	1,850,929	4,006,464	-417,503	3,588,961

dividends and gains/losses from disposal						
Adjustments for non-monetary items	978,818	20,472	1,638,802	2,638,092	417,503	3,055,595
Cash flow before changes in NWC	3,108,610	46,215	3,489,731	6,644,556	0	6,644,556
Change in net working capital	1,312,970	1,550	-28,887	1,285,633	0	1,285,633
Cash flow after changes in NWC	4,421,580	47,765	3,460,844	7,930,189	0	7,930,189
Other adjustments	-1,558,284	0	-1,216,043	-2,774,327	-45,000	-2,819,327
Cash flow from operations (B)	2,863,296	47,765	2,244,801	5,155,862	-45,000	5,110,862
Cash flow from investing activities (C)	-5,830,328	0	-82,864	-5,913,192	684,461	-5,228,731
Cash flow from industrial operations (D=B+C)	-2,967,032	47,765	2,161,937	-757,330	639,461	-117,869
Cash flow from changes in Equity (E)	-685,769	-45,000	600,000	-130,769	-261,000	-391,769
Reduction (Increase) in debt (G=D+E)	**-3,652,801**	**2,765**	**2,761,937**	**-888,099**	**378,461**	**-509,638**
Closing NFP (A-G)	**8,731,924**	**3,613**	**40,626**	**8,776,163**	**0**	**8,776,163**

As can be seen, despite the strong financial commitment in terms of capital expenditure for € 5.2 million, the cash flow generated by operations was such as to almost entirely cover the above requirement, with a deterioration of the net financial position coming to just € 510 thousand.

S.M.T. improved strongly, with a net financial position at year end closing with a positive € 41 thousand.

Within the balances making up the net financial position, the total amount of available liquidity came to € 23.6 million, thanks to the medium-term loans taken out in the year.

At 30 June, the net financial position amounted to € 3.9 million. The decrease versus 31 December 2019 amounts to 58%, due partly to the closing of the 51% acquisition of S.M.T., and partly to the growth in working capital for the completion of autumn-winter orders that were in full swing at the end of June.

In the second half of the year, the net financial position recovered strongly, with a 123% increase (from € 3.9 million to just under € 8.8 million). This result is attributable to:

- the strong cash generation of S.M.T., which improved from a negative net financial position of € 3.8 million at 30 June, deteriorating versus € 2.7 million at end 2019, to a positive position at end 2020 of € 41 thousand;

- a rather positive trend of working capital in Pattern, as well as careful management of fixed costs, of payroll costs in particular.

The table below shows the financial position at year end with the position at 30 June, with the relating movements.

RECLASSIFIED STATEMENT OF FINANCIAL POSITION OF THE PATTERN GROUP	**31.12.2020**	**30.06.2020**	**% chg**
(€)			
Intangible fixed assets	5,301,429	5,668,992	-6.5%
Property, plant and equipment	5,354,105	4,566,402	17.2%
Financial fixed assets	194,234	221,788	-12.4%
Total fixed assets	**10,849,768**	**10,457,182**	**3.8%**
Inventory	4,288,676	5,201,060	-17.5%
Receivables from customers	8,682,850	9,250,573	-6.1%
Other receivables	2,059,491	2,659,027	-22.5%
Accrued income and prepaid expenses	529,684	718,877	-26.3%
Working capital	**15,560,701**	**17,829,537**	**-12.7%**
Payables to suppliers	-9,664,036	-7,291,225	32.5%
Other payables	-2,512,753	-3,170,224	-20.7%
Accrued expenses and deferred income	-155,091	-75,834	104.5%
Net working capital	**3,228,821**	**7,292,254**	**-55.7%**
Provisions for risks and post-employment benefits	-1,923,253	-1,751,218	9.8%
Net capital employed	**12,155,336**	**15,998,218**	**-24.0%**
Equity	**20,931,499**	**19,930,327**	**5.0%**
- of which Group	*18,932,242*	*18,381,546*	*3.0%*
Financial debt less than 12 months	2,096,254	4,213,524	-50.2%
Financial debt more than 12 months	12,746,586	9,777,713	30.4%
Cash and cash equivalents	-23,619,003	-17,923,346	31.8%

Net financial position	**-8,776,163**	**-3,932,109**	**123.2%**
Equity and net financial position	**12,155,336**	**15,998,218**	**-24.0%**

The table below provides further information on the net improvement in the net financial position in the second half of the year.

The opening net financial position takes account of S.M.T.'s net financial position, net of cash brought in to reduce the financial outlay incurred by Pattern for the acquisition of 51% of the latter company, as required for the presentation of these figures in the statement of cash flows.

CHANGE IN NET FINANCIAL POSITION OF THE PATTERN GROUP (amounts in €)	**II Half 2020**	**I Half 2020**	**% chg**
Opening NFP (A)	**3,932,109**	**9,285,801**	**-57.7%**
Profit (loss) for the year before income tax, interest, dividends and gains/losses from disposal	1,932,692	1,656,269	16.7%
Adjustments for non-monetary items	1,708,726	1,346,869	26.9%
Cash flow before changes in NWC	3,641,418	3,003,137	21.3%
Change in net working capital	5,655,681	-4,370,048	-229.4%
Cash flow after changes in NWC	9,297,099	-1,366,910	-780.2%
Other adjustments	-2,464,179	-355,147	593.8%
Cash flow from operations (B)	6,832,919	-1,722,057	-496.8%
Cash flow from investing activities (C)	-1,303,097	-3,925,634	-66.8%
Cash flow from industrial operations (D=B+C)	5,529,823	-5,647,691	-197.9%
Cash flow from changes in Equity (E)	-685,769	294,000	-333.3%
Reduction (Increase) in NFP (G=D+E)	**4,844,054**	**-5,353,691**	**-190.5%**
Closing NFP (A-G)	**8,776,163**	**3,932,109**	**123.2%**

A review of the Group's financial performance is completed in the tables below.

The first shows:

- a further improvement in capital assets, achieved mostly through the extension of bank debt, entirely in the medium term;

- the stronger treasury margin, increasing from € 14.1 million to € 20.5 million.

FINANCIAL STRUCTURE OF THE PATTERN GROUP	**31.12.2020**	**31.12.2019**
(€)		
RATIO BETWEEN SOURCES AND LOANS		
Equity	20,931,499	17,393,698
Consolidated payables	12,746,586	2,762,509
Consolidated liabilities	1,923,253	928,131
Equity and medium-term liabilities (b)	35,601,338	21,084,338
Fixed assets	10,849,768	3,589,295
Expanded capital assets	24,751,570	17,495,043
Inventory	4,288,676	3,434,954
Current assets		
- receivables	10,742,341	9,337,555
- other assets	529,684	512,461
- financial assets	0	0
Total (d)	11,272,025	9,850,016
Current liabilities		
- net short-term financial payables	-21,522,749	-15,148,082
- current liabilities	12,176,789	10,915,481
- other liabilities	155,091	22,528
Total (e)	-9,190,869	-4,210,073
Treasury margin (f=d-e)	20,462,894	14,060,089

The table below shows a number of indicators relating to the Group's liquidity position and the duration of the financial cycle. The indicators confirm, for these figures too, the improvements achieved in 2020. Liquidity ratios all improved and the working capital cycle declined further, although these small changes can be considered cyclical. On the other hand, the Group's short financial cycle, i.e. its cash conversion capacity, remains structural.

ANALYSIS OF THE SHORT-TERM FINANCIAL POSITION OF THE PATTERN GROUP	**31.12.2020**	**31.12.2019**
(Absolute or percentage ratios)		
Liquidity position ratio - (Liquidity / Total current liabilities)	1.7	1.4
Available liquidity ratio - (Current assets - inventory / Current liabilities)	2.4	2.2
Short-term liquidity ratio - (Current assets / Current liabilities)	2.7	2.5
Working capital cycle (no. days)	-1	6
- days stock	29	22
- days customers	59	52
- days suppliers	90	68

5. OPERATING AND FINANCIAL FIGURES OF PATTERN SPA

5.1. Income statement

The table below shows the reclassified income statement of Pattern Spa.

INCOME STATEMENT OF PATTERN SPA	**31.12.2020**	**31.12.2019**	**% chg**
(€)			
Revenue from sales	34,224,487	55,604,081	-38.4%
Other revenue	698,837	134,502	419.6%
Total revenue	**34,923,324**	**55,738,583**	**-37.3%**
Change in inventory of products	261,390	-399,672	165.4%
Value of production	**35,184,714**	**55,338,911**	**-36.4%**
- Purchases of raw materials	11,068,792	17,019,073	-35.0%
- Change in inventory of raw materials	139,447	-556,733	-125.0%
Consumption of raw materials	11,208,239	16,462,340	-31.9%

Costs for services	12,804,240	22,977,309	-44.3%
Rentals and leases	713,288	631,771	12.9%
Payroll costs	7,775,262	9,238,945	-15.8%
Other operating expense	139,235	139,882	-0.5%
EBITDA	**2,544,450**	**5,888,664**	**-56.8%**
Amortization, depreciation, provisions and write-downs	421,828	433,215	-2.6%
EBIT	**2,122,622**	**5,455,449**	**-61.1%**
Net financial income (expense)	6,068	-9,578	-163.4%
Value adjustments on net financial assets	0	0	**n.a.**
Profit (loss) before tax	**2,128,690**	**5,445,871**	**-60.9%**
Current and deferred tax	177,928	1,634,946	-89.1%
Profit (loss) for the period	**1,950,762**	**3,810,925**	**-48.8%**

Revenue from sales dropped by 38.4%, from € 55.6 million in 2019 to € 34.2 million in 2020.

The value of production, down from € 55.3 million to € 35.2 million, dropped slightly less by 36.4%. A result attributable to the positive change in other revenue (+419%, from € 134 thousand to just under € 700 thousand), thanks to the abovementioned tax credit for listing costs of € 500 thousand, and the change in semi-finished and finished products, which ended at a positive € 261 thousand versus an approximately negative € 400 thousand in the prior year.

EBITDA decreased by 56.8% (by 65.3% without the listing tax credit), from € 5.9 million to € 2.5 million. Its percentage fell from 10.6% to 7.3% (5.9% net of the tax credit).

The high impact of variable costs (consumption of raw materials and industrial production services), as well as the reduction in payroll costs, partly offset the reduction in revenue from sales, although not in a directly proportional manner.

Specifically, mention should be made of the:

- 31.9% reduction in the consumption of raw materials, from € 16.5 million to € 11.2 million;
- 44.3% reduction in service costs, from just under € 23 million to € 12.8 million (listing costs in the prior year had amounted to € 1.2 million);
- 15.8% reduction in payroll costs from € 9.2 million to € 7.8 million.

Lease and rental costs increased due to new car rentals and leases and the rental of Esemplare's showroom in Milan, which rose to € 713 thousand from € 632 thousand in 2019 (+12.9%), while other operating expense remained steady at € 139 thousand.

Amortization, depreciation, provisions and write-downs totaled € 422 thousand, in line with the prior year (-2.6%), although this weighed on EBIT, which fell by 61.1% from € 5.5 million to € 2.1 million.

Net financial income/expense came to a positive € 6 thousand, without showing any significant changes.

Profit before tax decreased by 60.9% from € 5.4 million to € 2.1 million, while net profit dropped less by 48.8% from € 3.8 million to just under € 2 million (by 61.9% without the abovementioned tax credit).

Net profit as a percentage of revenue decreased from 6.8% to 5.6% (4.2% net of the tax credit).

The contraction in revenue from sales and the resulting sharp decline in operating margins took place mainly in the second half of the year, which usually sees a higher proportion of Pattern's turnover.

The table below shows the main income statement balances for the first half of the current year, compared with the same results of the prior year.

As shown, the drop in revenue was already significant and equal to 31.3% in the first half. However, the tax credit for listing costs contributed to containing the drop in margins, with EBITDA down by 33.6% and, thanks to the non-taxability of the contribution, to record a much lower reduction in net profit than that of revenue, at 20.8%.

INCOME STATEMENT OF PATTERN SPA	**I Half 2020**	**I Half 2019**	**% chg**
(€)			
Total revenue	14,782,413	21,520,884	-31.3%
EBITDA	1,335,790	2,010,852	-33.6%
EBIT	1,131,801	1,805,833	-37.3%
Profit for the period	1,007,962	1,273,460	-20.8%
EBITDA / Total revenue	9.0%	9.3%	
EBITDA / Total revenue (net of tax credit for listing)	5.9%		
Profit / Total revenue	6.8%	5.9%	
Profit / Total revenue (net of tax credit for listing)	3.6%		

The next table compares the second half of the current year with the same period of 2019; the reduction in revenue was 40.9%, EBITDA 68.8%, while profit for the period dropped less by 62.8% thanks to additional tax benefits recorded at year end.

The volume achieved in the second half last year had significantly reduced the impact of fixed costs, despite the costs for listing that took place in July. This explains last year's improvement in the second half of the year versus the first.

Conversely, second half 2020 was impacted by the sharp drop in orders of IA 20, significantly affected by the outbreak of the pandemic, as the closure of orders coincided with the start of the pandemic.

INCOME STATEMENT OF PATTERN SPA	**II Half 2020**	**II Half 2019**	**% chg**
(€)			
Total revenue	20,140,911	34,083,197	-40.9%
EBITDA	1,208,660	3,877,812	-68.8%
EBIT	990,821	3,649,616	-72.9%
Profit for the period	942,800	2,537,465	-62.8%

EBITDA / Total revenue	6.0%	11.4%	
Profit / Total revenue	4.7%	7.4%	

The analysis of Pattern Spa's performance is completed with the table below, which shows the main operating and profitability ratios.

OPERATING AND PROFITABILITY RATIOS OF PATTERN SPA	**31.12.2020**	**31.12.2019**
(Percentage or absolute amounts)		
VA / Total revenue	29.5%	27.1%
EBITDA / Total revenue	7.3%	10.6%
EBITDA / Total revenue (net of tax credit for listing)	5.9%	
Net profit / Total revenue	5.6%	6.8%
Net profit / Total revenue (net of tax credit for listing)	4.2%	
Return on equity ratio - Roe (Net profit / Equity)	11.5%	38.5%
Return on loans ratio - Roa (Net Profit / Assets + Leased assets)	5.4%	16.1%
Operating return on net capital employed ratio - Roi (Operating profit / Net invested capital)	29.0%	154.0%
Return ratio - Cash-flow / Net revenue	7.9%	8.4%
Value added per capita	59,652	89,512
Payroll costs per capita	44,944	54,668
Cost of bank debt	0.6%	0.5%

5.2. Statement of Financial Position

The table below shows the reclassified statement of financial position of Pattern Spa.

RECLASSIFIED STATEMENT OF FINANCIAL POSITION OF PATTERN SPA	**31.12.2020**	**31.12.2019**	**% chg**
(€)			
Intangible fixed assets	650,042	652,912	-0.4%

Property, plant and equipment	2,663,956	1,562,500	70.5%
Financial fixed assets	5,706,266	1,292,960	341.3%
Total fixed assets	9,020,264	3,508,372	157.1%
Inventory	3,556,896	3,434,954	3.6%
Receivables from customers	5,045,077	8,005,583	-37.0%
Other receivables	1,078,640	1,331,971	-19.0%
Accrued income and prepaid expenses	380,164	512,461	-25.8%
Working capital	10,060,777	13,284,969	-24.3%
Payables to suppliers	-6,692,290	-8,893,574	-24.8%
Other payables	-1,484,103	-2,075,446	-28.5%
Accrued expenses and deferred income	-31,278	-22,528	38.8%
Net working capital	1,853,106	2,293,421	-19.2%
Provisions for risks and post-employment benefits	-1,127,495	-928,131	21.5%
Net capital employed	**9,745,875**	**4,873,662**	**100.0%**
Equity	18,477,799	17,258,387	7.1%
Financial debt less than 12 months	1,587,097	925,818	71.4%
Financial debt more than 12 months	9,647,451	2,762,509	249.2%
Cash and cash equivalents	-19,966,472	-16,073,052	24.2%
Net financial position	-8,731,924	-12,384,725	-29.5%
Equity and net financial position	**9,745,875**	**4,873,662**	**100.0%**

Capital employed doubled from € 4.9 million in 2019 to € 9.7 million at end 2020.

The change is attributable to an increase in fixed assets and, specifically, in property, plant and equipment (up by 70.5% from € 1.6 million to € 2.7 million), as a result of the capital expenditure incurred for the new finished goods warehouse, and to financial fixed assets (up by 341%, from € 1.3 million to € 5.7 million), due to completion of the acquisition of 51% of S.M.T..

Working capital decreased by 24.3% from € 13.3 million to € 10 million, due primarily to a reduction in the balance due from customers, down from € 8 million to € 5 million. The decrease is attributable to the lower volumes developed in the last quarter of the year versus the same period of the prior year (€ 11.1 million in revenue from sales versus € 15.5 million in the prior year).

The less than proportional reduction in trade payables (down to just under € 7 million from almost € 9 million in 2020) and other current liability items led to an overall reduction in net working capital of 19.2% from € 2.3 million to € 1.9 million.

Pattern confirms once again its ability to develop business with no meaningful absorption of working capital.

Total provisions for risks and post-employment benefits rose from € 0.9 million to € 1.1 million, due partly to allocations in the period for post-employment benefits, and partly to the recognition of a provision for risks in connection with financial instruments payable in the amount of € 45,581.

Looking instead at sources of capital:

- equity increased from € 17.3 million to € 18.5 million (+7.1%), thanks to net profit for the year of € 1.9 million, whose upward change was partly offset by the negative change of € 685 thousand from dividends distributed in December and the negative change from recognition of a reserve for hedges of expected cash flows totaling € 45,581;
- the positive net financial position decreased from € 12.4 million to € 8.7 million (-29.5%), once again reflecting extremely high liquidity components of almost € 20 million, achieved thanks to medium-term loans taken out in the year.

CHANGE IN NET FINANCIAL POSITION OF PATTERN SPA (amounts in €)	**31.12.2020**	**31.12.2019**	**% chg**
Opening NFP (A)	**12,384,725**	**4,124,570**	**200.3%**
Profit (loss) for the year before income tax, interest, dividends and gains/losses from disposal	2,129,792	5,420,396	-60.7%
Adjustments for non-monetary items	978,818	415,976	135.3%
Cash flow before changes in NWC	3,108,610	5,836,372	-46.7%
Change in net working capital	1,312,970	-528,307	-348.5%
Cash flow after changes in NWC	4,421,580	5,308,065	-16.7%
Other adjustments	-1,558,284	-2,282,337	-31.7%
Cash flow from operations (B)	2,863,296	3,025,728	-5.4%
Cash flow from investing activities (C)	-5,830,328	-2,121,571	174.8%
Cash flow from industrial operations (D=B+C)	-2,967,032	904,157	-428.2%
Cash flow from changes in Equity (E)	-685,769	7,355,998	-109.3%
Reduction (Increase) in debt (G=D+E)	**-3,652,801**	**8,260,155**	**-144.2%**
Closing NFP (A-G)	**8,731,924**	**12,384,725**	**-29.5%**

The table showing changes in the net financial position in the year indicates a strong cash flow from operations, amounting to almost € 2.9 million, which, however, fails to cover all the financial requirements deriving from capital expenditure (€ 5.8 million) and the distribution of dividends (€ 686 thousand).

FINANCIAL STRUCTURE OF PATTERN SPA	31.12.2020	31.12.2019
(€)		
RATIO BETWEEN SOURCES AND LOANS		
Equity	18,477,799	17,258,387
Consolidated payables	9,647,451	2,762,509
Consolidated liabilities	1,127,495	928,131
Equity and medium-term liabilities (b)	29,252,745	20,949,027
Fixed assets	9,020,264	3,508,372
Expanded capital assets	**20,232,481**	**17,440,655**
Inventory	3,556,896	3,434,954
Current assets		
- receivables	6,123,717	9,337,554
- other assets	380,164	512,461
- financial assets	0	0
Total (d)	6,503,881	9,850,015
Current liabilities		
- net short-term financial payables	-18,379,375	-15,147,234
- current liabilities	8,176,393	10,969,020
- other liabilities	31,278	22,528
Total (e)	-10,171,704	-4,155,686
Treasury margin	**16,675,585**	**14,005,701**

The table shows the improvement of two important equity and financial margins: capital assets and the treasury margin, highly positive already at the end of the prior year.

The ratios for the liquidity position shown in the table below all improved too, while the duration of the working capital cycle further decreased to become negative.

ANALYSIS OF THE SHORT-TERM FINANCIAL POSITION OF PATTERN SPA	**31.12.2020**	**31.12.2019**
(Absolute or percentage ratios)		
Liquidity position ratio - (Liquidity / Total current liabilities)	2.0	1.4
Available liquidity ratio - (Current assets - inventory / Current liabilities)	2.7	2.2
Short-term liquidity ratio - (Current assets / Current liabilities)	3.1	2.5
Working capital cycle (no. days)	**-2**	**6**
- days stock	37	22
- days customers	53	52
- days suppliers	92	68

6. OPERATING AND FINANCIAL FORECASTS FOR THE CURRENT YEAR

Expectations for 2021 point to a partial market recovery, especially in the first half of the year, where the spread of the pandemic remains high, forcing many governments to resort to extreme measures to restrict the movement of people.

The situation should ease in the second part of the year, when vaccination programmes by Western countries in the first place should allow an initial, significant return to normal.

On top of this, the pandemic is kept largely under control in China, where a significant and growing share of the luxury market is centred. This has driven the upturn in sales in these countries since last summer.

As known, the Group is a season ahead of what's on sale in stores. So the creations and deliveries to customers are affected more by the expectations they have for the following seasons than by the current sales in stores.

The abovementioned positive expectations for the second half of the year and the restart of China have led to a strong upswing in orders for next autumn-winter for Pattern and further growth for S.M.T.

In the face of increasing production and sales volumes for the Group, which will propel the recovery of margins thanks to greater absorption of fixed costs, the reduction at least for the current year in sales on the luxury market in general, especially in Western countries, will add greater pressure on Pattern's sales prices and, as a result, will squeeze the contribution margin, at least in the outerwear and dresses area, while this element should be less noticeable or even absent for knitwear.

The challenges expected in the first half of the year will be addressed by resorting to the Redundancy Fund, at least during the weeks when staffing levels are not fully saturated.

Parallel to the in-house management of Group activities, Management continues to assess opportunities for growth through acquisitions, with a view to the "development of the Italian Luxury Design Hub". In this regard, it is believed that the economic crisis in which Italy, and Western economies in general, have plunged, has not only called companies from across all industries to seek partnerships with other players in order to tackle the crisis better, but has also underscored the need to accelerate the consolidation of SMEs, a process that had already been under discussion before COVID-19. This is the issue regarding the increase in the size of Italian businesses, which are generally unable to keep up with competition and the demands of international markets.

The Group has a clear idea and vision of such an acceleration and will therefore work on fulfilling new projects on integration with other top-notch businesses.

7. ACTIVITIES CARRIED OUT THROUGH SUBSIDIARIES; DEALINGS WITH SUBSIDIARIES, ASSOCIATES, PARENTS AND "AFFILIATES"

The tables below show the financial position and results of operations, as well as intercompany transactions, of Pattern Project Srl and Società Manifattura Tessile Srl, in which Pattern has a 100% and 51% interest, respectively, and which are both under the direction and coordination of Pattern.

Pattern Project Srl

Assets	**31.12.2020**	**31.12.2019**
B) Fixed assets	227,451	247,923
C) Current assets	60,304	56,329
D) Accruals and deferrals	0	0
Total Assets	**287,755**	**304,252**
Liabilities and Equity	**31.12.2020**	**31.12.2019**
A) Equity	283,054	302,311
B) Provisions for risks and charges	0	0
C) Post-employment benefits	0	0
D) Payables	4,701	1,941
E) Accrued expenses and deferred income	0	0
Total Liabilities and Equity	**287,755**	**304,252**

Income Statement	**31.12.2020**	**31.12.2019**
Value of production	60,106	60,003
Costs of production	26,657	24,601
Difference between value and costs of production	**33,449**	**35,402**
Net financial income/expense	-25	0
Profit (loss) before tax	**33,424**	**35,402**
Tax	7,681	8,706
Net profit (loss)	**25,743**	**26,696**

Receivables and payables of Pattern Spa vs Pattern Project Srl	**31.12.2020**	**31.12.2019**
Receivables		0
Payables	56,200	55,480

Income and expense of Pattern Spa vs Pattern Project Srl	31.12.2020	31.12.2019
Income	1,000	1,000
Expense	60,000	60,000
- Royalties	60,000	60,000

Società Manifattura Tessile Srl

Assets	**31.12.2020**	**31.12.2019**
B) Fixed assets	3,511,522	4,280,447
C) Current assets	9,015,520	6,551,599
D) Accruals and deferrals	149,520	256,823
Total Assets	**12,676,562**	**11,088,869**
Liabilities and Equity	**31.12.2020**	**31.12.2019**
A) Equity	4,080,115	1,994,014
B) Provisions for risks and charges	0	3,958
C) Post-employment benefits	795,758	675,477
D) Payables	7,676,876	8,411,763
E) Accrued expenses and deferred income	123,813	3,657
Total Liabilities and Equity	**12,676,562**	**11,088,869**

Income Statement	**31.12.2020**	**31.12.2019**
Value of production	18,866,621	18,375,738
Costs of production	17,039,628	17,601,269
Difference between value and costs of production	**1,826,993**	**774,469**
Net financial income/expense	-74,805	-133,658
Profit (loss) before tax	**1,752,188**	**640,811**
Tax	270,046	-49,548
Net profit (loss)	**1,482,142**	**690,359**

Receivables and payables of Pattern Spa vs. Società Manifattura Tessile Srl	**31.12.2020**	**31.12.2019**
Receivables	8,457	
Payables	7,232	
Income and expense of Pattern Spa vs Società Manifattura Tessile Srl	**31.12.2020**	**31.12.2019**
Income	6,970	
Expense	23,600	

8. MAIN RISKS AND UNCERTAINTIES TO WHICH THE GROUP IS EXPOSED

The specific risks that could give rise to an obligation on the part of the company are assessed when determining the related allocations and are explained in the Notes.

Reference is herein made solely to those risk factors and economic, regulatory and market uncertainties which, in connection with the carrying on of business, therefore, with the achievement of corporate targets, may affect the company's performance.

The ongoing pandemic has increased certain risk profiles, which are adequately covered.

The risks listed below represent the main uncertainty factors found. In this regard, their identification and monitoring by Management reduces, but does not fully eliminate, their potential negative effects.

The order in which risks and uncertainties are shown is not significant of greater or lesser importance.

Financial risks

The business carried on by the Pattern Group is exposed to several types of financial risk, including: liquidity risk, interest rate fluctuation risk and exchange rate risk.

Liquidity risk

Liquidity risk may arise if the financial resources available are inadequate to meet payment commitments, in accordance with agreed terms and dates, whether of a commercial or financial nature.

In this regard:

- the Group has a high level of liquidity, as well as significant short-term bank lines;
- the financial budget does not show any particular risk, since earnings flow in on a regular basis and commitments are planned well in advance;
- the procurement and use of financial resources are coordinated at Group level to enable each company to meet its own requirements.

Interest rate risk

The Pattern Group is exposed to fluctuations in interest rates in respect of the financial expense accruing on bank borrowings.

However, this risk is low for the following reasons:

- the Group's net financial position is positive;
- debt is made up of medium-term loans, some of which are at fixed rates. In the current year, as new loans were taken out and market conditions were particularly favourable, the Group decided to resort to the conclusion of hedging contracts for two of them, both with IRS.

Exchange rate risk

The Group is not subject to significant risk of fluctuations in exchange rates, given that invoices receivable are almost entirely in €, as are almost all invoices payable. Imports in currency are limited and are made in currencies with low volatility.

Credit risk

The solvency of the Group's customers belonging to the company's "core business" is at the best market levels and is a strategic asset for the company. As a result, there are no significant risks of this nature to date. During this out-of-the-ordinary year too, customer payments were regular.

A credit insurance policy was in place for S.M.T. customers until end 2020.

The sale of Esemplare branded garments to retailers requires a different level of attention, as the risk of bad debt is endemic in this type of business.

For this reason, customers are carefully selected, based also on specific commercial information. Subsequently, past dues are promptly monitored, with resort to debt collection companies in the event of critical positions.

Operational risks

<u>Risks associated with dealings with external laboratories</u>

For external production, the Group uses select suppliers, certified mostly by their customers and in any case managed according to SA8000 standards.

In order to avoid over-dependency, the Company is on a constant lookout for new sources of production. This is a risk that cannot be fully abated since the search for new laboratories is limited by the need to count on qualified and reliable suppliers, which means keeping minimum supply thresholds and consolidating relationships over time.

Further areas of risk in the relationship with external laboratories are: quality control and compliance with production delivery times. Both of these issues are crucial for those working at the higher end of the fashion market and are thus constantly monitored by Management.

<u>Risks associated with the availability and supply of raw materials</u>

In the outerwear and garment segment, raw materials are mostly purchased in agreement with the end customer, so there are no risks borne by the company, neither as regards the certainty and timing of supply, nor as regards purchase prices. Potential issues that may arise would be discussed and solved together with customers. In cases where raw materials are supplied on a job order basis, this type of risk is completely non-existent.

The knitwear segment is less dependent on the customer, but here too there are no risks associated with the availability and supply of raw materials.

<u>Risks associated with recruiting and retaining expert personnel</u>

The specific nature of the Group’s activities makes it difficult to select expert personnel for the most technically-demanding tasks. However, the recent development and the greater visibility achieved have helped consolidate the relationship with the Group's key figures and to attract new professionals of high standing, with a view to the development of the younger resources. To this end, the Group is constantly committed to creating a conducive workplace abounding with opportunities for learning and growth.

<u>Cyber risks</u>

The Group is exposed to the risk of cyber attacks, with the risk of disclosure or loss of sensitive data.

Security and protection from external attacks is ensured by last generation firewalls, in Collegno by redundant and High Availability ones. Servers and clients are fitted with antivirus software to protect against any threats conveyed via the internal or external network, and the e-mail program is equipped with an anti-spam system. The installation of software on clients is allowed only by the ICT department, which checks in advance the lawfulness and security of the applications to install, also at the request of the users themselves. Access to PCs and consequently to systems is regulated according to stringent security standards.

As for the stability and updating of systems that may result in an interruption, albeit temporary, of operations, it should be noted that:

- in both sites, the servers are hosted by virtual infrastructure on two separate and redundant physical hosts, each capable of filling in for the other;
- the DPC premises are air-conditioned and protected, like the rest of the offices, by fire-prevention systems;
- backup plans for data and virtual servers are scheduled every day, with retention from one to two weeks (depending on the server); a fortnightly copy is kept outside the company;
- connectivity is provided by a dual connection (one main and one backup);

Lastly, the Group invests significant resources every year on the continuous updating of cad design and management solutions.

Strategic risks

Pattern Group has developed a business plan, with a multi-year time horizon, which sets its strategic guidelines and the operating and financial targets to achieve.

The plan is subject to annual reviews, in which the guidelines are reviewed for their appropriateness and feasibility for the growth of the Group. Based on these reviews, changes, if needed, are made and the short-term operational decisions are defined accordingly.

Market risk

The main market risk to which the Group is exposed is the relatively small amount of customers it has, so losing some of them could impact significantly on its turnover.

On the other hand, as there are only a few important brands in the luxury clothing segment, often belonging to the same group, the Pattern Group cannot obviously count on a large number of customers.

Secondly, in order for commercial cooperation to be profitable, both technically and economically, relationships must be long-lasting, and this can only be ensured by the top brands.

The need arises, therefore, to mediate between the need to expand the customer base, in order to reduce market risk, and the need to preserve and strengthen, where possible, the economic efficiency of management, which requires a low degree of dispersal of activities.

For such reasons, in addition to seeking new customers, the Group has worked to diversify its areas, firstly by landing in womenswear and, since 2020, in the knitwear field.

9. ENVIRONMENTAL IMPACT OF OPERATIONS

The Company has continued to implement policies to reduce its environmental impact, aimed at making more efficient use of energy in order to curb consumption and emissions produced, despite the suggestion of putting a brake on planned investments at the start of the pandemic. The Board of Directors has, in fact, decided to continue its efforts to achieve the targets of the "*From red to green carpet*" plan, with the aim of making the company "*carbon neutral*" by 2023, thereby adhering to the 17 United Nations goals for sustainable development.

In this regard, the Company obtained the new ESG Rating at the beginning of 2021: by taking part in the 2019 CDP (Carbon Disclosure Project) reporting on Climate Change, thanks to its many years of efforts on the topic, Pattern has chosen to prove its responsibility towards environmental matters, which are pivotal in the transition towards low-carbon. By monitoring its emissions and energy consumption, Pattern is able to measure its impact and work towards ambitious reduction targets. To date, Pattern is one of the few international companies in the Luxury and Fashion segment to have taken part in CDP reporting, achieving a greatly improved rating from D to B-. This ESG rating is a new starting point for the ongoing improvement of the Company.

All the information on environmental management and the numerous developments are available on the following webpages:

- https://www.pattern.it/pattern-torino-sostenibilita
- https://www.pattern.it/pattern-torino-rating-esg

Pattern is the first Italian company ever to officially join the UN/UNFCCC's "Fashion for Global Climate Action" initiative as a signatory to the *Fashion Industry Charter for Climate Action*. The *Fashion for Global Climate Action* initiative aims at supporting the fashion industry in identifying levers of change and possible actions to achieve climate neutrality and work towards a healthier planet. Only through collective and united action can the fashion industry embark on this transformation; and Pattern, by signing the Charter, has reiterated its commitment to playing its part in the quest for a low carbon future. In this sense, Pattern has set up a national work group where various bodies and companies participate in the circular economy.

The entire Group is supplied by energy produced from renewable sources.

Lastly, mention should be made, despite the pandemic, of the construction and commissioning of the new photovoltaic system at the existing plant in Collegno (Turin), as well as the concluded construction of the new warehouse 4.0, which is cooled and heated by means of a high-power geothermal system that came into operation at the end of the year, one of the very few in the area, which will also contribute to the same purpose for part of the building dedicated to design and production. The geothermal/photovoltaic mix installed brings the Turin plant to total carbon neutrality.

10. EMPLOYEES AND INFORMATION SYSTEMS

10.1. Employees

At 31 December, the Pattern Group counted 280 employees, 214 of whom women and 66 men.

The table below shows the breakdown of headcount by company. Società Manifattura Tessile was consolidated on 1 January 2020, but for the sake of completeness, information on this company is also shown for the prior year.

Company	Headcount at 31.12.2020	Headcount at 31.12.2019
Pattern Spa	174	173
Società Manifattura Tessile Srl	106	111
Total	**280**	**284**

The impact of the pandemic in 2020 has affected the life of each of us, as well as the life of the Pattern Group employees. However, since February 2020, the Pattern Group has chosen to involve all of its people in a transparent manner to manage this challenging period in the best possible way.

Specifically, mention should be made of the following.

- The Company announced at the very onset that it would not resort to staff downsizing plans. The use of COVID social safety nets put in place by Government helped manage the various production downturns in an organic and consistent manner.
- The Company was one of the very first in its industry to adopt stringent COVID protocols, thanks also to the production of masks with certified filters, readily distributed to all employees; to the best of the Company's knowledge, these measures prevented them from contracting the virus in the work premises.
- Notwithstanding COVID, the decision was taken to continue the Group's commitment to staff training and company organization, through managerial training sessions, developed thanks also to an important Fondimpresa grant on innovation, and aimed at adopting new supply chain management systems, which are in turn required in light of the new warehouse built in a 4.0 perspective.
- Specific CAD courses continued, both in terms of workflow management and 3D technologies, with the identification of an in-house team dedicated to virtual prototyping.
- Pattern's fifth sustainability report was released, covering 2019 data. This confirms the importance attached to social and sustainability topics. This edition, shared with employees and shareholders, was also prepared according to the new international standards for this type of publication (GRI - Global Reporting Initiative, of 2018). The project saw the participation of a team of students from the Polytechnic and the University of Turin, thanks to the support from Fondazione Cottino and the Industrialists' Union of Turin.
- The project plan on the adoption of Model 231 kicked off in December 2020.
- Training and support activities continued, albeit remotely, for local students (IED Course in Management and Organizational Logic) and with national universities (e.g., Alta Scuola Politecnica, Turin and Milan Polytechnics). Funding for a PHD with the Milan Polytechnic is ongoing and a Master's degree with SDA Bocconi has been funded.
- There are no reports of lawsuits related to bullying at work cases or occupational illnesses of employees or former employees, or related to deaths or serious workplace accidents.
- The SA8000 model has also been integrated into S.M.T. post-acquisition with the set up of a joint Company/Employee team for the management and solution of all issues concerning Social Responsibility.

- Pattern has further significantly improved its ESG rating (issued by CDP) to B-, an outstanding result on an international level. Measuring itself every year, making plans for constant improvement and implementing them in ESG terms is by now the focal point in the corporate and staff culture of the Group.

10.2. Information systems

With regard to Pattern, integration between the Collegno and Spello operating units continued in the first half of 2020, with the adoption at Spello of the same e-mail system and, broadly speaking, collaboration platform used at Collegno: Office 365.
This platform enabled the creation of a company Intranet with the aim of providing all employees with a company account with a shared access point to information (e.g. Policies and Procedures) and news regarding the Company; an application was created for the request of holidays and leaves by employees and subsequent approval/rejection by their managers.
In order to manage auditing activities appropriately, quickly and efficiently, Pattern adopted the Audit Manager system, a tool that allows comprehensive management of audits, from set up to planning, from execution to analysis of data collected. The system was incorporated at Group level for SA8000 and Sustainable Manufacturing audits; from first quarter 2021, it will also be used for product quality testing.
In the design area, tools (Hardware and Software) and 3D design skills were acquired, providing effective support to the Company and the customers both in the design and fitting phase, by using Digital Twins of the garments even before their physical creation; the same tool plays an important part in the marker-making phase of printed fabrics, performing a number of simulations that immediately shows the future effect on the creation.
In anticipation of the start-up of the new finished goods warehouse at the beginning of this year, a dedicated departmental software was adopted - WMS (Warehouse Management System) - fully interfaced with the company ERP system to allow for the effective management of raw material handling via hand-held terminals and barcode reading.
As for Esemplare, an application was developed and made available to agents, also integrated with the company management system to access the catalogue and taking and sending orders.
To ensure full operation also during the COVID emergency period, remote working has been increased, thanks to the distribution of laptops, firewall configuration to expand the number of concurrent remote connections (via VPN Virtual Private Network), training on the use of videoconferencing tools (Teams) and document sharing (Onedrive); additionally, shared areas have been made available between the two operating sites, where the modeling projects in progress have been stored in order to guarantee the possibility for each site to take over from the other in case of reduced operation.
To improve performance and security, the bandwidth of the Collegno office fibre connection has been increased and dual firewalls have been configured in high availability mode.
By launching the process of adaptation and integration of S.M.T.'s information systems with those of Pattern, a vulnerability assessment was also performed at S.M.T. and SMT's security policies were aligned with those of the Group.
Additionally, after an initial testing phase concluded at end 2019, the application for managing prototypes and samples *(Techbook*) was launched at S.M.T. and, with regard to the ERP system in use, the tax Warehouse module was put in place.
As mentioned in the Report, with the final launch of the new warehouse, two automated "vertical warehouses" have become fully operational, fully integrated with the ERP management system, for the management of accessories and RFID technology for the handling of finished garments.

An assessment project on the Group's management systems (ERP) will be concurrently launched with the aim of designing the best solution to effectively integrate the three sites on a single platform, evaluating feasibility, methods and impacts.

11. RESEARCH AND DEVELOPMENT

With regard to the provisions of Article 2428, paragraph II, no. 1, of the Italian Civil Code, during the year and up to the date of preparation of this Report, the Group continued to invest resources in "research and development".
This specifically in the design area, where models, prototypes, samples and production adjustments are made; for the “Esemplare" line, this activity also includes the styling phases.
The related costs were all charged to the Income Statement under the relevant items, in order not to alter the structure of the financial statements, i.e. without capitalizing them.
In this regard, Pattern made use of the measure "Tax credit to companies that make investments in research and development" (Article 1, paragraph 35, Law 190/2014). The 2020 Consolidated Income Statement includes, under other revenue, the benefit from reporting incremental 2019 expense versus the average of expense incurred in the 2012-2014 three-year period.
S.M.T. referred to the new relevant law (Article 1, paragraphs 198 et seq. of Law 160/2019), which provides for a tax credit for investments in technological innovation and aesthetic design and creation.
The Independent Auditors were tasked with certifying the costs incurred. As far as Pattern is concerned, the administrative and project documentation relating to research carried out, justifying these costs, was reviewed and led to the issue of a special certification report on 14 July 2020. Similar activities for S.M.T. by the Independent Auditors are underway at the closing date of these financial statements, and no critical issues were reported.

12. TREASURY SHARES AND SHARES OF PARENT COMPANIES

Pattern Spa does not hold any treasury shares or shares or units in parent companies, not even through a finance company or third party.

13. FINANCIAL DERIVATIVES

Pursuant to Article 2428, paragraph 2, point 6-bis, of the Italian Civil Code, mention should be made that - at 31 December 2020 - the Group has two interest rate swap (IRS) agreements in place to hedge the risk of interest rate fluctuations on medium-term loans. The capital at the same date was € 5.8 million.

14. BRANCH OFFICES

Group companies do not have branch offices. Pattern owns four local units. One recently opened in Turin for the sale to the general public of Esemplare branded garments; one in Bricherasio/Turin, home to the laboratory dedicated to prototype work, samples and small production; one in Spello/Perugia, for womenswear; one in Milan, where an Esemplare showroom was opened.

15. INTRAGROUP AND RELATED PARTY TRANSACTIONS

There are no intragroup transactions or related party transactions at conditions other than market conditions to report the amount, nature of the transaction or any other information of required by Article 2427, no. 22-bis, of the Italian Civil Code.

Turin, 29 March 2021

for **THE BOARD OF DIRECTORS**

The Chairman of the Board of Directors

Francesco Martorella

PATTERN SPA

Direction and Coordination pursuant to Article 2497 of the Italian Civil Code: BO.MA. Holding S.r.l.

registered office in Collegno, via Italia 6/a

authorized share capital € 1,436,292.90 of which € 1,371,538.40 subscribed and paid up

listed with the Turin Company Register no. 10072750010 tax code

R.E.A. no. 1103664

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2020

STATEMENT OF FINANCIAL POSITION – ASSETS

		31/12/2020		31/12/2019
A) SHARE CAPITAL PROCEEDS TO BE RECEIVED				
B) FIXED ASSETS				
I. Intangible fixed assets				
1) Start-up and expansion costs	28.200		37.201	
2) Development costs	273.725		0	
intellectual property				
4) Concessions, licenses, trademarks and similar rights	324.782		302.334	
5) Goodwill	3.961.570		241.104	
7) Fixed assets under construction and advances	21.580		-	
7) Other	691.572		320.196	
Total intangible fixed assets		5.301.429		900.835
II. Property, plant and equipment				
1) Land and buildings	555.000		490.320	
2) Plant and machinery	2.942.560		458.523	
3) Industrial and commercial equipment	96.845		54.028	
4) Other assets	517.374		363.404	
5) Fixed assets under construction and advances	1.242.326		196.225	
Total property, plant and equipment		5.354.105		1.562.500
III. Financial fixed assets				
1) Investments in				
d-bis) other companies			-	
Total investments		-		-
2) Receivables				
d-bis) from others				
(due within one year)	3.000		1.100.000	
(due beyond one year)	191.234		25.960	
Total receivables		194.234		1.125.960
Total financial fixed assets		194.234		1.125.960
Total fixed assets		**10.849.768**		**3.589.295**
C) CURRENT ASSETS				
I. Inventory				
1) Raw and ancillary materials and consumables	2.179.184		1.963.964	
2) Work in progress and semi-finished products	1.640.431		1.015.144	
4) Finished products and goods	469.061		455.846	
Total inventory		4.288.676		3.434.954
II. Receivables				
1) from customers	8.682.850		8.005.583	
(due within one year)	8.682.850		8.005.583	
5-bis) Tax receivables	1.579.793		1.273.129	
(due within one year)	1.404.942		1.273.129	
(due beyond one year)	174.851		-	
5-ter) Prepaid tax	219.838		49.585	
5-quater) from others	259.860		9.258	
(due within one year)	259.860		9.258	
Total receivables		10.742.341		9.337.555
IV. Cash and cash equivalents				
1) Bank and postal deposits	23.594.859		16.044.015	
2) Cheques	11.566		20.109	
3) Cash and valuables on hand	12.578		9.776	
Total cash and cash equivalents		23.619.003		16.073.900
Total current assets		**38.650.020**		**28.846.409**
D) ACCRUED INCOME AND PREPAID EXPENSES		**529.684**		**512.461**
TOTAL ASSETS		**50.029.472**		**32.948.165**

STATEMENT OF FINANCIAL POSITION - LIABILITIES

	31/12/2020		31/12/2019	
A) EQUITY				
I. Share capital		1.371.538		1.361.538
II. Share premium reserve		8.238.460		8.238.460
IV. Legal reserve		272.308		200.000
VI. Other reserves		6.825.623		3.801.079
- consolidation reserve	153.615		153.615	
- extraordinary reserve	6.558.257		3.505.409	
- merger surplus reserve	101.764		101.764	
- other	11.987		40.291	
VII. Reserve for hedges of expected cash flows	-	(45.581)	-	
VIII. Retained earnings (losses carried forward)		-		
IX. Profit (loss) for the year		**2.269.894**		**3.792.621**
Total equity attributable to the owners of the parent		**18.932.242**		**17.393.698**
Share capital and reserves attributable to non-controlling interests		1.273.007		-
Profit (loss) attributable to non-controlling interests		726.250		-
Total equity attributable to non-controlling interests		**1.999.257**		**-**
Total consolidated equity		**20.931.499**		**17.393.698**
B) PROVISIONS FOR RISKS AND CHARGES				
1) for pensions	2.830		4.438	
3) financial derivative liabilities	45.581			
4) other	33.329		47.741	
Total provisions for risks and charges		**81.740**		**52.179**
C) POST-EMPLOYMENT BENEFITS		**1.841.513**		**875.952**
D) PAYABLES				
4) Payables to banks	14.442.840		3.288.327	
(due within one year)	2.096.254		925.818	
(due beyond one year)	12.346.586		2.362.509	
5) Payables to other lenders	400.000		400.000	
(due beyond one year)	400.000		400.000	
6) Advances	10.363		-	
(due within one year)	10.363		-	
7) Payables to suppliers	9.664.036		8.894.442	
(due within one year)	9.654.869		8.894.442	
(due beyond one year)	9.167		-	
12) Tax payables	589.855		604.200	
(due within one year)	579.588		604.200	
(due beyond one year)	10.267		-	
13) Payables to social security entities	705.807		559.274	
(due within one year)	705.807		559.274	
14) Other payables	1.206.728		857.565	
(due within one year)	1.206.728		857.565	
Total payables		**27.019.629**		**14.603.808**
E) ACCRUED EXPENSES AND DEFERRED INCOME		**155.091**		**22.528**
TOTAL LIABILITIES		**50.029.472**		**32.948.165**

INCOME STATEMENT

	31/12/2020		31/12/2019	
A) VALUE OF PRODUCTION				
1) Revenue from sales and services		52.584.370		55.603.081
2) change in inventory of work in progress, semi-finished and finished products		156.150		(399.672)
4) Increase in own work capitalized		-		-
5) other revenue and income		1.279.351		134.505
- operating grants	744.475		88.748	
- other revenue and income	534.876		45.757	
Total value of production (A)		**54.019.871**		**55.337.914**
B) COSTS OF PRODUCTION				
6) raw and ancillary materials, consumables and goods		15.183.869		17.019.073
7) for services		19.048.678		22.979.628
8) for rentals and leases		1.470.197		571.771
9) for personnel		12.405.697		9.238.945
a) wages and salaries	8.922.332		6.754.429	
b) social security charges	2.707.599		2.014.211	
c) post-employment benefits	708.131		418.177	
e) other costs	67.635		52.128	
10) amortization, depreciation and write-downs		1.819.224		453.687
a) amortization of intangible assets	842.346		166.471	
b) depreciation of tangible fixed assets	946.941		245.928	
d) write-down of receivables under current assets and cash and cash equivalents	29.937		41.288	
11) Changes in inventory of raw and ancillary materials, consumables and goods		330.226		(556.733)
14) sundry operating expense		196.420		140.691
Total costs of production (B)		**50.454.310**		**49.847.062**
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A-B)		**3.565.561**		**5.490.852**
C) FINANCIAL INCOME AND EXPENSE				
15) income from investments				
- other income from investm.	1		-	
		1		-
16) other financial income				
d) financial income other than above:		3.449		4.207
- from others	3.449		4.207	
		3.449		4.207
17) interest and other financial expense		123.933		24.906
- other	123.933		24.906	
		123.933		24.906
17 bis) exchange gains (losses)		8.861		(33.880)
Total fin. income and expense (15+16-17+17bis)		**(111.622)**		**(54.579)**
D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS.				
19) write-downs		2.140		-
a) of investments	2.140		-	
Total adjustments (18-19)		**(2.140)**		**-**
RESULT BEFORE TAX (A-B+C+D)		**3.451.799**		**5.436.273**
20) income tax for the year		**455.655**		**1.643.652**
- current	541.903		1.657.156	
- prior years	(183.973)		-	
- deferred and (prepaid)	97.725		(13.504)	
21) CONSOLIDATED PROFIT (LOSS) FOR THE YEAR		**2.996.144**		**3.792.621**
of which PROFIT (LOSS) ATTRIBUTABLE TO THE OWNERS OF THE PARENT		2.269.894		3.792.621
of which PROFIT (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		726.250		-

STATEMENT OF CASH FLOWS - INDIRECT METHOD

	31.12.2020	31.12.2019
A. CASH FLOWS FROM OPERATIONS		
Profit (loss) for the year	**2.996.144**	**3.792.621**
Income tax	447.974	1.643.652
Interest expense/(interest income)	120.459	20.699
(Dividends)	0	0
(Gains)/losses from disposal of assets	24.384	(1.173)
1. Profit (loss) for the year before income tax, interest, dividends and gains/losses from disposal	**3.588.961**	**5.455.799**
Adjustments for non-monetary items that did not have a balancing item in the net working capital		
Allocations to provisions	857.953	418.177
Amortization and depreciation	1.789.287	412.399
Impairment losses	0	0
Value adjustments to financial assets and liabilities of financial derivatives that do not entail monetary changes	0	0
Other adjustments for non-monetary items	408.355	2
2. Cash flow before changes in NWC	**6.644.556**	**6.286.377**
Changes in net working capital		
Decrease (Increase) in inventory	680.992	(157.062)
Decrease/(Increase) in receivables from customers	2.784.992	(4.144.234)
Increase (Decrease) in payables to suppliers	(3.399.787)	4.431.602
Decrease (Increase) in accrued income and prepaid expenses	238.513	(242.297)
Increase (Decrease) in accrued expenses and deferred income	126.099	5.468
Other changes in net working capital	854.824	101.116
3. Cash flow after changes in NWC	**7.930.189**	**6.280.970**
Other adjustments		
Interest received/(paid)	(116.565)	(17.607)
(Income tax paid)	(1.175.748)	(2.022.446)
Dividends received	0	0
(Utilization of provisions)	(1.527.014)	(317.954)
Cash flow from operations (A)	**5.110.862**	**3.922.963**

B. CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment		
(Acquisitions)	(1.392.760)	(456.113)
Proceeds from disposal of assets	57.562	35.643
Intangible fixed assets		
(Acquisitions)	(165.796)	(187.997)
Proceeds from disposal of assets		-
Financial fixed assets		
(Acquisitions)	(43.565)	(1.122.960)
Proceeds from disposal of assets	31.367	160
Current financial assets		
(Acquisitions)		
Proceeds from disposal of assets		
Change in cash pooling		
Other financial expense		
Acquisition or sale of subsidiaries or business units net of cash and cash equivalents	(3.715.539)	(411.500)
Cash flow from investing activities (B)	**(5.228.731)**	**(2.142.767)**
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Loan capital		
Increase (decrease) in short-term bank payables	(993.836)	(624.963)
New loans	11.539.588	2.400.000
Other loans	0	0
Repayment of loans	(2.854.631)	(559.482)
Equity		
Capital increase against payment	294.000	8499998
Dividends (interim dividends) paid	(685.769)	(1.813.821)
Cash flow from financing activities (C)	**7.299.352**	**7.901.732**
Change in the scope of consolidation (D)	0	0
Effect of exchange rate fluctuations (E)	0	0
Increase (decrease) in cash and cash equivalents (A+B+C+D+E)	7.181.483	9.681.928
Opening cash and cash equivalents	**16.437.520**	**6.391.972**
of which:		
bank and postal deposits	16.407.208	6.371.797
of which Consolidated 2019	*16.044.015*	
of which SMT Srl 2019 net of cash and cash equivalents allocated to reduction in the consideration paid for the acquisition of the subsidiary's stake	*363.193*	
cheques	20.109	14.695
cash and valuables on hand	10.203	5.480
of which Consolidated 2019	*9.776*	
of which SMT Srl 2019 net of cash and cash equivalents allocated to reduction in the consideration paid for the acquisition of the subsidiary's stake	*427*	
Closing cash and cash equivalents	**23.619.003**	**16.073.900**
of which:		
bank and postal deposits	23.594.859	16.044.015
cheques	11.566	20.109
cash and valuables on hand	12.578	9.776

INFORMATION ON THE PURCHASE OF INVESTMENTS IN SUBSIDIARIES

With regard to the acquisition of the 51% stake in the subsidiary SMT S.r.l., the information required by OIC no. 17, § 36 is provided at the bottom of this Statement of Cash Flows.

Specifically, mention should be made of the following:

Total consideration paid for the acquisition of the investment		5,500,000
- of which paid in 2020 from cash on hand		4,400,000
Amount of cash and cash equivalents acquired through the transaction (51%)		684,461
Cash flow from acquisition of the controlling interest		
consideration paid in 2020		4,400,000
amount of cash and cash equivalents acquired through the transaction (51%)		684,461
net cash flow		3,715,539
Book value of assets net of liabilities acquired at 1.1.20 (51%)		
Consideration paid for 51% of the investment		5,500,000
	less	
Net assets acquired at 1.1.20		1,324,966
Goodwill recognized		4,175,034

PATTERN S.P.A.

Direction and Coordination pursuant to Article 2497 of the Italian Civil Code: BO.MA. Holding S.r.l.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2020

FOREWORD

These consolidated financial statements for the year ended 31 December 2020 of Pattern S.p.A. (hereinafter also the "Parent Company"), Pattern Project S.r.l. and SMT S.r.l. (hereinafter also the "Subsidiaries"), collectively the "Group", have been prepared in compliance with the provisions of Article 18 of the AIM Italia Issuer Regulation and, in accordance with OIC 17, and have been prepared in accordance with the rules set out in Legislative Decree no. 127 of 9 April 1991, as updated by the amendments introduced by Legislative Decree no. 6 of 17 January 2003 and by Legislative Decree no. 139 of 18 August 2015, supplemented and construed by the OIC Accounting Standards.

The Consolidated Financial Statements comprise the Consolidated Statement of Financial Position, the Consolidated Income Statement, the Consolidated Statement of Cash Flows and these Notes, and are accompanied by the Directors’ Report on Group Operations.

The statements comply with the requirements of Article 32, paragraph 1, Legislative Decree 127/91.

The Notes to the Financial Statements contain the information required by Article 38 of Legislative Decree 127/91.

In order to provide more exhaustive information, the following are attached to these Notes:

- a statement of changes in consolidated equity (Annex **A**);
- a reconciliation between Parent Company equity and net profit and consolidated equity and net profit (Annex **B**);
- a consolidated statement of financial position and income statement showing the changes that have taken place in the year (Annex **C**);
- an analytical consolidated statement of financial position (Annex **D**).

SCOPE OF CONSOLIDATION

Below are the identification details of the companies included in the consolidation using the full method, pursuant to Article 26 of Legislative Decree 127/91 (Article 38, paragraph 2, Legislative Decree 127/91):

Company	Registered office	Share capital at 31.12.2020	Equity at 31.12.2020	Profit (loss) for the period at 31.12.2020	% held
Pattern Project S.r.l.	Italy	20,000	283,054	25,743	100%
S.M.T. S.r.l.	Italy	1,000,000	4,080,115	1,482,142	51%

The scope of consolidation at 31 December 2020 changed from 31 December 2019 as a result of the entry of SMT S.r.l., Società Manifattura Tessile S.r.l., with registered office in Correggio (RE), Via Della Costituzione 37, following the acquisition, by deed signed on 31 March 2020, of the 51% controlling interest. The company, specialized in luxury knitwear, has been included - pursuant to Article 26 of Legislative Decree 127/91 - in the scope of consolidation since the Parent Company holds the majority of votes exercisable at the Ordinary Shareholders' Meeting pursuant to Article 2359, paragraph 1, no. 1), of the Italian Civil Code. The consolidation was made from 1 January 2020 as permitted by paragraph 52 of OIC 17, since the acquisition took place in the opening months of the year.

Below are the assets and liabilities at the beginning of the year of the newly-consolidated company SMT S.r.l., incorporated in the Pattern Group's consolidation as from 01/01/2020, pursuant to § 52 of accounting standard 17 of OIC.

STATEMENT OF FINANCIAL POSITION - ASSETS		
		01/01/2020
A) SHARE CAPITAL PROCEEDS TO BE RECEIVED		
B) FIXED ASSETS		
I. Intangible fixed assets		
2) Development costs	456,168	
4) Concessions, licenses, trademarks and similar rights	12,613	
5) Goodwill	26,527	
7) Other	399,296	
Total intangible fixed assets		894,604
II. Property, plant and equipment		
1) Land and buildings	3,250	
2) Plant and machinery	2,937,081	
3) Industrial and commercial equipment	84,805	
4) Other assets	202,492	
Total property, plant and equipment		3,227,628
III. Financial fixed assets		
1) Investments in		
d-bis) other companies	2,140	
Total investments		2,140
2) Receivables		
a) from subsidiary company	-	
(due within one year)	-	
d-bis) from others	156,075	
(due beyond one year)	*156,075*	
Total receivables		156,075
Total financial fixed assets		158,215
Total fixed assets		**4,280,447**
C) CURRENT ASSETS		
I. Inventory		
1) Raw and ancillary materials and consumables	545,447	
2) Work in progress and semi-finished products	417,972	
4) Finished products and goods	64,380	
Total inventory		1,027,799
II. Receivables		
1) from customers	3,440,662	
(due beyond one year)	-	
5-bis) Tax receivables	895,330	
(due beyond one year)	-	
5-ter) Prepaid tax	267,978	
5-quater) from others	177,749	
(due within one year)	-	
Total receivables		4,781,719
IV. Cash and cash equivalents		
1) Bank and postal deposits	741,209	
3) Cash and valuables on hand	872	
Total cash and cash equivalents		742,081
Total current assets		**6,551,599**
D) ACCRUED INCOME AND PREPAID EXPENSES		**256,823**
TOTAL ASSETS		**11,088,869**

STATEMENT OF FINANCIAL POSITION - LIABILITIES		
		01/01/2020
A) EQUITY		
I. Share capital		100,000
II. Share premium reserve		20,000
VI. Other reserves		1,187,613
- extraordinary reserve	938,213	
- capital grants	249,400	
- other	-	
VII. Reserve for hedges of expected cash flows		(3,958)
VIII. Retained earnings (losses carried forward)		-
IX. Profit (loss) for the year		**690,359**
Total equity attributable to the owners of the parent		**1,994,014**
Share capital and reserves attributable to non-controlling interests		-
Profit (loss) attributable to non-controlling interests		-
Total equity attributable to non-controlling interests		**-**
B) PROVISIONS FOR RISKS AND CHARGES		
3) financial derivative liabilities	3,958	
4) other		
Total provisions for risks and charges		**3,958**
C) POST-EMPLOYMENT BENEFITS		**675,477**
D) PAYABLES		
4) Payables to banks	3,463,392	
(due within one year)	*1,127,431*	
6) Advances	2,784	
(due within one year)	-	
7) Payables to suppliers	3,977,806	
(due within one year)	*697,134*	
12) Tax payables	309,471	
(due beyond one year)	*14,160*	
13) Payables to social security entities	198,621	
(due beyond one year)	-	
14) Other payables	459,689	
(due beyond one year)	-	
Total payables		**8,411,763**
E) ACCRUED EXPENSES AND DEFERRED INCOME		**3,657**
TOTAL LIABILITIES		**11,088,869**

The consolidated financial statements have been prepared on the basis of the financial statements approved by the Shareholders' Meetings of the individual companies, which required no reclassification or adjustment since the criteria adopted in the respective separate financial statements are homogeneous.

The administrative period (calendar year) and the closing date for preparing the consolidated financial statements correspond to those of the Parent Company's financial statements, which also coincide with the closing date of the financial statements of the consolidated companies Pattern Project S.r.l. and SMT S.r.l. (Article 30, paragraph 1, Legislative Decree 127/91).

1. CONSOLIDATION PRINCIPLES

As mentioned above, the subsidiaries were consolidated with the full method, which consists, in brief, in the assumption of the assets and liabilities, as well as income and expense of the subsidiaries.

The consolidation principles used are indicated below (Article 31 of Legislative Decree 127/91):

- Elimination of the book value of investments in subsidiaries included in the consolidation against the corresponding equity.

  The book value of the investments in the Companies included in the scope of consolidation was eliminated against the corresponding equity at the date of preparation of the financial statements, in accordance with the full method.
  Specifically:
  - the greater amount of the portion of equity of the investee Pattern Project S.r.l. at the consolidation date, vis-à-vis the acquisition cost, is posted directly to the consolidated equity item "Consolidation reserve";
  - the lower amount of the portion of equity of the investee S.M.T. S.r.l. vis-à-vis the acquisition cost is allocated to "Goodwill".

  The portion of equity and net profit of investee companies attributable to non-controlling interests was shown separately in consolidated equity under a specific item.
  The Income Statement shows the net profit for the year attributable to non-controlling interests.

- Elimination of payables and receivables, costs and revenue relating to transactions between the Companies included in the consolidation;

- Reversal of dividends distributed in the year by the subsidiary Pattern Project S.r.l.: the dividends collected during the year by the Parent Company and distributed by the subsidiary Pattern Project S.r.l. are reversed on consolidation.

Lastly, the financial statements of the companies included in the scope of consolidation are drawn up in €, with no need, therefore, to convert them.

2. PREPARATION STANDARDS

As mentioned in the Foreword, the consolidated financial statements at 31 December 2020 have been prepared in compliance with the provisions contained in Legislative Decree no. 127/91 and the Italian Civil Code, construed and supplemented by the accounting standards prepared and revised by the Italian Accounting Body ("OIC") and, where missing and not conflicting, by those issued by the International Accounting Standards Board ("IASB").

The financial statements have been prepared in compliance with the provisions of Article 32, paragraph 1, of Legislative Decree 127/91 and, therefore, with the provisions of Articles 2423 ter, 2424, 2424 bis, 2425, 2425 bis, 2425 ter of the Italian Civil Code.

The following principles have been followed in the preparation of the consolidated financial statements.

1. These financial statements have been prepared clearly and give a true and fair view of the financial position and results of operations for the year of the Pattern Group (Article 29, paragraph 2, Legislative Decree 127/91).

2. The information required by the specific provisions of law governing the preparation of consolidated financial statements has been deemed sufficient to give a true and fair view (Article 29, paragraph 3, Legislative Decree 127/91).

3. Amounts are shown in €; the decision was taken not to take advantage of the option of drawing them up in thousands (Article 29, paragraph 6, Legislative Decree 127/91).

4. Items preceded by Arabic numerals were not grouped together.

5. No asset or liability component falls under more than one item of the schedule.

6. For each item of the statement of financial position and income statement, indication was given of the amount of the corresponding figure at 31 December 2019; with regard to the comparability of the items, as mentioned in the foreword to these Notes, in the prior year, the scope of consolidation did not include the subsidiary SMT S.r.l., acquired on 31 March 2020.

7. There were no exceptional cases, therefore, the provisions of Legislative Decree 127/91 were applied, considered consistent with a true and fair presentation (Article 29, paragraph 4, Legislative Decree 127/91).

8. For the purposes of the preparation of these consolidated financial statements, the following financial statement requirements set forth in paragraphs 15 to 45 of Accounting Standard OIC 11 and referred to in paragraph 32 of Accounting Standard OIC 17, were complied with:

    - prudence;
    - going concern assumption;
    - material presentation;
    - accruals basis;
    - consistent valuation criteria;
    - relevance;

- comparability, with the remarks set out in point 6 above.

3. VALUATION CRITERIA

The criteria applied in the valuation of the items in the financial statements and in the value adjustments comply with the provisions of the Italian Civil Code, mainly contained in Article 2426 of the Italian Civil Code, and with the OIC Accounting Standards issued until 25 March 2020. These criteria, as envisaged in Article 35 of Legislative Decree 127/91, are those adopted in the preparation of the Parent Company's financial statements.

The most important valuation criteria adopted in the preparation of the consolidated financial statements at 31 December 2020 are explained below.

Intangible fixed assets

Expenses and charges with future useful life were recorded under intangible fixed assets.

Intangible fixed assets were measured, within the limits of their recoverable value, at purchase cost, including ancillary expense.

Internally-produced assets were measured on the basis of the directly attributable costs of their construction.

The cost of intangible fixed assets with limited useful life is systematically amortized based on the residual eligibility for use. The amortization schedule, drawn up on the basis of this principle, is shown in the review of the individual items.

The amortization criteria and rates applied in the prior year are unchanged (Article 2426, paragraph I, no. 2, Italian Civil Code).

Fixed assets under construction include intangible assets in progress. These costs continue to be accounted for under this item until title has been acquired or the project has been completed. When these conditions are met, the corresponding amounts are reclassified to the relevant items of intangible assets.

Fixed assets under construction are not subject to amortization.

Start-up and expansion costs

Start-up and expansion costs were recorded as assets and are amortized over a period no higher than five years. Until the amortization of start-up and expansion costs is completed, dividends may only be distributed if there are sufficient available reserves to cover the amount of unamortized costs.

Development costs

Development costs refer to specific development projects that are feasible, clearly defined, and identifiable and measurable, which the company has the necessary resources for.
As their useful life cannot be reliably estimated, these costs are amortized over a period no higher than five years.

Concessions, licenses, trademarks and similar rights

Concessions, licenses, trademarks and similar rights, if acquired against payment, are recorded under assets at a value equal to the sums paid to obtain them, and are amortized according to their useful life, which does not exceed the legal or contractual limit.

For trademarks, the useful life shall not exceed twenty years.

In the case of an internally-produced trademark, the cost recorded under intangible fixed assets includes the direct costs, both internal and external, incurred for its production.

Goodwill

This item includes the following:

- the cost incurred for goodwill acquired as a result of the Parent Company's acquisition of the business unit of Modalis S.r.l., in a procedure with an arrangement with creditors. The cost was entered to the extent of the difference between the purchase price and the market value of the assets net of liabilities; this difference is deemed to be justified by intangible elements relating to the business unit acquired, such as market position, customer portfolio and know-how;

- the merger deficit from the incorporation of Via Agnoletti S.r.l. into the subsidiary S.M.T. S.r.l.;

- the positive consolidation difference of the subsidiary SMT S.r.l., resulting from the difference between the book value entered in the Parent Company's financial statements of the investment written off and the amount of the corresponding portion of the subsidiary's equity.

Goodwill recorded must be amortized on the basis of its useful life, with a maximum limit of twenty years and, in cases where its useful life cannot be reliably estimated, it is amortized over a period no higher than ten years.

Other intangible fixed assets

Other intangible fixed assets include mainly the following items:

- costs incurred for improvements and incremental expense on third-party assets, if not separable from the assets themselves, the amortization of which is carried out over the lower of the period of future useful life of the expense incurred and the residual period of the lease, taking account of any renewal period, if dependent on the tenant;
- other costs with long-term useful life acquired as a result of mergers completed by the Parent Company in the prior year.

Property, plant and equipment

Property, plant and equipment are recorded at the date on which the risks and benefits connected with the assets acquired are transferred; within the limits of their recoverable value, they are recorded at purchase or production cost net of accumulated depreciation, including all directly attributable ancillary costs and expense and indirect costs relating to internal production.

Costs incurred following purchase of an asset are added to its book value if they increase the original production capacity or useful economic life of the asset. Maintenance and repair costs that do not increase the future economic life of the assets were directly charged to the income statement for the period in which they were incurred.

Routine maintenance costs are recognized in the income statement in the period in which they are incurred.

Costs incurred for improvements and incremental expense, including extraordinary maintenance costs, as well as costs for improvements to third-party assets separable from the assets themselves, which produce a significant and measurable increase in the capacity, productivity or safety of the assets or extend their useful life, fall under the scope of capitalizable costs and are recorded as an increase in the value of the assets to which they refer, within the limits of the recoverable value of the asset itself.

In compliance with the provisions of accounting standard OIC 16 and in accordance with the provisions of Law 248/06, the value of the areas on which instrumental buildings stand was separated and entered in the financial statements.

The cost of property, plant and equipment with limited useful life is systematically depreciated based on the residual technical eligibility for use, even on assets that are temporarily unused. Depreciation begins when the fixed asset is available and ready for use. The depreciation schedule, drawn up on the basis of this principle, is shown in the review of the individual items.

For assets entering service in the year, the rates were reduced by half in order to take account, on a lump-sum basis, of their reduced level of use, in accordance with Italian practice, as the depreciation rate thus obtained is a reasonable approximation of depreciation calculated in proportion to the time of actual use.

Low-value assets, in view of their rapid renewal, are depreciated in the year of acquisition.

The value of assets includes costs arising from the exercise of options to redeem assets previously held under lease.

The depreciation criteria and rates applied in the prior year are unchanged (Article 2426, paragraph I, no. 2, Italian Civil Code).

Property, plant and equipment are reclassified under current assets when they are intended to be disposed of, and are therefore measured at the lower of net book value and realizable value based on market trends, i.e. the selling price during the ordinary course of business net of direct costs of sale and disposal. Additionally, assets held for sale are no longer subject to depreciation.

Obsolete assets and, more generally, assets that will no longer be used or usable in the production cycle on a permanent basis, are measured at the lower of net book value and recoverable value, and are no longer subject to depreciation.

Fixed assets under construction are not subject to depreciation.

Fixed assets under construction and advances include tangible assets in progress and advances paid to suppliers of tangible assets. These assets and advances continue to be accounted for under this item until title to the assets has been acquired or completion has been fulfilled. When these conditions are met, the corresponding amounts are reclassified to the relevant items of tangible fixed assets.

Impairment losses on tangible and intangible fixed assets

At each reporting date, an assessment is made of whether there are any indications that property, plant and equipment and intangible assets (including goodwill) may be impaired.

If there is such evidence, the book value of the assets is reduced to the relating recoverable value, i.e. the higher of fair value less costs to sell and its value in use.

When it is not possible to estimate the recoverable amount of the individual asset, an estimation is made of the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. The value in use of an asset is calculated by determining the present value of expected future cash flows, applying a discount rate that reflects the current market valuation of the time value of money and the specific risks inherent to the asset. An impairment loss is recognized if the recoverable amount is less than the net book value.

Any write-down for impairment is reversed if the reasons for the write-down no longer apply. The reversal cannot exceed the value that would have been determined if the adjustment had never been recognized. No reversal is made on goodwill and long-term expense.

At the reporting date of the interim consolidated financial statements, intangible and tangible assets have not undergone any impairment (Article 2426, paragraph I, no. 3, of the Italian Civil Code).

Capital grants for property, plant and equipment

Capital grants are recognized when there is a reasonable certainty that the conditions for the grant have been met and that the grants will be disbursed.

These are accounted for using the "indirect" method, under which the grants themselves are indirectly deducted from the cost of the fixed assets to which they refer, since they are charged to the income statement under item A5 - Other revenue and income, and then deferred for accrual to subsequent years through the posting of deferred income. Amortization and depreciation of tangible and intangible fixed assets is therefore calculated on the value before grants received.

Finance leases

Under paragraph 105 of OIC 17, given the basically informational nature of the consolidated financial statements, finance leases may, without any obligation, be accounted for using the financial method. However, entities may account for finance leases using the equity method provided for by OIC 12 for the financial statements.

In view of the above, the Group booked finance leases through the equity method, thus charging the related fees on an accruals basis to the income statement for the period under review.

The table “RECOGNITION OF LEASES THROUGH THE FINANCIAL METHOD" contained in the section "Analysis of and comments on the main items of the financial statements" (Article 2427, paragraph I, no. 22, Italian Civil Code) provides information on the current value of the instalments not yet due, the actual financial expense, the financial expense for the year, the residual value of the asset at year end, the depreciation rate and the adjustments and writebacks relating to the year.

Receivables under financial fixed assets

With regard to the amortized cost method of valuation and the discounting of receivables, it should be noted that the option of prospective application was chosen, pursuant to Article 12, paragraph 2, of Legislative Decree 139/2015.

Therefore, the financial receivables recognized in the consolidated financial statements that arose prior to the year beginning on 1 January 2016 are posted at nominal value, adjusted if necessary for impairment losses. If, in subsequent years, the reasons for the write-down no longer apply, the value is written back up to the original value.

On the other hand, financial receivables recognized in the consolidated financial statements as from 1 January 2016, with the exception described below, must be measured at amortized cost, taking account of the time factor and estimated realizable value.

Transaction costs, any commission income and expense and difference between initial value and nominal value at maturity are included in the calculation of amortized cost using the effective interest method over the expected life of the receivable.

Under OIC 15, the amortized cost method was not applied, since compliance with the method would have had an irrelevant effect for the purposes of a true and fair presentation.

Inventory

Inventory is recorded at the date on which the risks and benefits connected with the goods acquired are transferred and are entered at the lower of purchase cost, including directly-attributable ancillary costs and expense and indirect costs relating to internal production, and their presumed realizable value based on market trends.

The value of fungible assets, as determined below, does not differ greatly from current costs at the end of the year.

Given the risk of obsolescence and the risk of slow-moving goods, the value of inventory was appropriately adjusted by means of a specific adjustment provision.

Raw and ancillary materials and consumables

Inventory of raw and ancillary materials and consumables is measured at the lower of purchase cost, determined using the weighted average method, and the value inferable from market trends at the end of the period.

Inventory of raw materials also includes raw materials in transit that are measured at the lower of purchase cost, determined using the specific cost method, and the value inferable from market trends at the end of the period.

Inventory of raw and ancillary materials and consumables, the value of which is inferred from market trends to be lower than the purchase cost including ancillary expense, was recorded in the financial statements at this lower value.

Work in progress and semi-finished products

Inventory of work in progress and semi-finished products is measured at the lower of production cost (including directly attributable ancillary expense), determined using the weighted average method, and the value inferable from market trends at the end of the period.

Finished products and goods

Inventory of finished products is measured at the lower of cost of production and the value inferable from market trends at the end of the period.

Inventory of finished products, the realizable value of which is inferred from market trends to be lower than the cost of production, including directly and indirectly attributable costs, was recorded in the financial statements at this lower value.

Receivables under current assets

Receivables recognized in the consolidated financial statements as from 1 January 2016, with the exception described below, must be recognized at amortized cost, taking account of the time factor and estimated realizable value.

The initial recognition value of receivables is represented by the nominal value net of all premiums, discounts, allowances and any costs directly attributable to the transaction that generated the receivable.

Transaction costs, any commission income and expense and difference between initial value and nominal value at maturity are included in the calculation of amortized cost using the effective interest method over the expected life of the receivable.

Under OIC 15, the amortized cost method was not applied, since compliance with the method would have had an irrelevant effect for the purposes of a true and fair presentation.

Receivables are shown in the financial statements net of the allowance for impairment. The amount of the allowance for impairment is commensurate with both the extent of the risks relating to specific "non-performing" receivables and the extent of the risk of non-payment on all receivables.

Cash and cash equivalents

Cash and cash equivalents are measured according to the following criteria:

- bank and postal deposits, being receivables, are measured in accordance with the general principle of estimated realizable value. This value normally coincides with the nominal value, while in situations of difficult collectability the estimated net realizable value is shown;
- cash and stamps on hand are measured at nominal value;
- foreign currency holdings are measured at the exchange rate in force at the year-end date.

Accruals and deferrals

Accruals and deferrals are calculated on an accruals basis according to when they were actually incurred.

Accruals and deferrals are determined to define the proper accrual of costs and revenue they refer to.

Accruals represent the balancing entry of amounts of costs and revenue accruing during the year, for which the corresponding changes in cash and cash equivalents or in receivables and payables have not arisen yet.

Deferrals represent the balancing entry of portions of costs and revenue that cannot be attributed to the result for the year in which the corresponding monetary changes or changes in receivables and payables have arisen.

The measurement criteria follow the general principle of matching costs and income in the year in which they were incurred or earned.

Provisions for risks and charges

Provisions for risks and charges include exclusively provisions set aside to cover losses or payables of a specific nature, which are certain or likely to arise, but the amount or date of occurrence of which cannot be determined at the end of the year.

Provision for pensions and similar obligations

The provisions for pensions and similar obligations represent allocations for supplementary pension benefits, other than post-employment benefits, due, by law or contract, to associates and agents. These liabilities are allocated on the basis of the information available at year end, which enables a reasonably reliable estimate of the liability to be made.

Provision for risks on sales returns

The provision for risks on sales returns includes the best estimate of any expense to be incurred in the event of returns on sales made during the year and in prior years. This estimate is calculated taking account of past experience and the specific contract terms.

Post-employment benefits

Post-employment benefits represent the Group’s payable to its employees, determined in accordance with the provisions of current laws and collective labour agreements and company supplementary agreements.

Payables

Payables are classified based on their nature in relation to the core business, regardless of the period of time over which the liabilities must be repaid.

Trade payables arising from acquisitions are recognized when significant risks, charges and benefits associated with ownership have been transferred. Payables for services are recognized when the services have been rendered.

Financial payables arising from financing transactions and payables arising for reasons other than the purchase of goods and services are recorded at the time the company's obligation towards the counterparty arises. For financial payables, this moment generally coincides with the disbursement of the loans.

With regard to the regulatory changes introduced by Legislative Decree no. 139/2015 to the amortized cost method of valuation and the discounting of payables, it should be noted that the Company made use of the option of prospective application, pursuant to Article 12, paragraph 2, of the Decree.

Therefore, payables arising prior to the year beginning on or after 1 January 2016 are booked at nominal value.

Instead, payables booked as from 1 January 2016 must be recognized, subject to the above exclusions according to the amortized cost method.

The initial recognition value of payables is represented by the nominal value net of all premiums, discounts, allowances and any costs directly attributable to the transaction that generated the payable.

Transaction costs, any commission income and expense and difference between initial value and nominal value at maturity are included in the calculation of amortized cost using the effective interest method over the expected life of the payable.

Under OIC 19, the amortized cost method was applied for payables to banks classified under item D.4) of the Statement of financial position - Liabilities; this method was not applied, apart from certain specific items of payables to banks, for all other types of payables recorded in the Statement of financial position – Liabilities, with regard to which compliance with the method would have had an irrelevant effect for the purposes of a true and fair presentation.

Revenue

Revenue from sales and services is recorded on an accruals basis and is accounted for net of adjusting items such as returns, discounts, allowances and rebates. Specifically:

- revenue from the sale of products is recognized at the time risks are transferred to the ownership, which generally coincides with shipment or delivery;
- revenue from services is recognized on completion of the services or on an ongoing basis to the extent that the related services have been performed during the year.

Costs

Costs and expense are recognized on an accruals basis and are accounted for net of adjusting items such as returns, discounts, allowances, and rebates. Specifically:

- expense for the purchase of goods and services is recognized respectively at the time of transfer of ownership, which generally coincides with shipment or delivery of the goods, and on the date on which the services are completed, i.e. when the periodic payments are due;
- expense for product returns is charged to the income statement concurrent to the recording of the sale;
- advertising and promotional expense is charged to the income statement in the year in which it is incurred;
- research expense is charged to the income statement in the year in which it is incurred.

Income Tax

Income tax is a reasonable estimate of the tax due by applying the tax provisions in determining taxable corporate income.

Deferred taxation

Deferred taxation was recorded in relation to the temporary taxable differences arising in the year. Specifically, deductible temporary differences, which arise in the presence of negative income components, the deduction of which is partly or totally postponed to subsequent years, generate deferred tax assets to record under item C.II.5-ter of the assets; taxable temporary differences, which arise in the presence of positive income components taxable in a financial year subsequent to the year when they are relevant for statutory purposes, or negative income components deducted in a year prior to the year when they are recorded in the income statement, generate liabilities for deferred tax to record under item B.2 of the liabilities. Deferred taxation is determined on the basis of the tax rate currently in force and taking account of the tax rates expected in future years.

Deferred tax assets that have no reasonable certainty of future recovery were not recorded in the financial statements. Likewise, deferred tax liabilities which have little likelihood that the liability will arise were not recorded too.

The amount shown under "Income tax for the year" is the result of the algebraic sum of any current tax and deferred tax, so as to present the effective tax burden for the year.

Items in foreign currencies

Items denominated in currencies of countries not belonging to the Euro area are accounted for on the basis of the method described below.

Assets and liabilities other than fixed assets are measured at the exchange rate in force on the closing date of the year by charging the net positive balance of the adjustment made to the income statement.

The net negative balance arising from the year-end measurement of cash on hand is recorded as a realizable loss in the income statement under item C.17-bis.

Financial derivatives

Financial derivatives are used as economic hedges in order to reduce the risk of exchange rate, interest rate and market price fluctuations. Under OIC 32 - *Financial derivatives*, all financial derivatives are measured at fair value.

Transactions which, in compliance with the risk management policies implemented by the company, are able to meet the requirements set by the standard for treatment as hedge accounting, are classified as hedges and, specifically, as cash flow hedges; the others, on the other hand, while implemented with the intention of risk management, are classified as "trading" transactions.

Financial derivatives may be accounted for in the manner established for hedge accounting only when, at the inception of the hedge, there is formal designation and documentation of the hedging relationship, the hedge is expected to be highly effective, such effectiveness can be reliably measured, and the hedge is highly effective for all reporting periods for which it is designated.

When financial derivatives have the characteristics to be accounted for in hedge accounting, the following applies:

Cash flow hedge: if a financial derivative is to hedge the exposure to variability in future cash flows of a recognized asset or liability or a highly probable forecast transaction that could affect the income statement, the effective portion of any profit or loss on the financial derivative is recognized directly in equity under item A) VII Reserve for hedges of expected cash flows. The cumulative profit or loss is recorded in the income statement in the same period in which the relevant operating effect of the hedged transaction is recognized and is recorded as an adjustment to the hedged item. The gain or loss associated with a hedge (or a portion of the hedge) which has become ineffective is immediately recorded in the income statement under item D.18 d) write-back of financial derivatives and D.19 d) write-down of financial derivatives, respectively. If a hedging instrument or a hedging relationship is terminated, but the hedged transaction has not yet taken place, the cumulative profit or loss, up to that moment recorded in the specific Equity reserve, is recorded in the income statement upon completion of the related transaction in connection with the recognition of the operating effects of the hedged transaction. If the hedged transaction is no longer considered probable, the cumulative unrealized profit or loss still recognized in equity is immediately recognized in the income statement in D.18 d) or D.19 d).

Financial derivatives with a positive fair value are classified under Current Assets (item C.III.5 Financial derivative assets) or under Provisions for risks if the fair value is negative (item B3 Provision for financial derivative liabilities).

Where hedge accounting cannot be applied, profit or loss arising from the measurement of the derivative instrument is recognized immediately in the income statement under items D.18 d) or D.19 d).

4. ANALYSIS OF AND COMMENTS ON THE MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

Foreword

The additional information required by Article 38, paragraph 1, of Legislative Decree 127/91 is provided, where necessary, following the order of the items envisaged in the mandatory financial statements. For the statement of financial position and income statement items indicated below, the amount of the corresponding item for the prior year was shown. The items are comparable (Article 2423 ter, paragraph V, Italian Civil Code).

STATEMENT OF FINANCIAL POSITION

ASSETS

B) FIXED ASSETS

B.I) Intangible fixed assets

The amortization schedule, drawn up on the basis of the above principles, is shown below:

- start-up and expansion expense (B.I.1): estimated useful life 5 years, amortization rate 20%;
- development costs (B.I.2): estimated useful life 5 years, amortization rate 20%;
- software use licenses (B.I.4): estimated useful life 3 years, amortization rate 33.33%;
- patents (B.I.4): estimated useful life 2 years, amortization rate 50%;
- trademarks (B.I.4): estimated useful life 18 years, amortization rate 5.56%;
- goodwill (B.I.5): estimated useful life from 5 to 10 years, amortization rate from 20% to 10%;
- extraordinary leasehold improvements (B.I.7): estimated useful life approximately 8 years, average amortization rate 12.50%;
- other costs with long-term useful life (B.I.7): estimated useful life approximately 18 years, amortization rate 5.56%.

Movements in intangible fixed assets are shown in the table below (Article 38, paragraph I, letter b-bis), Legislative Decree 127/91). In this regard, the net amount of each item of Intangible fixed assets at 31.12.2019 of the subsidiary SMT S.r.l., included in the scope of consolidation, as already mentioned, starting from 2020, is shown separately.

	Net amount 31.12.19 SMT S.r.l.	Net amount at 31.12.19 Consolidated	Increases		Decreases			Net amount at 31.12.20
			Acquisitions	Other increases	Amortization	Disposals for full amortization (net value)	Other decreases	
Start-up and expansion costs	**0**	**37,201**	**0**	**0**	**9,001**	**0**	**0**	**28,200**
Development costs	**456,168**	**0**	**0**	**0**	**182,443**	**0**	**0**	**273,725**
Industrial patent and intellectual property rights	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Concessions, licenses, trademarks and similar rights	**12,614**	**302,334**	**62,738**	**0**	**52,904**	**0**	**0**	**324,782**
- trademarks	0	264,280	2,416	0	21,858	0	0	244,838
- software licenses	12,614	38,054	60,322	0	31,046	0	0	79,944
Goodwill	**26,527**	**241,104**	**0**	**4,175,034**	**481,095**	**0**	**0**	**3,961,570**
Intangible fixed assets under construction and advances	**0**	**0**	**21,580**	**0**	**0**	**0**	**0**	**21,580**
Other intangible fixed assets	**399,296**	**320,196**	**88,983**	**0**	**116,903**	**0**	**0**	**691,572**
- non-recurring work on third-party assets	378,856	295,234	88,983	0	95,386	0	0	667,687
- other costs with long-term useful life	20,439	24,962	0	0	21,517	0	0	23,884
Total intangible fixed assets	**894,605**	**900,835**	**173,301**	**4,175,034**	**842,346**	**0**	**0**	**5,301,429**

The increases in Intangible Fixed Assets recorded in the year refer almost entirely to capital expenditure made by the Parent Company, in addition to the increase in goodwill for approximately € 4.2 million following consolidation of the subsidiary S.M.T. S.r.l. .
A breakdown of the items making up Intangible Fixed Assets is shown below.

B.I.1) Start-up and expansion costs

The breakdown of this item is shown below (Article 38, paragraph 1, letter d), Legislative Decree 127/91):

Nature of asset	Gross amount	Net amount
Start-up costs	8,070	0
Expansion costs	47,277	28,200
Total	**55,347**	**28,200**

B.I.2) Development costs

The breakdown of the item is shown below:

Nature of asset	Gross amount	Net amount
Development costs	1,012,212	273,725
Total	**1,012,212**	**273,725**

Applied research and development activities focused in particular on the development of knitwear products in the luxury segment, marked by the use of special yarns specific to individual customers in production and sample collections.

B.I.4) Concessions, licenses, trademarks and similar rights

The breakdown of the item is shown below:

Nature of asset	Gross amount	Net amount
Trademarks and brands	393,006	244,838
Software licenses	158,285	79,944
Total	**551,291**	**324,782**

The item Trademarks includes the men's clothing brand "Esemplare", specialized in the sportswear/urban segment, owned by Pattern Project S.r.l., acquired through the conclusion of a trademark transfer agreement on 28 July 2014 and with a residual book value totaling approximately € 227 thousand. The "Esemplare" trademark is currently licensed for exclusive use by Pattern Project S.r.l. to Pattern S.p.A. in return for annual royalties.

B.I.5) Goodwill

The breakdown of the item is shown below:

Nature of asset	Gross amount	Net amount
Goodwill	4,509,573	3,961,570
Total	**4,509,573**	**3,961,570**

Specifically, it involves:

- goodwill acquired against payment as a result of the acquisition by the Parent Company of the business unit of Modalis S.r.l., in a procedure with an arrangement with creditors, amortized over 5 years;
- goodwill related to the allocation by the subsidiary SMT S.r.l. of the merger deficit of its subsidiary Via Agnoletti S.r.l., amortized over 10 years;
- goodwill related to the recognition of the positive consolidation difference of the subsidiary SMT S.r.l., amortized over 10 years. Specifically, this positive difference - arising from the difference between the book value of the cancelled investment and the corresponding value of the share of equity of the consolidated company - is justified by the earnings capacity of the acquired business.

B.I.7) Other intangible fixed assets

The item is broken down as follows:

Nature of asset	Gross amount	Net amount
Non-recurring work on third-party assets	1,020,824	667,688
Other costs with long-term useful life	142,222	23,884
Total	**1,163,046**	**691,572**

B.II) Tangible fixed assets

The depreciation schedule, drawn up on the basis of the above principles, is shown below:

- industrial buildings (B.II.1): estimated useful life 33 years, depreciation rate 3%;
- light constructions (B.II.1): estimated useful life 10 years, depreciation rate 10%;
- specific plant (B.II.2): estimated useful life 6 years, depreciation rate 15%
- general plant (B.II.2): estimated useful life 8 years, depreciation rate 12.50%;
- operating machinery (B.II.2): estimated useful life 8 years, depreciation rate 12.50%;
- equipment (B.II.3): estimated useful life 4 years, depreciation rate 25%;
- furniture and fittings (B.II.4): estimated useful life 8.33 years, depreciation rate 12%;
- ordinary office furniture and equipment (B.I.4): estimated useful life 8.33 years, depreciation rate 12%;
- electrical and electronic office machinery (B.II.4): estimated useful life 5 years, depreciation rate 20%;
- motor vehicles (B.II.4): estimated useful life 4 years, depreciation rate 25%;
- industrial vehicles (B.II.4): estimated useful life 5 years, depreciation rate 20%.

Movements in property, plant and equipment are shown in the table below (Article 38, paragraph 1, letter b-bis), Legislative Decree 127/91). In this regard, the net amount of each item of Property, plant and equipment at 31.12.2019 of the subsidiary S.M.T. S.r.l., included in the scope of consolidation, as already mentioned, starting from 2020, is shown separately.

	Net amount at 31.12.19 SMT S.r.l.	Net amount at 31.12.19 Consolidated	Increases		Decreases			Net amount at 31/12/2020
			Acquisitions	Other increases	Depreciation	Disposals (net amount)	Other decreases	
Land and buildings	**3,250**	**490,320**	**74,895**	**0**	**13,465**	**0**	**0**	**555,000**
- land	0	148,978	0	0	0	0	0	148,978
- buildings	3,250	341,342	74,895	0	13,465	0	0	406,022
Plant and machinery	**2,937,081**	**458,523**	**339,709**	**0**	**713,069**	**79,684**	**0**	**2,942,560**
- general plant	122,676	168,111	106,601	0	77,298	0	0	320,090
- machinery	2,814,405	290,412	233,108	0	635,771	79,684	0	2,622,470
Industrial and commercial equipment	**84,805**	**54,028**	**12,532**	**0**	**54,520**	**0**	**0**	**96,845**

Other tangible fixed assets	**202,492**	**363,404**	**119,342**	**288**	**165,888**	**2,264**	**0**	**517,374**
- furniture and ordinary office equipment	111,187	122	14,184	288	29,490	1,491	0	94,800
- electronic office machinery	53,998	145,563	46,225	0	71,602	773	0	173,411
- trucks	14,718	69,473	1,000	0	22,350	0	0	62,841
- motor vehicles	15,589	43,883	0	0	16,992	0	0	42,480
- furniture	7,000	104,363	57,933	0	25,454	0	0	143,842
PPE under construction and advances	**0**	**196,225**	**1,046,101**	**0**	**0**	**0**	**0**	**1,242,326**
Total property, plant and equipment	**3,227,630**	**1,562,500**	**1,592,579**	**288**	**946,942**	**81,948**	**0**	**5,354,105**

Finance leases

The table *"FINANCE LEASES* " shown below provides information on the current value of the instalments not yet due, the actual financial expense, the financial expense for the year, the residual value of the asset at year end, the depreciation rate and the adjustments and writebacks relating to the year under review. Commitments for and redemption rates of contracts related to leased assets which expire in subsequent years, amount to a total of approximately € 2,145,812.

	Parent company PATTERN Spa (A)	**Subsidiary SMT Srl (B)**	**Total Consolidated (A + B)**
Total amount of leased financial assets at year end	2,738,161	803,243	3,541,404
Depreciation that would have been charged in the year	89,519	167,713	257,232
Value adjustments and write-backs that would have been posted in the year	0	0	0
Present amount of instalments of fees not yet due at year end	1,668,166	477,646	2,145,812
Financial expense for the year based on effective interest rate	52,963	24,454	77,417

B.III) Financial fixed assets

B.III.1) Investments

Movements in Investments under Financial Fixed Assets are shown in the table below “MOVEMENTS IN INVESTMENTS, OTHER SECURITIES AND FIXED FINANCIAL DERIVATIVE ASSETS" (Article 2427, paragraph I, no. 2, Italian Civil Code).

	Investments in other companies	Total investments
Amount at beginning of year		
Cost	22,140	22,140
Write-downs	20,000	20,000
Carrying amount	2,140	2,140
Changes in the year		
Write-downs made in the year	-2,140	-2,140
Total changes	0	0
Amount at year end		
Cost	0	0
Write-downs	0	0
Carrying amount	0	0

In 2020, the consolidated company S.M.T. S.r.l. sold its stake held as limited partner in ITALIAN CLOTHING MANAGEMENT S.a.S., which had already been completely written off in prior years.
Additionally, the other minor stakes recorded in the financial statements were written down in the year under review as they were considered difficult to dispose of.

B.III.2) Receivables

The table below shows the movements in receivables under long-term investments, as well as a breakdown by maturity. In this regard, the amount of long-term financial receivables at 31.12.2019 of the subsidiary SMT S.r.l., included in the scope of consolidation, as already mentioned, starting from 2020, is shown separately.

Mention should be made that there are no receivables with a residual contractual duration of more than five years (Article 38, paragraph I, letters b-bis), e), Legislative Decree no. 127/91):

	Amount 31.12.19 SMT S.r.l. (A)	Amount 31.12.19 Consolidated (B)	Changes in the year (C)	Amount at 31.12.2020 (A+B+C)	Portion due within one year	Portion due beyond one year	Of which with residual maturity of over 5 years
Long-term receivables from others	156,075	1,125,960	-1,087,801	194,234	3,000	191,234	0
Total long-term receivables	156,075	1,125,960	-1,087,801	194,234	3,000	191,234	0

The change in the year is attributable for € 1,100,000 to the guarantee deposit for the purchase of the majority of the share capital of S.M.T., classified under long-term receivables in the consolidated financial statements at 31 December 2019, and part of the price paid for the acquisition of control in the consolidated financial statements at 31 December 2020.

Long-term receivables from others are made up as follows:

- *portion due within one year*: security deposit of € 3,000 relating to the current lease for the local units in Bricherasio, concluded by the Parent Company;
- *portion due beyond one year*: financial receivables of the subsidiary S.M.T. S.r.l. for the amount of € 128,700 relating to the investment in a savings plan from 2015 with Unicredit, and guarantee deposits for € 26,268 for utilities and for the lease agreement in place on the property in Correggio of the subsidiary SMT S.r.l.; guarantee deposits for € 36,266 relating to the lease agreements in place, concluded by the Parent Company, of the showroom in Milan and the warehouse in Collegno, as well as guarantee deposits for utilities.

	Description	Book value
	Security deposits	65,534
	Financial receivables	128,700
Total		194,234

Amount of financial fixed assets

Pursuant to Article 38, paragraph 1, letter o-quarter, of Legislative Decree 127/91), it should be noted that there are no financial fixed assets recorded at a value higher than the relating fair value.
Specifically, the book value and the related fair value (pursuant to Article 38, paragraph 1, letter o-quater, no. 1, of Legislative Decree no. 127/91) are shown below for each financial asset:

	Book value	Fair Value
Receivables from others	194,234	194,234

	Description	Book value	Fair Value
	Security deposits	65,534	65,534
	Financial receivables	128,700	128,700
Total		194,234	194,234

C) CURRENT ASSETS

C.I) Inventory

Goods are recognized in inventory when the ownership title is transferred, and consequently include the goods held at the warehouses of the Parent Company, except for those received from third parties for which the ownership right has not been acquired (for review, held for processing, on consignment), owned goods to third parties (for review, held for processing, on consignment) and goods in transit where the ownership title has already been acquired.

Inventory under current assets amounted to € 4,288,676 (€ 3,434,954 in the prior year).

Given the risk of obsolescence and the risk of slow-moving goods, the value of inventory was adjusted by means of a specific provision for write-downs totaling € 1,527,167, broken down as follows:

- € 740,175 as a reduction in the value of raw materials inventory;
- € 786,992 as a reduction in the value of finished goods inventory.

The breakdown and movements of the individual items are shown below. In this regard, the amount of each item of Inventory at 31.12.2019 of the subsidiary S.M.T. S.r.l., included in the scope of consolidation, as already mentioned, starting from 2020, is shown separately.

	Amount 31.12.19 SMT S.r.l. (A)	Amount 31.12.19 Consolidated (B)	Changes in the year (C)	Amount at 31.12.2020 (A+B+C)
Raw and ancillary materials and consumables	545,447	1,963,964	-330,227	2,179,184
Work in progress and semi-finished products	417,972	1,015,144	207,315	1,640,431
Finished products and goods	64,380	455,846	-51,165	469,061
Total inventory	1,027,799	3,434,954	-174,077	4,288,676

The tables below show a breakdown of the individual items:

C.I.1) Raw and ancillary materials and consumables

Raw and ancillary materials and consumables	Current-year amount	Prior-year amount
Raw materials in stock	2,892,103	2,435,033
Provision for inventory write-down of raw material	-740,175	-640,002
Raw materials in transit	27,256	168,933
Total	**2,179,184**	**1,963,964**

C.I.2) Work in progress and semi-finished products

Work in progress and semi-finished products	Current-year amount	Prior-year amount
Work in progress	1,640,431	1,015,144
Provision for inventory write-down of work in progress	0	0
Total	**1,640,431**	**1,015,144**

C.I.4) Finished products and goods

Finished products and goods	Current-year amount	Prior-year amount
Finished products	1,255,813	901,809
Provision for inventory write-down of finished products	-786,992	-576,414
Finished products in transit	240	130,451
Total	**469,061**	**455,846**

C.II) Receivables

Receivables under current assets amounted to € 10,742,341 (€ 9,337,555 in the prior year).

The breakdown is as follows:

	Due within one year	Due beyond one year	Total nominal value	(Provisions for risks/write-downs)	Net amount
From customers	9,205,796	0	9,205,796	-522,946	8,682,850
Tax receivables	1,404,942	174,851	1,579,793		1,579,793
Prepaid tax			219,838		219,838
From others	259,860	0	259,860	0	259,860
Total	10,870,598	174,851	11,265,287	-522,946	10,742,341

A breakdown of receivables under Current Assets is shown below:

C.II. 1) Receivables from customers

The item is composed as follows:

Nature of receivable	Current-year amount	Prior-year amount
Within 12 months		
Receivables from customers	9,055,605	8,195,003
Invoices to issue	28,723	41,655
Credit notes to issue	-50,379	-16,881
Bank receipts	171,847	37,775
Allowance for impairment	-522,946	-251,969
Total	**8,682,850**	**8,005,583**

C.II. 5-bis) Tax receivables

The item is broken down as follows:

Nature of receivable	Current-year amount	Prior-year amount
Within 12 months		
VAT Revenue Agency a/c	725,120	1,273,129
IRES receivable	479,896	0
IRAP receivable	88,338	0
Other tax receivables	111,588	0
Over 12 months		
Other tax receivables	174,851	0
Total	**1,579,793**	**1,273,129**

C.II. 5-ter) Prepaid tax receivables

The item is broken down as follows:

Nature of receivable	Current-year amount	Prior-year amount
Prepaid tax receivables	219,838	49,585
Total	**219,838**	**49,585**

C.II. 5-quater) Other receivables

The item is broken down as follows:

Nature of receivable	Current-year amount	Prior-year amount
Within 12 months		
Receivables from social security entities	3,854	874
Redundancy fund	44,838	0
Advances to suppliers	69,529	33
Other receivables	141,639	8,351
Total	**259,860**	**9,258**

Current receivables - breakdown by maturity date

The table below shows a breakdown of receivables under current assets by maturity for each item. In this regard, the amount of each item of receivables under current assets at 31.12.2019 of the subsidiary SMT S.r.l., included in the scope of consolidation, as already mentioned, starting from 2020, is separately indicated.

There are no receivables with a residual duration of more than five years (Article 38, paragraph I, letter e), Legislative Decree 127/91):

	Amount 31.12.19 SMT S.r.l. (A)	Amount 31.12.19 Consolidated (B)	Changes in the year (C)	Amount at 31.12.2020 (A+B+C)	Portion due within one year	Portion due beyond one year	Of which with residual maturity of over 5 years
Receivables from customers under current assets	3,440,662	8,005,583	-2,763,395	8,682,850	8,682,850	0	0
Tax receivables under current assets	895,330	1,273,129	-588,666	1,579,793	1,404,942	174,851	0
Deferred tax assets under current assets	267,978	49,585	-97,725	219,838			
Other receivables under current assets	177,749	9,258	72,853	259,860	259,860	0	0
Total receivables under current assets	4,781,719	9,337,555	-3,376,933	10,742,341	10,347,652	174,851	0

C.IV) Cash and cash equivalents

At the end of the year, cash and cash equivalents amounted to € 23,619,003 (€ 16,073,900 in the prior year). In this regard, the amount of each item of cash and cash equivalents at 31.12.2019 of the subsidiary SMT S.r.l., included in the scope of consolidation, as already mentioned, starting from 2020, is separately indicated.

With regard to the change in cash and cash equivalents, together with the change in payables to banks, reference is made to the Statement of Cash Flows.

	Amount 31.12.19 SMT S.r.l. (A)	Amount 31.12.19 Consolidated (B)	Changes in the year (C)	Amount at 31.12.2020 (A+B+C)
Bank and postal deposits	741,209	16,044,015	6,809,635	23,594,859
Cheques	0	20,109	-8,543	11,566
Cash and other valuables on hand	872	9,776	1,930	12,578
Total cash and cash equivalents	742,081	16,073,900	6,803,022	23,619,003

D) ACCRUED INCOME AND PREPAID EXPENSES

The breakdown of this item is shown in the table below (Article 38, paragraph I, lett. f), Legislative Decree 127/91). In this regard, the amount of accrued income and deferred expenses at 31.12.2019 of the subsidiary SMT S.r.l., included in the scope of consolidation, as already mentioned, starting from 2020, is separately indicated.

	Amount 31.12.19 SMT S.r.l. (A)	Amount 31.12.19 Consolidated (B)	Changes in the year (C)	Amount at 31.12.2020 (A+B+C)
Accrued income	0	2,513	-945	1,568
Prepaid expenses	256,823	509,948	-238,655	528,116
Total accrued income and prepaid expenses	256,823	512,461	-239,600	529,684

The decrease in the amount of prepaid expenses recorded in the financial statements, versus the prior year, is due primarily to the following:

- the reversal of deferrals relating to rental fees for the Spello production plant by the Parent Company;
- the reversal of deferrals relating to certain long-term service contracts of the Parent Company;
- the reversal of deferrals on costs of attending trade fairs incurred by the consolidated company S.M.T. S.r.l..

A breakdown of accrued income and prepaid expenses is provided below:

Accrued income	Amount
Property leases	1,568
Total	**1,568**
Prepaid expenses	**Amount**
Rentals	66,576
Property leases	51,224
Purchases of services	30,111
Insurance	57,485
Service contracts	26,439
Software support contracts	26,372
Maxi lease fee	231,733
Bank expense	20,019
Rental expense	15,743
Sponsorships and advertising	2,414
Total	**528,116**

Capitalized financial expense

Mention should be made that no financial expense was posted in the year to the amounts entered on the assets side of the Statement of financial position, pursuant to Article 38, paragraph 1, letter g), of Legislative Decree 127/91.

LIABILITIES

EQUITY

Changes to the items making up consolidated equity, as envisaged in Article 38, paragraph 1, letter c, Legislative Decree 127/91 and paragraph 145 of OIC 17, are shown in the table attached to these Notes **under A**.

A reconciliation between Parent Company net profit and equity and consolidated net profit and equity is provided in the table attached to Notes **under B**.

Below are the key elements of the individual items.

A.I) Share capital

The subscribed and paid-up share capital at 31 December 2020, amounting to € 1,371,538, is made up of no. 13,715,384 ordinary shares, with no indication of par value, subject as from 1 July 2019 to the dematerialization scheme and therefore admitted to the centralized management system of financial instruments pursuant to Articles 83-bis et seq. of Legislative Decree 58/1998 (Article 2427, paragraph I, no. 17).

On 15 July 2019, the Parent Company was admitted to trading of its ordinary shares on the AIM Italia multilateral trading system, organized and managed by Borsa Italiana S.p.A.; trading began on 17 July 2019.

On 24 April 2020, a free share capital increase of € 10,000 was executed, following allocation to the CEO of 100,000 shares, in execution of the Stock Grant Plan approved by the Ordinary Shareholders' Meeting of Pattern S.p.A. on 25 June 2019, by reducing by the same amount the unavailable reserve set up for this purpose.

Lastly, it should be noted that the authorized share capital at 31 December 2020 amounts to a total of € 1,401,538. The difference between the authorized share capital and the subscribed and paid-up share capital, amounting to € 1,371,538, is attributable to the Retained Earnings Reserve to service the free share capital increase, in the amount of € 30,000, resolved by the Extraordinary Shareholders' Meeting of Pattern S.p.A. on 25 June 2019. The free share capital increase is to service the Stock Grant Plan (for the period 2019-2022), approved by the Ordinary Shareholders' Meeting of the Parent Company on 25 June 2019, regarding the granting to the Managing Director and CEO thereof of the right to receive a maximum of an additional no. 300,000 ordinary shares free of charge, subject to the achievement of certain annual targets for the company's growth.

On 4 December 2020, the Ordinary Shareholders' Meeting of the Parent Company approved the purchase of treasury shares, authorizing the Governing Body, pursuant to Articles 2357 and 2357-ter of the Italian Civil Code, to purchase, during the following eighteen months, ordinary shares of the Company in one or more tranches, for an amount that may be freely determined by the Board of Directors, up to a maximum of treasury shares no higher than 10% of the share capital. Treasury shares will be purchased by the Board of Directors for one or more of the purposes illustrated in the report prepared by the Governing Body and attached to the minutes of the ordinary shareholders' meeting, available on the company website (www.pattern.it), *Governance* section.

The Extraordinary Shareholders' Meeting of the Parent Company, held on 4 December 2020, resolved to grant the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, the power, to be exercised by 31 December 2022, to increase the share capital against payment, on a divisible basis, up to a maximum total amount of € 15 million, including share premium, through contributions in kind. More specifically, any increase will take place through issue of ordinary shares with the characteristics and the same dividend entitlement as the ordinary shares outstanding at the issue date, to be offered for subscription to subjects performing activities similar, connected, functional and/or synergic to those of the Company, within the context of transactions for the acquisition of investments, companies and/or business units or other assets connected with and functional to the corporate object of the Company and/or its subsidiaries.

A.II) Share premium reserve

The Share Premium Reserve amounts to € 8,238,460 and was set up in the prior year following the share capital increase to service the listing on the AIM Italia multilateral trading system. Specifically, the share premium was set at € 3.15 per share issued.

A.IV) Legal reserve

The Legal Reserve amounts to € 272,308 and the movements in the year are as follows:

Legal reserve	Amount
Prior-year amount	200,000
Allocation of prior year's profit	72,308
Balance at year end	**272,308**

A.VI) Other equity reserves

Consolidation reserve

The item "consolidation reserve", amounting to € 153,615, includes the negative consolidation difference of the subsidiary Pattern Project S.r.l. and did not undergo any changes.

Extraordinary reserve

The Extraordinary Reserve amounts to € 6,558,257 and the movements in the year are as follows:

Extraordinary reserve	Amount
Prior-year amount	3,505,409
Allocation of prior year's profit	3,738,617
Dividend distribution	(685,769)
Balance at year end	**6,558,257**

Reserve for merger surplus

The Reserve for merger surplus amounts to € 101,764 and refers to the merger differences arising from the incorporation of Roscini Atelier S.r.l. in the prior year, composed as follows:

- € 22,540 in exchange surplus;
- € 79,224 in cancellation surplus.

Reserve for exchange gains

The Reserve for exchange gains amounts to € 291 and covers exchange rate valuation differences outstanding at the end of the prior year.

Restricted reserve for share capital increase to service the Stock Grant Plan

The Parent Company's Shareholders' resolution of 25 June 2019 set up the restricted reserve for share capital increase to service the Stock Grant Plan approved by its shareholders (for the period 2019 - 2022), in the amount of € 40,000, through use of the extraordinary reserve. In the year, as mentioned earlier, the reserve was used for a free share capital increase of € 10,000.

Restricted reserve for share capital increase to service the Stock Grant Plan	Amount
Prior-year amount	40,000
Utilization for capital increase	(10,000)
Balance at year end	**30,000**

A.VII) Reserve for hedges of expected cash flows

The Reserve for hedges of expected cash flows amounts to € -45,581 and refers to the fair value at 31.12.2020 of two IRS derivative contracts hedging interest rate risk on loans taken out by the Parent Company in the year.

For the sake of completeness, in the year under review, the subsidiary SMT S.r.l. terminated an IRS derivative contract, concluded in prior years to hedge the risk of fluctuation of the loan interest rate.
For a breakdown of derivatives, reference is made to Part V of these notes.

B) PROVISIONS FOR RISKS AND CHARGES

The changes in the items making up the provisions for risks and charges are shown in the table below (Article 38, paragraph 1, letter c), Legislative Decree 127/91). In this regard, the amount of the provisions for risks and charges at 31.12.2019 of the subsidiary SMT S.r.l., included in the scope of consolidation, as already mentioned, starting from 2020, is separately indicated.

	Provision for pensions and similar obligations	Provision for tax, including deferred tax	Financial derivative liabilities	Other provisions	Total provisions for risks and charges
Amount at 31.12.19 Consolidated	4,438	0	0	47,741	52,179
Amounts at 31.12.19 SMT S.r.l.	0	0	3,958	0	3,958
Changes in the year					
Allocation in the year	515	0	45,581	0	46,096
Utilization in the year	2,123	0	3,958	14,412	20,493
Total changes	-1,608	0	41,623	-14,412	25,603
Amount at 31.12.20	2,830	0	45,581	33,329	81,740

The breakdown of the closing balance of the various types of funds is shown below.

B.1) Provisions for pensions and similar obligations

Provision for agents' termination benefits

The provision represents allocations made by the Parent Company for supplementary social security payments, due, based on the collective agreement that regulates agency and sales representation relationships, to agents tasked with the sale of "Esemplare" products.

Movements were as follows:

	Current-year amount
Opening balance	4,438
Allocation in the year	515
Utilization in the year	-2,123
Closing balance	**2,830**

B.3) Financial derivative liabilities

Movements were as follows:

	Current-year amount
Opening balance	3,958
Recognition of fair value derivatives	45,581
Utilization in the year	-3,958
Closing balance	**45,581**

With regard to movements in the provision for financial derivative liabilities, mention should be made of the following:

- utilization of the provision refers to the termination in the year under review by the subsidiary SMT S.r.l. of an IRS derivative contract concluded in prior years;
- the entry at fair value at 31.12.2020 refers to two IRS derivative contracts concluded to hedge the interest rate risk on bank loans, taken out by the Parent Company in 2020.

B.4) Other provisions

The breakdown and changes in "other provisions" are shown below (Article 38, paragraph 1, letter f), Legislative Decree 127/91).

Provision for risks on sales returns

Movements were as follows:

	Current-year amount
Opening balance	47,741
Allocation in the year	0
Utilization for expense incurred	-14,412
Utilization for provision surplus	0
Closing balance	**33,329**

The provision for risks on sales returns includes the best estimate of any expense the Parent Company will incur in the event of returns on sales of “Esemplare” garments. This estimate is determined by taking account of the records of the opening months of the following year, direct review at customer premises, based on specific contractual agreements and the company's experience.

C) POST-EMPLOYMENT BENEFITS

Post-employment benefits are recorded under liabilities for a total of € 1,841,513 (€ 875,952 at 31 December 2019).
In this regard, mention should be made that the initial amount of the provision for post-employment benefits at 31.12.2019 of the consolidated company SMT S.r.l. is shown, included in the scope of consolidation, as already mentioned, starting from 2020.
The changes in the amount of this item are shown in the table below (Article 38, paragraph 1, letter c), Legislative Decree 127/91):

	Post-employment benefits
Amount at 31.12.19 Consolidated	875,952
Amounts at 31.12.19 SMT S.r.l.	675,477
Changes in the year	
Allocation in the year	701,007
Utilization in the year	-410,923
Total changes	290,084
Amount at 31.12.2020	1,841,513

D) PAYABLES

Payables are recorded under liabilities for a total of € 27,065,420 (€ 14,603,808 in the prior year).

In this regard, the amount of each item of payables at 31.12.2019 of the subsidiary SMT S.r.l., included in the scope of consolidation, as already mentioned, starting from 2020, is indicated separately.

The breakdown of the individual items and the changes in the year are shown below (Article 38, paragraph 1, letter c), Legislative Decree 127/91):

	Amount 31.12.19 SMT S.r.l. (A)	Amount 31.12.19 Consolidated (B)	Changes in the year (C)	Amount at 31.12.2020 (A+B+C)
Payables to banks	3,463,392	3,288,327	7,691,121	14,442,840
Payables to other lenders	0	400,000	0	400,000
Advances	2,784	0	7,579	10,363
Payables to suppliers	3,977,806	8,894,442	-3,208,212	9,664,036
Tax payables	309,471	604,200	-323,816	589,855
Payables to welfare and social security entities	198,621	559,274	-52,088	705,807
Other payables	459,689	857,565	-110,526	1,206,728
Total	8,411,763	14,603,808	4,004,058	27,019,629

Payables - breakdown by maturity

The table below shows a breakdown of payables by maturity, with the amount of payables with a residual duration of more than five years, separately for each item (Article 38, paragraph I, letter e), Legislative Decree 127/91):

	Amount 31.12.19 SMT S.r.l. (A)	Amount 31.12.19 Consolidated (B)	Changes in the year (C)	Amount at 31.12.20 (A+B+C)	Portion due within one year	Portion due beyond one year	Of which longer than 5 years
Payables to banks	3,463,392	3,288,327	7,691,121	14,442,840	2,096,254	12,346,586	444,332
Payables to other lenders	0	400,000	0	400,000	0	400,000	120,014
Advances	2,784	0	7,579	10,363	10,363	0	0
Payables to suppliers	3,977,806	8,894,442	-3,208,212	9,664,036	9,654,869	9,167	0
Tax payables	309,471	604,200	-323,816	589,855	579,588	10,267	0
Payables to welfare and social security entities	198,621	559,274	-52,088	705,807	705,807	0	0
Other payables	459,689	857,565	-110,526	1,206,728	1,206,728	0	0
Total payables	8,411,763	14,603,808	4,004,058	27,019,629	14,253,609	12,766,020	564,346

It should be noted that there are no payables secured by collateral on corporate assets (Article 38, paragraph I, letter e), Legislative Decree 127/91).

D.4) Payables to banks

Payables to banks are shown below, according to the amortized cost method:

Nature of payable	Current-year amount	Prior-year amount
Within 12 months		
Credit cards	10,596	14,852
Loans without collateral	2,070,612	910,342
Bank fees to settle	15,046	624
Over 12 months		
Loans without collateral	12,346,586	2,362,509
Total	**14,442,840**	**3,288,327**

D.5) Payables to other lenders

The item is broken down as follows:

Nature of payable	Current-year amount	Prior-year amount
Over 12 months		
Loan	400,000	400,000
Total	**400,000**	**400,000**

D.7) Payables to suppliers

The item is broken down as follows:

Nature of payable	Current-year amount	Prior-year amount
Within 12 months		
Invoices received	8,488,423	7,932,618
Invoices to receive	1,381,838	1,029,919
Credit notes to receive	-215,392	-68,095

Over 12 months	0	
Invoices received	9,167	0
Total	**9,664,036**	**8,894,442**

D.12) Tax payables

The item is broken down as follows:

Nature of payable	Current-year amount	Prior-year amount
Within 12 months		
Revenue Agency withholding tax on employees a/c	417,986	231,279
Revenue Agency withholding tax on self-employment a/c	9,281	2,245
Revenue Agency withholding tax on post-employment benefits a/c	-95	87
Revenue Agency VAT a/c	2,530	0
Revenue Agency Irap a/c	42,810	58,674
Revenue Agency Ires a/c	101,946	311,386
Revenue Agency other payables a/c	5,130	529
Over 12 months		
Revenue Agency withholding tax on employees a/c	10,267	0
Total	**589,855**	**604,200**

D.13) Payables to welfare and social security entities

The item is broken down as follows:

Nature of payable	Current-year amount	Prior-year amount
Within 12 months		
Inps	518,814	342,032
Inail	0	11,449
Inps and Inail accruals	104,516	129,800
Contributions to supplementary pension funds	81,407	72,624
Enasarco	1,070	3,369
Total	**705,807**	**559,274**

D.14) Other payables

The item is broken down as follows:

Nature of payable	Current-year amount	Prior-year amount
Within 12 months		
Payables to pension funds	8,772	9,555
Accruals for holidays not taken	543,617	450,988
Payables for salaries to settle	537,635	359,436
Payables for commissions to settle	26,870	32,696
Payables for fees to settle	19,379	0
Other payables	70,455	4,890
Total	**1,206,728**	**857,565**

E) ACCRUED EXPENSES AND DEFERRED INCOME

The breakdown of this item is shown in the table below (Article 38, paragraph I, lett. f), Legislative Decree 127/91).

In this regard, the amount of accrued expenses and deferred income at 31.12.2019 of the subsidiary SMT S.r.l., included in the scope of consolidation, as already mentioned, starting from 2020, is indicated separately.

	Amount 31.12.19 SMT S.r.l. (A)	Amount 31.12.19 Consolidated (B)	Changes in the year (C)	Amount at 31.12.2020 (A + B + C)
Accrued expenses	3,657	22,528	-3,188	22,997
Deferred income	0	0	132,094	132,094
Total accrued expenses and deferred income	3,657	22,528	128,906	155,091

The increase in deferred income recorded in the financial statements versus the prior year is attributable mainly to the portions of tax receivables for investments in capital goods *Industria 4*.0 and to ordinary investments, booked as grants to plants through the indirect method, and accruing in future years by the subsidiary SMT S.r.l..

A breakdown of accrued expenses and deferred income is shown below:

Accrued expenses	Amount
Insurance	6,270
Services and utilities	9,851
Interest expense on medium / long-term loans	5,807
Other	1,069
Total	**22,997**
Deferred income	**Amount**
Lease	1,844
Purchases of services	188
Software support contracts	200
Grants plants a/c	129,862
Total	**132,094**

INFORMATION ON THE INCOME STATEMENT

A) VALUE OF PRODUCTION

A.1) Revenue from sales and services

The breakdown of this item is shown in the table below (Article 38, paragraph I, lett. i), Legislative Decree 127/91).

	Business category	Amount at 31.12.20
	Income from production area	46,021,553
	Income from design area	5,498,729
	Other income	1,064,088
Total		52,584,370

With regard to the provisions of Article 38, paragraph 1, letter i), of Legislative Decree 127/91, the table below also shows the breakdown of revenue by geographical area:

	Geographical area	Amount at 31.12.20
	Italy	16,491,016
	Europe	35,502,996
	Extra-EU	590,358
Total		52,584,370

A.5) Other income

Other income earned by the Group is broken down as follows:

Nature	Current-year amount
Operating grants	744,475
Other revenue	0
Grants plants a/c	50,434
Ordinary capital gains	4,823
Compensation	16,217
Rental income, rentals	223,500
Chargeback of costs	110,202
Other revenue and income	129,700
Total	**1,279,351**

B) COSTS OF PRODUCTION

B.6) Cost of raw and ancillary materials, consumables and goods

This item includes mainly costs incurred for the procurement of raw materials and accessories used in the production of garments manufactured by the Parent Company and by the Consolidated Company SMT S.r.l..

B.7) Costs for services

These involve mainly the following types of services:

Nature	Current-year amount
Production services	15,999,285
Commercial services	954,905
Administrative and management services	2,094,488
Total	**19,048,678**

B.8) Lease and rental costs

Costs are as follows:

Nature	Current-year amount
Rental payments	384,834
Lease payments	669,031
Fees for software use	64,295
Car rental fees	148,131
Rental fees for other capital goods	136,127
Other costs for rentals and leases	67,779
Total	**1,470,197**

B.14) Sundry operating expense

Costs are as follows:

Nature	Current-year amount
Miscellaneous tax and duties	62,331
Contingent liabilities	26,574
Other sundry operating expense	107,515
Total	**196,420**

C) FINANCIAL INCOME AND EXPENSE

C.16) Other financial income

Income is as follows:

	Interest and other financial income
Sundry interest income	3,449
Other	0
Total	**3,449**

C.17) Interest and other financial expense

The breakdown of interest and other financial charges is shown in the table below (Article 38, paragraph 1, letter l), Legislative Decree 127/91):

	Interest and other financial expense
Payables to banks	103,547
Other	20,386
Total	**123,933**

A detailed breakdown of financial expense is shown below:

Nature	Current-year amount
Interest expense on medium-term loans	103,522
Interest expense on short-term loans	25
Other financial expense	20,386
Total	**123,933**

C.17 bis) Exchange gains and losses

The items are as follows:

Nature	Current-year amount
Valuation exchange differences	3,363
Exchange gains	17,192
Exchange losses	-11,694
Total	**8,861**

The decrease in the amount of foreign exchange losses incurred in the year is due mainly to the fluctuations recorded on purchases of raw materials in US dollars, Canadian dollars and British pounds.

Revenue items of exceptional size or incidence

In the year, no revenue of an extraordinary nature, size or incidence worthy of mention was earned, pursuant to Article 38, paragraph 1, letter m), of Legislative Decree 127/91.

Cost items of exceptional size or incidence

In the year, in addition to the expense relating to the measures taken to implement adequate preventive measures to deal with the COVID-19 health emergency, no costs of an extraordinary nature, size or incidence worthy of mention were incurred pursuant to Article 38, paragraph 1, letter m) of Legislative Decree 127/91.

Income tax and deferred taxation

The consolidated financial statements are not subject to specific autonomous tax-imposing powers. The amount shown, for pre-paid, deferred and current taxation items, stems from the aggregation of the amounts booked by the individual companies forming the scope of consolidation, also taking account of any tax effects required for the consolidation entries. Income and deferred taxation are accounted for in accordance with applicable regulations and rates.

Tax for the year totaled € 501,447 and includes current tax (€ 587,695) and deferred tax assets (€ 97,725), in addition to lower tax from prior years (€ 183,973).

5. OTHER INFORMATION

HEADCOUNT

The average number of employees, broken down by category, is shown in the table below (Article 38, paragraph 1, letter n), Legislative Decree 127/91):

	Average number
Executives	9
Managers	14
Employees	116
Workers	120
Trainees	24
Total Employees	**283**

Employees amounted to 280 at 31 December 2020, including 214 women and 66 men.

	31.12.2020	31.12.2019
Executives	9	8
Managers	13	12
Employees	118	83
Workers	120	54
Trainees	20	16
Total	**280**	**173**

For the sake of completeness, mention should be made that the consolidated company Pattern Project S.r.l. had no employees in the year, as in the prior year.

FEES TO DIRECTORS AND STATUTORY AUDITORS

Information regarding the Directors and Statutory Auditors is provided below (Article 38, paragraph 1, letter o), Legislative Decree 127/91).

	Directors	Statutory Auditors
Fees	182,700	49,140

FEES TO THE INDEPENDENT AUDITORS

The information regarding fees paid to the Independent Auditors is shown below (Article 38, paragraph 1, letter o-septies), Legislative Decree 127/91).

	Amount
Statutory auditing	86,701
Other non-audit services	7,486
Total fees payable to the Auditor or to the Independent Auditors	94,187

GUARANTEES, COMMITMENTS AND CONTINGENT LIABILITIES

The table below shows details of the guarantees given, as well as the commitments undertaken by the Group (Article 38, paragraph 1, letter h), Legislative Decree 127/91).

Guarantees issued

	Nature	Amount
	Guarantee issued	85,072
	Surety issued	2,411,500
Total		**2,496,572**

Specifically, it involves the following:

- as a guarantee for the loan granted in the prior year by Simest S.p.A., Pattern S.p.A. issued a specific guarantee for an amount equal to 20% of the loan amount as repayment of the principal and 1.268% of the loan amount as interest, in addition to ancillary expense;
- as a guarantee for the obligations undertaken with Modalis S.r.l. (in a procedure with an arrangement with creditors) arising from the agreement on the acquisition of the business unit signed in the year, Pattern S.p.A. issued a specific surety of € 2,411,500. The obligations undertaken in favour of Modalis S.r.l., in a procedure with an arrangement with creditors, are as follows:
  - a rental contract signed for the property in Spello where activity is carried out, at an annual fee of € 100,000, for six years and excluding the possibility of withdrawal, unless during the same period the property is sold to third parties through notice of sale;
  - assumption of the obligation to purchase the property in Spello for the price of € 2,000,000 if, during the seven years following the date of purchase of the business unit Modalis S.r.l, the property is not sold at a higher price.

Lastly, it should be noted that the commitments, resulting from fees and redemption rates, and arising from contracts related to leased assets which expire in subsequent years, amount to a total of approximately € 2,145,812.

TRANSACTIONS WITH RELATED PARTIES

Pursuant to Article 38, paragraph 1, letter o-quinquies), of Legislative Decree no. 127/1997, it should be noted that in the year the Parent Company recognized royalties, at market conditions, to the subsidiary Pattern Project S.r.l.

for the exclusive use of the "Esemplare" trademark owned by the subsidiary.

Moreover, the Subsidiary performed some minor commercial supply transactions with SMT S.r.l., again in accordance with market conditions.

For the sake of completeness, it should be noted - also in compliance with the provisions of the AIM Italia Related Parties Regulation and the specific internal procedure "Transactions with related parties" - that none of the transactions carried out in the year with related parties had a significant impact on the Group’s financial situation.

AGREEMENTS NOT RESULTING FROM THE STATEMENT OF FINANCIAL POSITION

It is acknowledged that there are no agreements not resulting in the Statement of Financial Position, worthy of mention of the nature, operating purpose and effect on the balance sheet and income statement, pursuant to Article 38, paragraph 1, letter o-sexies), Legislative Decree no. 127/91.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD OF THE CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to Article 38, paragraph I, letter o-decies) of Legislative Decree 127/91, information is provided on significant events after year end.

With regard to the effects of the ongoing COVID-19 health emergency, the Governing Bodies of the Group Companies continue to constantly monitor the developments in general and to assess, as was the case in 2020, the adoption of the most fitting measures to contain the negative impact on the Companies in the best of ways, also using any useful tool that will be further made available by the Government to curb the effects of the pandemic on the Company's results and financial situation.

The opening months of 2021 saw the completion of the consolidation of control over S.M.T., Società Manifattura Tessile S.r.l., which increased the stake in the investee from 51% to 80%.

Specifically, the transaction was closed last 5 March and was achieved through: i) the signing of the deed of transfer of shares for the transfer of 19% of S.M.T. S.r.l. by Stefano Casini to Pattern at the agreed price of € 2,555,000; ii) the signing of the deed of transfer of 10% of S.M.T. S.r.l. by Camer S.r.l. to Pattern, against the allocation to Camer S.r.l. of newly-issued Pattern ordinary shares with a total value of € 1,345,000. In this regard, it should be noted that, as a result of the abovementioned contribution in kind, the value of the paid-up share capital remains equal to € 1,371,538 at the date of preparation of this report, since the abovementioned capital increase will be carried out once the suspensive condition envisaged for this type of transaction no longer applies. The effectiveness of the contribution is, in fact, conditional on the failure of shareholders holding at least 5% of Pattern's share capital to request a new valuation of S.M.T. S.r.l. pursuant to Article 2343 of the Italian Civil Code within 30 days of the notarial resolution of the Board of Directors to increase the share capital in kind intended for Camer S.r.l. to service the transaction.

Under this transaction, Stefano Casini, Managing Director of S.M.T. Srl, was appointed Director of Pattern Spa on 5.3.2021, replacing the outgoing Claudio Saracco. In this regard, more exhaustive information is found in the Directors’ Report on Operations.

OUTLOOK FOR THE YEAR

As for the business outlook, expectations for 2021 point to a steady recovery in production and sales volumes, especially during the second half of the year. The overall 2021 sales revenue figure will be closer to the 2020 result than to the 2019 result.

The autumn/winter 2021 order backlog marks a sharp reversal from the same season in the prior year, with deliveries mostly squeezed in the second half of the year.

Greater uncertainty looms over the outlook for the latter part of the year, when deliveries for spring-summer of the following year begin. The hoped-for success of the COVID-19 vaccination campaign by next summer should provide a major boost to order growth this season.

The increase in sales revenue, with the resulting higher absorption of fixed costs, will drive growth in operating margins. Sales price pressure in 2021, however, is expected to push in the opposite direction. Additionally, the current laws envisage no extraordinary tax benefits as the ones recognized in 2020.

The current year will continue to see a resort to the Redundancy Fund, especially in the first part of the year, when volumes of business are expected to remain low.

Despite the lingering economic uncertainty, Pattern intends to continue with its project to create an "Italian Luxury Design Hub", so any opportunities for growth through acquisitions that may arise will be carefully assessed.

However, for a more detailed analysis of the Group outlook, reference is made to the Directors' Report on Operations.

INFORMATION ON FINANCIAL DERIVATIVES PURSUANT TO ARTICLE 2427-BIS OF THE ITALIAN CIVIL CODE

For each category of financial derivatives, information is shown below, pursuant to Article 2427 bis, paragraph 1, point 1, of the Italian Civil Code:

Derivative hedging instruments	Start date - End date	Fair Value at 31.12.20
IRS Unicredit	30.6.20 – 31.3.25	-18,726
IRS Intesa Sanpaolo	19.6.20 – 19.6.26	-26,855
Total		**-45,581**

In the year under review, the Parent entered into two IRS derivative contracts to hedge the interest rate risk on bank loans taken out; the value of these derivative products was adjusted to reflect their negative fair value at 31.12.20.

RECLASSIFIED STATEMENT OF FINANCIAL POSITION AND RECLASSIFIED INCOME STATEMENT

In addition to the consolidated financial statements, a reclassified Statement of Financial Position and a reclassified Income Statement are shown below:

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

	31.12.2020	31.12.2019	% CHANGE
SHARE CAPITAL PROCEEDS TO BE RECEIVED	**0**	**0**	**0%**
NET FIXED ASSETS			
INTANGIBLE	5,301,429	900,835	489%
TANGIBLE	5,354,105	1,562,500	243%
FINANCIAL	194,234	1,125,960	-83%
TOTAL	**10,849,768**	**3,589,295**	**202%**
WORKING CAPITAL			
INVENTORY	4,288,676	3,434,954	25%
TRADE RECEIVABLES	8,682,850	8,005,583	8%
OTHER ASSETS	2,589,175	1,844,433	40%
TRADE PAYABLES	(9,654,869)	(8,894,442)	9%
PROVISIONS FOR RISKS	(81,740)	(52,179)	57%
OTHER PAYABLES	(2,677,011)	(2,043,567)	31%
TOTAL	**3,147,081**	**2,294,782**	**37%**
CAPITAL EMPLOYED net of liabilities for the year	13,996,849	5,884,077	138%
PROVISION FOR POST-EMPLOYMENT BENEFITS	(1,841,513)	(875,952)	110%
CAPITAL EMPLOYED	**12,155,336**	**5,008,125**	**143%**

covered by

EQUITY	20,931,499	17,393,698	3,537,801
of which GROUP EQUITY	18,932,242	17,393,698	1,538,544
of which LOAN CAPITAL OF THIRD PARTIES	1,999,257	-	1,999,257
MEDIUM/LONG-TERM FINANCIAL DEBT			
MEDIUM/LONG-TERM FINANCIAL DEBT	12,746,586	2,762,509	361%
TOTAL	**12,746,586**	**2,762,509**	**361%**
NET SHORT-TERM FINANCIAL DEBT			
SHORT-TERM FINANCIAL DEBT	2,096,254	925,818	126%
CASH AND CASH EQUIVALENTS	(23,619,003)	(16,073,900)	47%

TOTAL	**-21,522,749**	**-15,148,082**	**42%**
NET FINANCIAL POSITION	**-8,776,163**	**-12,385,573**	**-29%**
ACQUIRED CAPITAL	**12,155,336**	**5,008,125**	**143%**

RECLASSIFIED INCOME STATEMENT

	31.12.2020		%	31.12.2019		%
REVENUE AND INCOME						
Value of production (A)		54,019,871	100.0%		55,337,914	100.0%
COSTS						
Consumption	15,184,802		28.1%	16,462,340		29.7%
Services	19,372,770		35.9%	22,979,628		41.5%
Lease and rental costs	1,530,197		2.8%	571,771		1.0%
Personnel expense	12,410,897		23.0%	9,238,945		16.7%
Amortization and depreciation	1,789,287		3.3%	412,399		0.7%
Write-downs	32,077		0.1%	41,288		0.1%
Allocations for risks	0		0.0%	0		0.0%
Other	136,420		0.3%	140,691		0.3%
Total Costs (B)		50,456,450	93.4%		49,847,062	90.1%
DIFFERENCE (A) - (B)		3,563,421	6.6%		5,490,852	9.9%
FINANCIAL INCOME AND EXPENSE		(111,622)	-0.2%		(54,579)	-0.1%
VALUE ADJUSTMENTS TO FINANCIAL ASSETS		0	0.0%		0	0.0%
PROFIT BEFORE TAX		3,451,799	6.4%		5,436,273	9.8%
TAX FOR THE YEAR		(455,655)	-0.8%		(1,643,652)	-3.0%
PROFIT FOR THE YEAR (CONSOLIDATED)		2,996,144	5.5%		3,792,621	6.9%
PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		726,250	1.3%		-	0.0%
GROUP PROFIT/(LOSS)		2,269,894	4.2%		3,792,621	6.9%

EBITDA		5,384,785	10.0%		5,944,539	10.7%

ANNEXES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(ANNEX A)*

CHANGES IN EQUITY

	Share capital	Share premium reserve	Legal reserve	Other reserves							Profit (loss) for the year	Group equity	Equity attributable to non-controlling interests	Total equity
				Extraordinary reserve	Reserve for merger surplus	Restricted reserve for share capital increase to service the Stock Grant Plan	Reserve for exchange gains	Consolidation reserve	Other reserves	Reserve for hedges of expected cash flows				
Balance at 31 December 2019	**1,361,538**	**8,238,460**	**200,000**	**3,505,409**	**101,764**	**40,000**	**291**	**153,615**		**-**	**3,792,621**	**17,393,698**	**0**	**17,393,698**
												-		
Allocation of the result for 2019			72,308	3,738,617							(3,810,925)	-	-	-
Free share capital increase to service the Stock Grant Plan	10,000					(10,000)						-		-
Increases in the year										(45,581)		(45,581)		**- 45,581**
												-		
Dividend distribution				(685,769)								(685,769)		**- 685,769**
												-		
Changes in consolidation									(18,304)		18,304	-	1,273,007	**1,273,007**
												-		
Profit (loss) for the year											2,269,894	2,269,894	726,250	**2,996,144**
Balance at 31 December 2020	**1,371,538**	**8,238,460**	**272,308**	**6,558,257**	**101,764**	**30,000**	**291**	**153,615**	**(18,304)**	**(45,581)**	**2,269,894**	**18,932,242**	**1,999,257**	**20,931,499**

RECONCILIATION BETWEEN PARENT COMPANY EQUITY AND RESULTS AND CONSOLIDATED EQUITY AND RESULTS (ANNEX B)

RECONCILIATION OF FINANCIAL STATEMENTS - PARENT COMPANY CONSOLIDATED FINANCIAL STATEMENTS

	Result for the year	Equity at 31.12.2020
Financial statements of the Parent Company	**1,950,762**	**18,477,799**
Adjusted results of consolidated subsidiaries and difference between adjusted equity and amount of investments	1,507,885	2,916,203
Derecognition of recorded dividends	(45,000)	(45,000)
Amortization of positive consolidation difference	(417,503)	(417,503)
Derecognition of the results of intra-group transactions and other adjustments	0	0
Consolidated financial statements	**2,996,144**	**20,931,499**
of which Group share	**2,269,894**	**18,932,242**
of which non-controlling interests	**726,250**	**1,999,257**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT SHOWING THE CHANGES IN THE YEAR (*ANNEX C*)

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 SHOWING THE CHANGES

VERSUS 31 DECEMBER 2019 FOR THE STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT

STATEMENT OF FINANCIAL POSITION - ASSETS

		31/12/2020		31/12/2019	Change
A) SHARE CAPITAL PROCEEDS TO BE RECEIVED					
B) FIXED ASSETS					
I. Intangible fixed assets					
1) Start-up and expansion costs	28.200		37.201		(9.001)
2) Development costs	273.725		0		273.725
rights	324.782		302.334		22.448
5) Goodwill	3.961.570		241.104		3.720.466
6) Fixed assets under construction and advances	21.580		0		21.580
7) Other	691.572		320.196		371.376
Total intangible fixed assets		5.301.429		900.835	4.400.594
II. Property, plant and equipment					
1) Land and buildings	555.000		490.320		64.680
2) Plant and machinery	2.942.560		458.523		2.484.037
3) Industrial and commercial equipment	96.845		54.028		42.817
4) Other assets	517.374		363.404		153.970
5) Fixed assets under construction and advances	1.242.326		196.225		1.046.101
Total property, plant and equipment		5.354.105		1.562.500	3.791.605
III. Financial fixed assets					
2) Receivables					
d-bis) from others					
(due within one year)	3.000		1.100.000		(1.097.000)
(due beyond one year)	191.234		25.960		165.274
Total receivables		194.234		1.125.960	(931.726)
Total financial fixed assets		194.234		1.125.960	(931.726)
Total fixed assets		**10.849.768**		**3.589.295**	**7.260.473**
C) CURRENT ASSETS					
I. Inventory					
1) Raw and ancillary materials and consumables	2.179.184		1.963.964		215.220
2) Work in progress and semi-finished products	1.640.431		1.015.144		625.287
4) Finished products and goods	469.061		455.846		13.215
Total inventory		4.288.676		3.434.954	853.722
II. Receivables					-
1) from customers	8.682.850		8.005.583		677.267
(due within one year)	8.682.850		8.005.583		677.267
5-bis) Tax receivables	1.579.793		1.273.129		306.664
(due within one year)	1.404.942		1.273.129		131.813
(due beyond one year)	174.851		0		174.851
5-ter) Prepaid tax	219.838		49.585		170.253
5-quater) from others	259.860		9.258		250.602
(due within one year)	259.860		9.258		250.602
Total receivables		10.742.341		9.337.555	1.404.786
IV. Cash and cash equivalents					
1) Bank and postal deposits	23.594.859		16.044.015		7.550.844
2) Cheques	11.566		20.109		(8.543)
3) Cash and valuables on hand	12.578		9.776		2.802
Total cash and cash equivalents		23.619.003		16.073.900	7.545.103
Total current assets		**38.650.020**		**28.846.409**	**9.803.611**
D) ACCRUED INCOME AND PREPAID EXPENSES		**529.684**		**512.461**	**17.223**
TOTAL ASSETS		**50.029.472**		**32.948.165**	**17.081.307**

STATEMENT OF FINANCIAL POSITION - LIABILITIES						
		31/12/2020		**31/12/2019**		**Change**
A) EQUITY						
I. Share capital		1.371.538		1.361.538		10.000
II. Share premium reserve		8.238.460		8.238.460		-
IV. Legal reserve		272.308		200.000		72.308
VI. Other reserves		6.825.623		3.801.079		3.024.544
- consolidation reserve	153.615		153.615		-	
- extraordinary reserve	6.558.257		3.505.409		3.052.848	
- merger surplus reserve	101.764		101.764		-	
- other	11.987		40.291		(28.304)	
VII. Reserve for hedges of expected cash flows		(45.581)		-		(45.581)
VIII. Retained earnings (losses carried forward)		-		-		-
IX. Profit (loss) for the year		**2.269.894**		**3.792.621**		**(1.522.727)**
Total equity attributable to the owners of the parent		**18.932.242**		**17.393.698**		**1.538.544**
Share capital and reserves attributable to non-controlling interests		1.273.007		-		1.273.007
Profit (loss) attributable to non-controlling interests		726.250		-		726.250
Total equity attributable to non-controlling interests		**1.999.257**		**-**		**1.999.257**
Total consolidated equity		**20.931.499**		**17.393.698**		**3.537.801**
B) PROVISIONS FOR RISKS AND CHARGES						
1) for pensions	2.830		4.438			(1.608)
3) financial derivative liabilities	45.581		-			45.581
4) other	33.329		47.741			- 14.412
Total provisions for risks and charges		**81.740**		**52.179**		**29.561**
C) POST-EMPLOYMENT BENEFITS		**1.841.513**		**875.952**		**965.561**
D) PAYABLES						-
4) Payables to banks	14.442.840		3.288.327			11.154.513
(due within one year)	2.096.254		925.818			1.170.436
(due beyond one year)	12.346.586		2.362.509			9.984.077
5) Payables to other lenders	400.000		400.000			-
(due beyond one year)	400.000		400.000			-
6) Advances	10.363		-			10.363
(due within one year)	10.363		-			10.363
7) Payables to suppliers	9.664.036		8.894.442			769.594
(due within one year)	9.654.869		8.894.442			760.427
(due beyond one year)	9.167		-			9.167
12) Tax payables	589.855		604.200			- 14.345
(due within one year)	579.588		604.200			-24.612
(due beyond one year)	10.267		-			10.267
13) Payables to welf. and soc. sec. entities	705.807		559.274			146.533
(due within one year)	705.807		559.274			146.533
14) Other payables	1.206.728		857.565			349.163
(due within one year)	1.206.728		857.565			349.163
Total payables		**27.019.629**		**14.603.808**		**12.415.821**
E) ACCRUED EXPENSES AND DEFERRED INCOME		**155.091**		**22.528**		**132.563**
TOTAL LIABILITIES		**50.029.472**		**32.948.165**		**17.081.307**

INCOME STATEMENT						
		31/12/2020		31/12/2019		Change
A) VALUE OF PRODUCTION						
1) Revenue from sales and services		52.584.370		55.603.081		(3.018.711)
2) change in inventory of work in progress, semi-finished and finished products		156.150		(399.672)		555.822
4) Increase in own work capitalized		-		-		-
5) other revenue and income		1.279.351		134.505		1.144.846
- operating grants	744.475		88.748		655.727	
- other revenue and income	534.876		45.757		489.119	
Total value of production (A)		**54.019.871**		**55.337.914**		**(1.318.043)**
B) COSTS OF PRODUCTION						
6) raw and anc. materials, consum. and goods		15.183.869		17.019.073		(1.835.205)
7) for services		19.048.678		22.979.628		(3.930.951)
8) for rentals and leases		1.470.197		571.771		898.426
9) for personnel		12.405.697		9.238.945		3.166.752
a) wages and salaries	8.922.332		6.754.429		2.167.903	
b) social security charges	2.707.599		2.014.211		693.388	
c) post-employment benefits	708.131		418.177		289.954	
e) other costs	67.635		52.128		15.507	
10) amortization, depreciation and write-downs		1.819.224		453.687		1.365.537
a) amortization of intangible assets	842.346		166.471		675.875	
b) depreciation of tangible fixed assets	946.941		245.928		701.013	
d) write-down of receivables under current assets and cash and cash equivalents	29.937		41.288		(11.351)	
11) Changes in inventory of raw and ancillary materials, consumables and goods		330.226		(556.733)		886.959
14) sundry operating expense		196.420		140.691		55.729
Total costs of production (B)		**50.454.310**		**49.847.062**		**607.248**
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A-B)		**3.565.561**		**5.490.852**		**(1.925.291)**
C) FINANCIAL INCOME AND EXPENSE						
15) income from investments						1
- other income from investm.	1		-		1	
		1		-		1
16) other financial income						
d) financial income other than above:		3.449		4.207		(758)
- from others	3.449		4.207		(758)	
		3.449		4.207		(758)
17) interest and other financial expense		123.933		24.906		99.027
- other	123.933		24.906		99.027	
		123.933		24.906		99.027
17 bis) exchange gains (losses)		8.861		(33.880)		42.741
Total fin. income and expense (15+16-17+17bis)		**(111.622)**		**(54.579)**		**(57.043)**
D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS.						
19) write-downs		(2.140)		-	-	2.140
a) of investments	(2.140)		-		(2.140)	
Total adjustments (18-19)		**(2.140)**				**(2.140)**
RESULT BEFORE TAX (A-B+C+D)		**3.451.799**		**5.436.273**		**(1.984.474)**
20) income tax for the year		**455.655**		**1.643.652**		**(1.187.997)**
- current	541.903		1.657.156		(1.115.253)	
- prior years	(183.973)		-		(183.973)	
- deferred and (prepaid)	97.725		(13.504)		111.229	
YEAR		**2.996.144**		**3.792.621**		**(796.477)**
OWNERS OF THE PARENT		2.269.894		3.792.621		(1.522.727)
CONTROLLING INTERESTS		726.250		-		726.250

ANALYTICAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION (ANNEX D)

ANALYTICAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31.12.2020
ASSETS	**50.029.472**
A. SHARE CAPITAL PROCEEDS TO BE RECEIVED	**0**
B. FIXED ASSETS	**10.849.768**
I. INTANGIBLE FIXED ASSETS	**5.301.429**
1. Start-up and expansion costs	**28.200**
a. Start-up costs	0
- gross amount	8.070
- amortization fund	(8.070)
b. Expansion costs	28.200
- gross amount	47.277
- amortization fund	(19.077)
2. Development costs	**273.725**
- gross amount	1.012.212
- amortization fund	(738.487)
3. Industrial patent and intellectual property rights	**0**
4. Concessions, licenses, trademarks and similar rights	**324.782**
a. Trademarks	244.838
- gross amount	393.006
- amortization fund	(148.168)
b. Software licenses	79.944
- gross amount	158.285
- amortization fund	(78.341)
5. Goodwill	**3.961.570**
a. Goodwill from acquisition of "Modalis" business unit	180.828
- gross amount	301.380
- amortization fund	(120.552)
b. Goodwill from allocation of merger deficit	23.211
- gross amount	33.159
- amortization fund	(9.948)
c. goodwill from positive consolidation difference	3.757.531
- gross amount	4.175.034
- amortization fund	(417.503)
6. Fixed assets under construction and advances	**21.580**
7. Other	**691.572**
a. Extraordinary leasehold improvements	667.688
- gross amount	1.020.824
- amortization fund	(353.136)
b. Other costs with long-term useful life	23.884
- gross amount	142.222
- amortization fund	(118.338)
II. PROPERTY, PLANT AND EQUIPMENT	**5.354.105**
1. Land and buildings	**555.000**
a. Appurtenant land on which the buildings are erected	148.978
b. Instrumental buildings	406.022
- gross amount	437.170
- depreciation fund	(31.148)
2. Plant and machinery	**2.942.560**
a. General plant	320.090
- gross amount	644.887
- depreciation fund	(324.797)
b. Operating machinery and specific plant	2.622.470
- gross amount	4.925.669
- depreciation fund	(2.303.199)

3. Industrial and commercial equipment	**96.845**
a. General equipment	96.845
- gross amount	411.927
- depreciation fund	(315.082)
4. Other assets	**517.374**
a. Means of transport	62.838
- gross amount	121.710
- depreciation fund	(58.872)
b. Motor vehicles	42.480
- gross amount	67.968
- depreciation fund	(25.488)
c. Electrical and electronic office machines	173.413
- gross amount	638.647
- depreciation fund	(465.234)
d. Ordinary office machines	94.801
- gross amount	256.794
- depreciation fund	(161.993)
e. Furniture and fittings	143.842
- gross amount	314.746
- depreciation fund	(170.904)
5. Fixed assets under construction and advances	**1.242.326**
III. FINANCIAL FIXED ASSETS	**194.234**
1. Investments in	**0**
a. Subsidiaries	0
b, Associates	0
c. Parent companies	0
d. Companies subject to the control of parents	0
d-bis. Other companies	0
2. Receivables	**194.234**
a. From subsidiaries	0
b. From associates	0
c. From parent companies	0
d. From companies subject to the control of parents	0
d-bis. From others	194.234
- Financial receivables	128.700
- Security deposits	65.534
3. Other securities	**0**
4. Financial derivative assets	**0**
C. CURRENT ASSETS	**38.650.020**
I. INVENTORY	**4.288.676**
1. Raw and ancillary materials and consumables	**2.179.184**
a. Raw materials	2.151.928
- gross amount	2.892.103
- taxed provision for inventory write-down	(740.175)
b. Raw materials in transit	27.256
2. Work in progress and semi-finished products	**1.640.431**
a. Work in progress	1.640.431
- gross amount	1.640.431
- taxed provision for inventory write-down	0
3. Contract work in progress	**0**
4. Finished products and goods	**469.061**
a. Finished products	468.821
- gross amount	1.255.813
- taxed provision for inventory write-down	(786.992)
b. Finished products in transit	240
5. Advances	**0**

II. RECEIVABLES	**10.742.341**
1. From customers	**8.682.850**
a. Customers	9.055.605
b. Customers invoices to issue a/c	28.723
c. Customers credit notes to issue a/c	(50.379)
d. Customers coll. ord. a/c accredited s.t.c.	171.847
e. Provision for risks on trade receivables	522.946
- provision for risks on trade receivables, tax	96.751
- taxed provision for risks on trade receivables	426.195
2. From subsidiaries	**0**
3. From associates	**0**
4. From parent companies	**0**
5. From companies subject to the control of parents	**0**
5-bis. Tax receivables	**1.579.793**
a. Revenue Agency VAT a/c	725.120
b. IRES receivable	479.896
c. IRAP receivable	88.338
b. Other tax receivables	286.439
portions due within one year	111.588
portions due beyond one year	174.851
5-ter. Prepaid tax	**219.838**
a. Deferred tax assets	219.838
5-quater. From others	**259.860**
a. Social security entities	3.854
b. Redundancy Fund	44.838
c. Suppliers advances a/c	69.529
d. Other debtors	141.639
III. CURRENT FINANCIAL ASSETS	**0**
1. Investments in subsidiaries	**0**
2. Investments in associates	**0**
3. Investments in parent companies	**0**
3-bis. Investments in companies subject to the control of parents	**0**
4. Other investments	**0**
5. Financial derivative assets	**0**
6. Other securities	**0**
IV. CASH AND CASH EQUIVALENTS	**23.619.003**
1. Bank and postal deposits	**23.594.859**
a. Bank accounts	23.594.859
2. Cheques	**11.566**
3. Cash and valuables on hand	**12.578**
a. Cash on hand	12.578
D. ACCRUED INCOME AND PREPAID EXPENSES	**529.684**
a. Accrued income	1.568
b. Prepaid expenses	528.116

LIABILITIES	50.029.472
A. EQUITY	**20.931.499**
GROUP CONSOLIDATED EQUITY	**18.932.242**
I. SHARE CAPITAL	**1.371.538**
II. SHARE PREMIUM RESERVE	**8.238.460**
III. REVALUATION RESERVES	**0**
IV. LEGAL RESERVE	**272.308**
V. BYLAW RESERVES	**0**
VI. OTHER RESERVES	**6.825.623**
a. Extraordinary reserve	6.558.257
b. Non-distributable reserve from exchange rate adjustment	291
c. Reserve for merger surplus	101.764
d. Consolidation reserve	153.615
e. Other reserves	11.696
VII. RESERVE FOR HEDGES OF EXPECTED CASH FLOWS	**(45.581)**
VIII. PROFIT (LOSS) CARRIED FORWARD	**0**
IX. PROFIT (LOSS) FOR THE YEAR	**2.269.894**
X. NEGATIVE RESERVE FOR TREASURY SHARES IN PORTFOLIO	**0**
NON-CONTROLLING INTERESTS' CONSOLIDATED EQUITY	**1.999.257**
NON-CONTROLLING INTERESTS' SHARE CAPITAL AND RESERVES	**1.273.007**
PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**726.250**
B. PROVISIONS FOR RISKS AND CHARGES	**81.740**
1. For pensions and similar obligations	**2.830**
a. Provision for agents' termination benefits	2.830
- tax	2.830
2. For tax, including deferred tax	**0**
3. Financial derivative liabilities	**45.581**
4. Other	**33.329**
a. Provision for risks on sales returns	33.329
- taxed	33.329
C. POST-EMPLOYMENT BENEFITS	**1.841.513**
a. Provision for post-employment benefits net of Inps treasury provision LD 252/2(	1.841.513
- tax	1.841.513

D. PAYABLES	**27.019.629**
1. Bonds	**0**
2. Convertible bonds	**0**
3. Payables for shareholder loans	**0**
4. Payables to banks	**14.442.840**
a. Bank fees to settle	15.046
b. Credit cards	10.596
c. Loans without collateral	14.417.198
portions due within one year	2.070.612
portions due beyond one year	12.346.586
5. Payables to other lenders	**400.000**
a. SIMEST a/c financing in support of capitalization of SMEs	400.000
portions due beyond one year	400.000
6. Advances	**10.363**
7. Payables to suppliers	**9.664.036**
a. Suppliers	8.497.590
portions due within one year	8.488.423
portions due beyond one year	9.167
b. Suppliers invoices to receive a/c	1.381.838
c. Suppliers credit notes to receive a/c	(215.392)
8. Payables represented by securities	**0**
9. Payables to subsidiaries	**0**
10. Payables to associates	**0**
11. Payables to parent companies	**0**
11-bis. Payables to companies subject to the control of parents	**0**
12. Tax payables	**589.855**
a. Revenue Agency withholding tax to pay a/c	437.534
portions due within one year	427.267
portions due beyond one year	10.267
b. Revenue Agency withholding tax on post-employment benefits write-backs a/c	(95)
c. Revenue Agency Irap a/c	42.810
d. Revenue Agency Ires a/c	101.946
e. Revenue Agency VAT a/c	2.530
f. Revenue Agency other payables a/c	5.130
13. Payables to welfare and social security entities	**705.807**
a. Inps	518.814
b. Inail	0
c. Other entities	82.477
d. Inps and Inail accruals	104.516
14. Other payables	**1.206.728**
a. Payables for salaries to settle	537.635
b. Payables for holidays not taken	543.617
c. Payables to pension funds	8.772
d. Payables for commissions to settle	26.870
e. Payables for fees to settle	19.379
f. Sundry payables	70.455
E. ACCRUED EXPENSES AND DEFERRED INCOME	**155.091**
a. Accrued expenses	22.997
b. Deferred income	132.094

General information about the Company

Overview

Name:	PATTERN SPA
Registered office:	VIA ITALIA 6/A COLLEGNO TO
Share capital:	1,371,538.40
Fully paid-up share capital:	yes
Chamber of Commerce Code:	TO
VAT no.:	10072750010
Tax Code:	10072750010
REA no.:	1103664
Legal status:	JOINT-STOCK COMPANY
Main activity code (ATECO):	141310
Company in liquidation:	no
Company with sole shareholder:	no
Company subject to the direction and coordination of others:	yes
Name of the company or entity exercising direction and coordination:	BO.MA. Holding S.r.l.
Part of a group:	yes
Name of parent company:	BO.MA. Holding S.r.l.
Country of the parent company:	ITALY
Cooperative company registration number:	

FINANCIAL STATEMENTS AT 31 DECEMBER 2020

Statement of financial position

	31/12/2020	31/12/2019
Assets		
A) Share capital proceeds to be received	-	-
B) Fixed assets		
I - Intangible fixed assets	-	-
1) start-up and expansion costs	28,200	37,201
4) concessions, licenses, trademarks and similar rights	96,995	54,411
5) goodwill	180,828	241,104
6) fixed assets under construction and advances	21,580	-
7) other	322,439	320,196
Total intangible fixed assets	*650,042*	*652,912*
II - Property, plant and equipment	-	-
1) land and buildings	552,250	490,320
2) plant and machinery	482,277	458,523
3) industrial and commercial equipment	37,768	54,028
4) other assets	349,335	363,404
5) fixed assets under construction and advances	1,242,326	196,225
Total property, plant and equipment	*2,663,956*	*1,562,500*
III - Financial fixed assets	-	-
1) investments in	-	-
a) subsidiaries	5,667,000	167,000
Total investments	*5,667,000*	*167,000*
2) receivables	-	-
d-bis) from others	39,266	1,125,960
due within one year	3,000	1,100,000
due beyond one year	36,266	25,960
Total receivables	*39,266*	*1,125,960*
Total financial fixed assets	*5,706,266*	*1,292,960*
Total fixed assets (B)	*9,020,264*	*3,508,372*
C) Current assets		
I – Inventory	-	-
1) raw and ancillary materials and consumables	1,824,516	1,963,964
2) work in progress and semi-finished products	1,301,747	1,015,144
4) finished products and goods	430,633	455,846
Total inventory	*3,556,896*	*3,434,954*

	31/12/2020	31/12/2019
II - Receivables	-	-
1) from customers	5,045,077	8,005,583
due within one year	5,045,077	8,005,583
2) from subsidiaries	9,457	-
due within one year	9,457	-
5-bis) tax receivables	952,700	1,273,129
due within one year	943,882	1,273,129
due beyond one year	8,818	-
5-ter) prepaid tax	62,975	49,585
5-quater) from others	53,508	9,257
due within one year	53,508	9,257
Total receivables	*6,123,717*	*9,337,554*
III - Current financial assets	-	-
IV - Cash and cash equivalents	-	-
1) bank and postal deposits	19,943,645	16,043,197
2) cheques	11,566	20,109
3) cash and valuables on hand	11,261	9,746
Total cash and cash equivalents	*19,966,472*	*16,073,052*
Total current assets (C)	*29,647,085*	*28,845,560*
D) Accrued income and prepaid expenses	**380,164**	**512,461**
Total assets	*39,047,513*	*32,866,393*
Liabilities		
A) Equity	**18,477,799**	**17,258,387**
I - Share capital	1,371,538	1,361,538
II - Share premium reserve	8,238,460	8,238,460
III - Revaluation reserves	-	-
IV - Legal reserve	272,308	200,000
V - Bylaw reserves	-	-
VI - Other reserves, indicated separately	-	-
Extraordinary reserve	6,558,257	3,505,409
Reserve from derogations pursuant to article 2423 of the Italian Civil Code	-	-
Reserve for shares (units) of the parent company	-	-
Investment revaluation reserve	-	-
Payment for share capital increase	-	-
Capital contributions	-	-
Payments to cover losses	-	-
Reserve for share capital reduction	-	-

	31/12/2020	31/12/2019
Merger surplus reserve	101,764	101,764
Reserve for unrealized exchange gains	291	291
Reserve for profit adjustment in progress	-	-
Various other reserves	30,000	40,000
Total other reserves	*6,690,312*	*3,647,464*
VII - Reserve for hedges of expected cash flows	(45,581)	-
VIII - Profit (loss) carried forward	-	-
IX - Profit (loss) for the year	1,950,762	3,810,925
Loss covered in the year	-	-
X - Negative reserve for treasury shares in portfolio	-	-
Total equity	18,477,799	17,258,387
B) Provisions for risks and charges		
1) for pensions and similar obligations	2,830	4,438
3) financial derivative liabilities	45,581	-
4) other	33,329	47,741
Total provisions for risks and charges	*81,740*	*52,179*
C) Post-employment benefits	**1,045,755**	**875,952**
D) Payables		
4) payables to banks	10,834,548	3,288,327
due within one year	1,587,097	925,818
due beyond one year	9,247,451	2,362,509
5) payables to other lenders	400,000	400,000
due beyond one year	400,000	400,000
7) payables to suppliers	6,692,290	8,893,574
due within one year	6,692,290	8,893,574
9) payables to subsidiaries	63,432	55,480
due within one year	63,432	55,480
12) tax payables	204,541	603,127
due within one year	204,541	603,127
13) payables to welfare and social security entities	485,079	559,274
due within one year	485,079	559,274
14) other payables	731,051	857,565
due within one year	731,051	857,565
Total payables	*19,410,941*	*14,657,347*
E) Accrued expenses and deferred income	**31,278**	**22,528**
Total liabilities	*39,047,513*	*32,866,393*

Income Statement

	31/12/2020	31/12/2019
A) Value of production		
1) revenue from sales and services	34,224,487	55,604,081
2) changes in inventory in work in progress, semi-finished and finished products	261,390	(399,672)
5) other revenue and income	-	-
operating grants	627,610	88,748
other	71,227	45,754
Total other revenue and income	*698,837*	*134,502*
Total value of production	*35,184,714*	*55,338,911*
B) Costs of production		
6) for raw and ancillary materials, consumables and goods	11,068,792	17,019,073
7) for services	12,804,240	22,977,309
8) for rentals and leases	713,288	631,771
9) for personnel	-	-
a) wages and salaries	5,576,074	6,754,429
b) social security expense	1,708,244	2,014,211
c) post-employment benefits	442,209	418,177
e) other costs	48,735	52,128
Total personnel expense	*7,775,262*	*9,238,945*
10) amortization, depreciation and write-downs	-	-
a) amortization of intangible fixed assets	155,772	145,999
b) depreciation of tangible fixed assets	239,507	245,928
d) write-down of receivables under current assets and cash and cash equivalents	26,549	41,288
Total amortization, depreciation and write-downs	*421,828*	*433,215*
11) changes in raw and ancillary materials, consumables and goods	139,447	(556,733)
14) other operating expense	139,235	139,882
Total costs of production	*33,062,092*	*49,883,462*
Difference between value of production and costs of production (A - B)	**2,122,622**	**5,455,449**
C) Financial income and expense		
15) income from investments	-	-
from subsidiaries	45,000	45,000
Total income from investments	*45,000*	*45,000*
16) other financial income	-	-
d) income other than above	-	-
other	2,872	4,207

	31/12/2020	31/12/2019
Total income other than the above	*2,872*	*4,207*
Total other financial income	*2,872*	*4,207*
17) interest and other financial expense	-	-
other	50,699	24,905
Total interest and other financial expense	*50,699*	*24,905*
17-bis) exchange gains and losses	8,895	(33,880)
Total financial income and expense (15+16-17+-17-bis)	*6,068*	*(9,578)*
D) Value adjustments to financial assets and liabilities	**-**	**-**
Profit (loss) before tax (A-B+-C+-D)	**2,128,690**	**5,445,871**
20) Current, deferred and prepaid income tax for the year		
current tax	315,389	1,648,536
prior-years' tax	(124,071)	(86)
deferred tax assets and liabilities	(13,390)	(13,504)
Total current, deferred and prepaid income tax for the year	*177,928*	*1,634,946*
21) Profit (loss) for the year	**1,950,762**	**3,810,925**

Statement of cash flows, indirect method

	Amount at 31/12/2020	Amount at 31/12/2019
A) Cash flow from operations (indirect method)		
Profit (loss) for the year	1,950,762	3,810,925
Income tax	177,928	1,634,946
Interest expense/(income)	47,827	20,698
(Dividends)	(45,000)	(45,000)
(Gains)/losses from disposal of assets	(1,725)	(1,173)
1) Profit (loss) for the year before income tax, interest, dividends and gains/losses from disposals	*2,129,792*	*5,420,396*
Adjustments for non-monetary items that did not have a balancing item in the net working capital		
Allocations to provisions	629,120	418,177
Amortization and depreciation of fixed assets	395,279	391,927
Other upward/(downward) adjustments for non-monetary items	(45,581)	(394,128)
Total adjustments for non-monetary items that did not have a balancing item in the net working capital	*978,818*	*415,976*
2) Cash flow before changes in net working capital	*3,108,610*	*5,836,372*
Changes in net working capital		
Decrease/(Increase) in inventory	(54,790)	(428,988)
Decrease/(Increase) in receivables from customers	2,960,506	(5,104,656)
Increase/(Decrease) in payables to suppliers	(2,276,402)	5,392,428
Decrease/(Increase) in accrued income and prepaid expenses	131,210	(463,090)
Increase/(Decrease) in accrued expenses and deferred income	5,943	7,983
Other decreases/(Other increases) in net working capital	546,503	68,016
Total changes in net working capital	*1,312,970*	*(528,307)*
3) Cash flow after changes in net working capital	*4,421,580*	*5,308,065*
Other adjustments		
Interest received/(paid)	(43,933)	(17,606)
(Income tax paid)	(1,062,443)	(2,014,758)
Dividends received	45,000	45,000
(Utilization of provisions)	(496,908)	(294,973)
Total other adjustments	*(1,558,284)*	*(2,282,337)*
Cash flow from operations (A)	***2,863,296***	***3,025,728***
B) Cash flow from investing activities		
Property, plant and equipment		
(Purchases)	(1,273,613)	(166,641)
Disposals	2,659	
Intangible fixed assets		

	Amount at 31/12/2020	Amount at 31/12/2019
(Purchases)	(146,068)	(456,113)
Disposals		35,643
Financial fixed assets		
(Purchases)	(4,413,500)	(1,122,960)
Disposals	194	
(Purchase of business units net of cash and cash equivalents)		(411,500)
Cash flow from investing activities (B)	***(5,830,328)***	***(2,121,571)***
C) Cash flow from financing activities		
Loan capital		
Increase/(Decrease) in short-term payables to banks	(3,807)	(2,489)
New loans	8,339,588	2,400,000
(Repayment of loans)	(789,560)	(559,482)
Equity		
(Repayment of principal)		8,499,998
(Dividends and interim dividends paid)	(685,769)	(1,144,000)
Cash flow from financing activities (C)	***6,860,452***	***9,194,027***
Increase (decrease) in cash and cash equivalents (A ± B ± C)	***3,893,420***	***10,098,184***
Cash and cash equivalents, beginning of year		
Bank and postal deposits	16,043,197	5,955,956
Cheques	20,109	14,671
Cash and valuables on hand	9,746	4,241
Total cash and cash equivalents, beginning of year	16,073,052	5,974,868
Cash and cash equivalents, end of year		
Bank and postal deposits	19,943,645	16,043,197
Cheques	11,566	20,109
Cash and valuables on hand	11,261	9,746
Total cash and cash equivalents, end of year	19,966,472	16,073,052

Notes to the financial statements - Opening section

PATTERN S.P.A.

Direction and Coordination pursuant to Article 2497 of the Italian Civil Code: BO.MA. Holding S.r.l.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2020

Foreword

These financial statements for the period from 1 January 2020 to 31 December 2020, prepared in compliance with the provisions of Article 19 of the AIM Italia Issuer Regulation, consisting of the statement of financial position, the income statement, the statement of cash flows and the notes to the financial statements, have been prepared in accordance with the provisions of Legislative Decree no. 127 of 9 April 1991, as supplemented by the amendments introduced by Legislative Decree no. 6 of 17 January 2003 and Legislative Decree no. 139 of 18 August 2015, and give a true and fair view of the Company's financial position and results of operations for the year. These financial statements are also accompanied by the Directors' Report on Operations presented earlier.

The Financial Statements have been prepared in accordance with the provisions of Articles 2423 ter, 2424, 2424 bis, 2425, 2425 bis and 2425 ter of the Italian Civil Code.

The Notes contain the information required by Articles 2427 and 2427 bis of the Italian Civil Code.

The criteria applied in the valuation of the items in the financial statements and in the value adjustments are unchanged from the prior year and in accordance with the provisions of the Italian Civil Code, mainly contained in Article 2426, also following issuance by the Italian Accounting Body ("OIC") of the amendments to the accounting standards published until 28 January 2019.

Pursuant to the provisions of Articles 25 and 26 of Legislative Decree no. 127/91, the Company has prepared consolidated financial statements. The full consolidation scope includes the financial statements at 31 December 2020 of Pattern S.p.A., its wholly-owned subsidiary Pattern Project S.r.l. and its 51%-owned subsidiary SMT S.r.l., Società Manifattura Tessile S.r.l..
The scope of consolidation at 31 December 2020 changed from 31 December 2019 as a result of the entry of SMT S.r.l., Società Manifattura Tessile S.r.l., with registered office in Correggio (RE), Via Della Costituzione 37, following the acquisition, by deed signed on 31 March 2020, of the 51% controlling interest. The company, specialized in luxury knitwear, was included - pursuant to Article 26 of Legislative Decree 127/91 - in the scope of consolidation since the Parent Company holds the majority of votes exercisable at the Ordinary Shareholders' Meeting pursuant to Article 2359, paragraph 1, no. 1), of the Italian Civil Code.

PART I: GENERAL PRINCIPLES

1. These financial statements have been prepared clearly and give a true and fair view of the Company's financial position and results of operations for the year (Article 2423, paragraph two, Italian Civil Code).

2. The information required by the specific provisions of law governing the preparation of financial statements has been deemed sufficient to give a true and fair view. However, additional information deemed appropriate for a more complete and detailed disclosure has been provided. This includes, in particular:

    a. the reclassified statement of financial position;
    b. further relevant information given the characteristics and size of the company (Article 2423, paragraph III, Italian Civil Code).

3. The financial statements have been prepared in € (Article 2423, paragraph V, Italian Civil Code).

PART II: PRINCIPLES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements at 31 December 2020 have been drawn up in compliance with the provisions of the Italian Civil Code, construed and supplemented by the accounting standards prepared and revised by the Italian Accounting Body ("OIC") and, where missing and not conflicting, by those issued by the International Accounting Standards Board ("IASB").

The following principles have been followed in the preparation of the financial statements.

1. The items were measured pursuant to the principle of prudence and on a going concern basis, also taking account of the economic function of the asset or liability item considered (Article 2423 bis, paragraph I, no. 1, of the Italian Civil Code), and of substance over form in transactions or contracts.

2. Only profits earned at the end of the year were shown (Article 2423 bis, paragraph I, no. 2, Italian Civil Code).

3. Income and expense pertaining to the period were taken into account, regardless of the date of collection or payment (Article 2423 bis, paragraph I, no. 3, Italian Civil Code). Costs associated with profits charged to the year were considered accrued.

4. Risks and losses pertaining to the year were taken into account, even if they became known after year end (Article 2423 bis, paragraph I, no. 4, Italian Civil Code).

5. The heterogeneous elements included in the individual items were measured separately (Article 2423 bis, paragraph I, no. 5, Italian Civil Code).

6. The following criteria were followed for the structure of the statement of financial position and income statement.

6.a. The items provided for in Articles 2424 and 2425 of the Italian Civil Code were booked separately to the statement of financial position and income statement, in the order indicated (Article 2423 ter, paragraph I, Italian Civil Code). Items preceded by Arabic numerals, or lowercase letters, having a zero balance were not shown.

6.b. Items preceded by Arabic numerals or lowercase letters were not further subdivided.

6.c. Items preceded by Arabic numerals were not grouped together (Article 2423 ter, paragraph II, Italian Civil Code).

6.d. No other items were added, given that their content is included in those provided for by Articles 2424 and 2425 of the Italian Civil Code (Article 2423 ter, paragraph III, Italian Civil Code).

6.e. Items preceded by Arabic numerals were not adjusted, as the nature of business performed does not require it (Article 2423 ter, paragraph IV, Italian Civil Code).

6.f. No items were offset (Article 2423 ter, paragraph VI, Italian Civil Code).

Exceptional cases pursuant to Article 2423, paragraph V, of the Italian Civil Code

7. There were no exceptional cases, therefore, the provisions of Articles 2423 bis et seq. of the Italian Civil Code apply, considered consistent with a true and fair presentation (Article 2423, paragraph V, Italian Civil Code).

Changes in accounting standards

8. The valuation criteria are unchanged from the prior year (Article 2423 bis, paragraph I, no. 6, Italian Civil Code).

Correction of material errors

9. No material errors made in prior years were found during the year.

Comparability and adjustment

10. No asset or liability component falls under more than one item of the schedule (Article 2424, paragraph II, Italian Civil Code).

11. For each item of the statement of financial position and income statement, the amount of the corresponding item of the prior year was shown (Article 2423 ter, paragraph V, Italian Civil Code).

12. In summary, as shown above, for the purposes of the preparation of these financial statements, the financial statement requirements set forth in paragraphs 15 to 45 of Accounting Standard OIC 11 were complied with:

- prudence;
- going concern assumption;
- material presentation;
- accruals basis;
- consistent valuation criteria;

- relevance;
- comparability.

PART III: ACCOUNTING AND VALUATION CRITERIA

The criteria applied in the valuation of the items in the financial statements and in the value adjustments comply with the provisions of the Italian Civil Code, mainly contained in Article 2426 of the Italian Civil Code, also following issuance by the Italian Accounting Body ("OIC") of the amendments to the accounting standards issued until 28 January 2019.

The most important valuation criteria adopted in the preparation of the financial statements at 31 December 2020 are explained below.

Intangible fixed assets

Expenses and charges with future useful life were recorded under intangible fixed assets.

Intangible fixed assets were measured, within the limits of their recoverable value, at purchase cost, including ancillary expense.

Internally-produced assets were measured on the basis of the directly attributable costs of their construction.
The cost of intangible fixed assets with limited useful life is systematically amortized based on the residual eligibility for use. The amortization schedule, drawn up on the basis of this principle, is shown in the review of the individual items.

The amortization criteria and rates applied in the prior year are unchanged (Article 2426, paragraph I, no. 2, Italian Civil Code).

Fixed assets under construction include intangible assets in progress. These costs continue to be accounted for under this item until title has been acquired or the project has been completed. When these conditions are met, the corresponding amounts are reclassified to the relevant items of intangible assets.

Fixed assets under construction are not subject to amortization.

Start-up and expansion costs

Start-up and expansion costs were recorded as assets with the consent of the Board of Statutory Auditors and are amortized over a period no higher than five years. Until the amortization of start-up and expansion costs is completed, dividends may only be distributed if there are sufficient available reserves to cover the amount of unamortized costs.

Concessions, licenses, trademarks and similar rights

Concessions, licenses, trademarks and similar rights, if acquired against payment, are recorded under assets at a value equal to the sums paid by the Company to obtain them, and are amortized according to their useful life, which does not exceed the legal or contractual limit.

For trademarks, the useful life shall not exceed twenty years.

In the case of an internally-produced trademark, the cost recorded under intangible fixed assets includes the direct costs, both internal and external, incurred for its production.

Goodwill

Goodwill was recorded under assets with the consent of the Board of Statutory Auditors, in that it was acquired against payment, within the limits of the cost incurred for it following purchase of the business unit of Modalis S.r.l., in a procedure with an arrangement with creditors. Goodwill was recorded to the extent of the difference between the purchase price and the market value of the assets net of liabilities. This difference is deemed to be justified by intangible elements relating to the business unit acquired, such as market position, customer portfolio and know-how.

Goodwill recorded must be amortized on the basis of its useful life, with a maximum limit of twenty years and, in cases where its useful life cannot be reliably estimated, it is amortized over a period no higher than ten years.

Other intangible fixed assets

Other intangible assets include mainly the following items:

- costs incurred for improvements and incremental expense on third-party assets, if not separable from the assets themselves, the amortization of which is carried out over the lower of the period of future useful life of the expense incurred and the residual period of the lease, taking account of any renewal period, if dependent on the tenant;
- other costs with long-term useful life acquired as a result of mergers completed in the prior year.

Property, plant and equipment

Property, plant and equipment are recorded at the date on which the risks and benefits connected with the assets acquired are transferred; within the limits of their recoverable value, they are recorded at purchase or production cost net of accumulated depreciation, including all directly attributable ancillary costs and expense and indirect costs relating to internal production.

Costs incurred following purchase of an asset are added to its book value if they increase the original production capacity or useful economic life of the asset. Maintenance and repair costs that do not increase the future economic life of the assets were directly charged to the income statement for the period in which they were incurred.

Routine maintenance costs are recognized in the income statement in the period in which they are incurred.

Costs incurred for improvements and incremental expense, including extraordinary maintenance costs, as well as costs for improvements to third-party assets separable from the assets themselves, which produce a significant and measurable increase in the capacity, productivity or safety of the assets or extend their useful life, fall under the scope of capitalizable costs and are recorded as an increase in the value of the assets to which they refer, within the limits of the recoverable value of the asset itself.

In compliance with the provisions of accounting standard OIC 16 and in accordance with the provisions of Law 248/06, the value of the areas on which instrumental buildings stand was separated and entered in the financial statements.

The cost of property, plant and equipment with limited useful life is systematically depreciated based on the residual technical eligibility for use, even on assets that are temporarily unused. Depreciation begins when the fixed asset is available and ready for use. The depreciation schedule, drawn up on the basis of this principle, is shown in the review of the individual items.

For assets entering service in the year, the rates were reduced by half in order to take account, on a lump-sum basis, of their reduced level of use, in accordance with Italian practice, as the depreciation rate thus obtained is a reasonable approximation of depreciation calculated in proportion to the time of actual use.

Low-value assets, in view of their rapid renewal, are depreciated in the year of acquisition.

The value of assets includes costs arising from the exercise of options to redeem assets previously held under lease.

The depreciation criteria and rates applied in the prior year are unchanged (Article 2426, paragraph I, no. 2, Italian Civil Code).

Property, plant and equipment are reclassified under current assets when they are intended to be disposed of, and are therefore measured at the lower of net book value and realizable value based on market trends, i.e. the selling price during the ordinary course of business net of direct costs of sale and disposal. Additionally, assets held for sale are no longer subject to depreciation.

Obsolete assets and, more generally, assets that will no longer be used or usable in the production cycle on a permanent basis, are measured at the lower of net book value and recoverable value, and are no longer subject to depreciation.

Fixed assets under construction are not subject to depreciation.

Fixed assets under construction and advances include tangible assets in progress and advances paid to suppliers of tangible assets. These assets and advances continue to be accounted for under this item until title has been acquired or completion has been fulfilled. When these conditions are met, the corresponding amounts are reclassified to the relevant items of tangible fixed assets.

Impairment losses on tangible and intangible fixed assets

At each reporting date, the company assesses whether there are any indications that property, plant and equipment and intangible assets (including goodwill) may be impaired.
If there is such evidence, the book value of the assets is reduced to the relating recoverable value, i.e. the higher of fair value less costs to sell and its value in use.

When it is not possible to estimate the recoverable amount of the individual asset, the company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. The value in use of an asset is calculated by determining the present value of expected future cash flows, applying a discount rate that reflects the current market valuation of the time value of money and the specific risks inherent to the asset. An impairment loss is recognized if the recoverable amount is less than the net book value.

Any write-down for impairment is reversed if the reasons for the write-down no longer apply. The reversal cannot exceed the value that would have been determined if the adjustment had never been recognized. No reversal is made on goodwill and long-term expense.

At the reporting date, the Company has checked that intangible and tangible assets have not undergone any impairment (Article 2426, paragraph I, no. 3, of the Italian Civil Code).

Capital grants for property, plant and equipment

Capital grants are recognized when there is a reasonable certainty that the conditions for the grant have been met and that the grants will be disbursed.

These are accounted for using the "indirect" method, under which the grants themselves are indirectly deducted from the cost of the fixed assets to which they refer, since they are charged to the income statement under item A5 - Other revenue and income, and then deferred for accrual to subsequent years through the posting of deferred income. Depreciation and amortization of tangible and intangible fixed assets is therefore calculated on the value before grants received.

Finance leases

In accordance with the equity method, the Company accounts for leases by charging on an accruals basis the related fees to the income statement for the year.

The table *“RECOGNITION OF LEASES THROUGH THE FINANCIAL METHOD*" contained in Part IV of these Notes (Article 2427, paragraph I, no. 22, Italian Civil Code) provides information on the current value of the instalments not yet due, the actual financial expense, the financial expense for the year, the residual value of the asset at year end, the depreciation rate and the adjustments and writebacks relating to the year.

Receivables under financial fixed assets

Investments, if intended to remain in the company's assets on a long-term basis, are accounted for under financial fixed assets.

Investments are subject to assessment in order to ascertain the operating/financial conditions of the companies in which they are held. These analyses are mainly based on the equity of the investees as shown in their latest financial statements. If an impairment loss is found, a write-down is made. The original amount is reinstated in subsequent years if the reasons for the write-down no longer apply.

Investments in subsidiaries were measured on the basis of the cost incurred for their acquisition. Except as described below, they are not entered at a value higher than the value corresponding to the portion of equity shown in the latest financial statements of the investee.

The investment in SMT Srl is booked at a value higher than the value corresponding to the portion of equity shown in the latest financial statements of the investee. The difference is due to the goodwill of the investee, justified by the earnings capacity of the acquired business.

Receivables under financial fixed assets

With regard to the amortized cost method of valuation and the discounting of receivables, it should be noted that the Company made use of the option of prospective application, pursuant to Article 12, paragraph 2, of Legislative Decree 139/2015.

Financial receivables recognized in the financial statements prior to the year beginning on 1 January 2016 are posted at nominal value, adjusted if necessary for impairment losses. If, in subsequent years, the reasons for the write-down no longer apply, the value is written back up to the original value.

On the other hand, financial receivables recognized in the financial statements as from 1 January 2016, with the exception described below, must be measured at amortized cost, taking account of the time factor and estimated realizable value.

Transaction costs, any commission income and expense and difference between initial value and nominal value at maturity are included in the calculation of amortized cost using the effective interest method over the expected life of the receivable.

Under OIC 15, the Company did not apply the amortized cost method since compliance with the method would have had an irrelevant effect for the purposes of a true and fair presentation.

Inventory

Inventory is recorded at the date on which the risks and benefits connected with the goods acquired are transferred and are entered at the lower of purchase cost, including directly-attributable ancillary costs and expense and indirect costs relating to internal production, and their presumed realizable value based on market trends.

The value of fungible assets, as determined below, does not differ greatly from current costs at the end of the year.

Given the risk of obsolescence and the risk of slow-moving goods, the value of inventory was appropriately adjusted by means of a specific adjustment provision.

Raw and ancillary materials and consumables

Inventory of raw and ancillary materials and consumables is measured at the lower of purchase cost, determined using the weighted average method, and the value inferable from market trends at the end of the period.

Inventory of raw materials also includes raw materials in transit that are measured at the lower of purchase cost, determined using the specific cost method, and the value inferable from market trends at the end of the period.

Inventory of raw and ancillary materials and consumables, the value of which is inferred from market trends to be lower than the purchase cost including ancillary expense, was recorded in the financial statements at this lower value.

Work in progress and semi-finished products
Inventory of work in progress and semi-finished products is measured at the lower of production cost (including directly attributable ancillary expense), determined using the weighted average method, and the value inferable from market trends at the end of the period.

Finished products and goods
Inventory of finished products is measured at the lower of cost of production and the value inferable from market trends at the end of the period.

Inventory of finished products, the realizable value of which is inferred from market trends to be lower than the cost of production, including all directly and indirectly attributable costs, was recorded in the financial statements at this lower value.

Receivables under current assets

Receivables recognized in the financial statements as from 1 January 2016, with the exception described below, must be recognized at amortized cost, taking account of the time factor and estimated realizable value.

The initial recognition value of receivables is represented by the nominal value net of all premiums, discounts, allowances and any costs directly attributable to the transaction that generated the receivable.

Transaction costs, any commission income and expense and difference between initial value and nominal value at maturity are included in the calculation of amortized cost using the effective interest method over the expected life of the receivable.

Under OIC 15, the Company did not apply the amortized cost method since compliance with the method would have had an irrelevant effect for the purposes of a true and fair presentation.

Receivables are shown in the financial statements net of the allowance for impairment. The amount of the allowance for impairment is commensurate with both the extent of the risks relating to specific "non-performing" receivables and the extent of the risk of non-payment on all receivables.

Cash and cash equivalents

Cash and cash equivalents are measured according to the following criteria:
- bank deposits, postal deposits and cheques (current account, bankers' drafts and similar), being receivables, are measured in accordance with the general principle of estimated realizable value. This value normally coincides with the nominal value, while in situations of difficult collectability the estimated net realizable value is shown;
- cash and stamps on hand are measured at nominal value;
- foreign currency holdings are measured at the exchange rate in force at the year-end date.

Accruals and deferrals

Accruals and deferrals are calculated on an accruals basis according to when they were actually incurred.

Accruals and deferrals are determined to define the proper accrual of costs and revenue they refer to.

Accruals represent the balancing entry of amounts of costs and revenue accruing during the year, for which the corresponding changes in cash and cash equivalents or in receivables and payables have not arisen yet.

Deferrals represent the balancing entry of portions of costs and revenue that cannot be attributed to the result for the year in which the corresponding monetary changes or changes in receivables and payables have arisen.

The measurement criteria follow the general principle of matching costs and income in the year in which they were incurred or earned.

Provisions for risks and charges

Provisions for risks and charges include exclusively provisions set aside to cover losses or payables of a specific nature, which are certain or likely to arise, but the amount or date of occurrence of which cannot be determined at the end of the year.

Provision for pensions and similar obligations

The provisions for pensions and similar obligations represent allocations for supplementary pension benefits, other than post-employment benefits, due, by law or contract, to associates and agents. These liabilities are allocated on the basis of the information available at year end, which enables a reasonably reliable estimate of the liability to be made.

Provision for risks on sales returns

The provision for risks on sales returns includes the best estimate of any expense the company will incur in the event of returns on sales made during the year and in prior years. This estimate is calculated taking account of the company's experience and the specific contract terms.

Post-employment benefits

Post-employment benefits represent the Company's payable to its employees, determined in accordance with the provisions of current laws and collective labour agreements and company supplementary agreements.

Payables

Payables are classified based on their nature in relation to the core business, regardless of the period of time over which the liabilities must be repaid.

Trade payables arising from acquisitions are recognized when significant risks, charges and benefits associated with ownership have been transferred. Payables for services are recognized when the services have been rendered.

Financial payables arising from financing transactions and payables arising for reasons other than the purchase of goods and services are recorded at the time the company's obligation towards the counterparty arises. For financial payables, this moment generally coincides with the disbursement of the loans.

Payables recognized in the financial statements, with the exception described below, must be recognized taking account of the time factor.

The initial recognition value of payables is represented by the nominal value net of all premiums, discounts, allowances and any costs directly attributable to the transaction that generated the payable.

Transaction costs, any commission income and expense and difference between initial value and nominal value at maturity are included in the calculation of amortized cost using the effective interest method over the expected life of the payable.

Under OIC 19, the Company has applied the amortized cost method with regard to payables to Banks classified under item D.4) of the Statement of financial position - Liabilities, while it has not applied the amortized cost method for all other types of payables recorded in the Statement of financial position - Liabilities, since compliance with the method would have had an irrelevant effect for the purposes of a true and fair presentation.

Revenue

Revenue from sales is recorded on an accruals basis and is accounted for net of adjusting items such as returns, discounts, allowances, and rebates. Specifically, revenue from the sale of products is recognized at the time risks are transferred to the ownership, which generally coincides with shipment or delivery.

Costs

Costs and expense are recognized on an accruals basis and are accounted for net of adjusting items such as returns, discounts, allowances and rebates, as well as any changes in estimates. Specifically:

- expense for the purchase of goods and services is recognized respectively at the time of transfer of ownership, which generally coincides with shipment or delivery of the goods, and on the date on which the services are completed, i.e. when the periodic payments are due;
- expense for product returns is charged to the income statement concurrent to the recording of the sale;
- advertising and promotional expense is charged to the income statement in the year in which it is incurred;
- research expense is charged to the income statement in the year in which it is incurred.

Income Tax

Income tax is a reasonable estimate of the tax due by applying the tax provisions in determining taxable corporate income.

Part IV of these Notes, pursuant to the provisions of OIC Accounting Standard 25, contains the table "*RECONCILIATION BETWEEN THEORETICAL AND ACTUAL TAX RATE*".

Deferred taxation

The Company has recorded deferred taxation in relation to the temporary taxable differences arising during the year. Specifically, deductible temporary differences, which arise in the presence of negative income components, the deduction of which is partly or totally postponed to subsequent years, generate deferred tax assets to record under item C.II.5-ter of the assets; taxable temporary differences, which arise in the presence of positive income components taxable in a financial year subsequent to the year when they are relevant for statutory purposes, or negative income components deducted in a year prior to the year when they are recorded in the income statement, generate liabilities for deferred tax to record under item B.2 of the liabilities. Deferred taxation is determined on the basis of the tax rate currently in force and taking account of the tax rates expected in future years.

Deferred tax assets that have no reasonable certainty of future recovery were not recorded in the financial statements. Likewise, deferred tax liabilities which have little likelihood that the liability will arise were not recorded too.

The amount shown under "Income tax for the year" is the result of the algebraic sum of any current tax and deferred tax, so as to present the effective tax burden for the year.

Items denominated in foreign currencies

Items denominated in currencies of countries not belonging to the Euro area are accounted for on the basis of the method described below.

Assets and liabilities other than fixed assets are measured at the exchange rate in force on the closing date of the year by charging the net positive balance of the adjustment made to the income statement.

The net negative balance arising from the year-end measurement of cash on hand is recorded as a realizable loss in the income statement under item C.17-bis.

Financial derivatives

Financial derivatives are used as economic hedges in order to reduce the risk of exchange rate, interest rate and market price fluctuations. Under OIC 32 - *Financial derivatives*, all financial derivatives are measured at fair value.

Transactions which, in compliance with the risk management policies implemented by the company, are able to meet the requirements set by the standard for treatment as hedge accounting, are classified as hedges and, specifically, as cash flow hedges; the others, on the other hand, while implemented with the intention of risk management, are classified as "trading" transactions.
Financial derivatives may be accounted for in the manner established for hedge accounting only when, at the inception of the hedge, there is formal designation and documentation of the hedging relationship, the hedge is expected to be highly effective, such effectiveness can be reliably measured, and the hedge is highly effective for all reporting periods for which it is designated.
When financial derivatives have the characteristics to be accounted for in hedge accounting, the following applies:
Cash flow hedge: if a financial derivative is to hedge the exposure to variability in future cash flows of a recognized asset or liability or a highly probable forecast transaction that could affect the income statement,

the effective portion of any profit or loss on the financial derivative is recognized directly in equity under item A) VII *Reserve for hedges of expected cash flows*. The cumulative profit or loss is recorded in the income statement in the same period in which the relevant operating effect of the hedged transaction is recognized and is recorded as an adjustment to the hedged item. The gain or loss associated with a hedge (or a portion of the hedge) which has become ineffective is immediately recorded in the income statement under item D) 18 d) *write-back of financial derivatives* and D) 19 d) *write-down of financial derivatives*, respectively. If a hedging instrument or a hedging relationship is terminated, but the hedged transaction has not yet taken place, the cumulative profit or loss, up to that moment recorded in the specific Equity reserve, is recorded in the income statement upon completion of the related transaction in connection with the recognition of the operating effects of the hedged transaction. If the hedged transaction is no longer considered probable, the cumulative unrealized profit or loss still recognized in equity is immediately recognized in the income statement in D18 d) or D19 d).

Financial derivatives with a positive fair value are classified under Current Assets (item C.III.5 Financial derivative assets) or under Provisions for risks if the fair value is negative (item B3 *Provision for financial derivative liabilities*).

Where hedge accounting cannot be applied, profit or loss arising from the measurement of the derivative instrument is recognized immediately in the income statement under items D18 d) or D19 d).

PART IV: REVIEW OF INDIVIDUAL ITEMS

Foreword

The additional information required by Articles 2426 and 2427 of the Italian Civil Code, as well as any additional information required by Article 2423, paragraph III, of the Italian Civil Code, is provided, where necessary, following the order of the items envisaged in the mandatory financial statements. For the statement of financial position and income statement items indicated below, the amount of the corresponding item for the prior year was shown. The items are comparable (Article 2423 ter, paragraph V, Italian Civil Code).

Notes to the financial statements, Assets

The movements of the individual items are analyzed in detail below, in accordance with current legislation.

Fixed assets

The following sections provide an analysis of the movements in intangible, tangible and financial fixed assets held by the Company.

B.I) Intangible fixed assets

The amortization schedule, drawn up on the basis of the above principles, is shown below:

- start-up and expansion expense (B.I.1): estimated useful life 5 years, amortization rate 20%;
- software use licenses (B.I.4): estimated useful life 3 years, amortization rate 33.33%;
- trademarks (B.I.4): estimated useful life 18 years, amortization rate 5.56%;
- goodwill (B.I.5): estimated useful life 5 years, amortization rate 20%;
- extraordinary leasehold improvements (B.I.7): estimated useful life approximately 8 years, amortization rate 12.50%;
- other costs with long-term useful life (B.I.7): estimated useful life approximately 18 years, amortization rate 5.56%.

Movements in intangible fixed assets

Movements in intangible fixed assets are shown in the table below "*MOVEMENTS IN INTANGIBLE FIXED ASSETS*" (Article 2427, paragraph I, no. 2, Italian Civil Code).

	Start-up and expansion costs	Concessions, licenses, trademarks and similar rights	Goodwill	Intangible fixed assets under construction and advances	Other intangible fixed assets	Total intangible fixed assets
Amount at beginning of year						
Cost	58,695	108,016	301,380	-	567,403	1,035,494
Amortization (Amortization fund)	21,494	53,605	60,276	-	247,207	382,582
Carrying amount	37,201	54,411	241,104	-	320,196	652,912
Changes in the year						
Increases from acquisitions	-	62,066	-	21,580	69,255	152,901
Amortization for the year	9,001	19,483	60,276	-	67,012	155,772
Total changes	*(9,001)*	*42,583*	*(60,276)*	*21,580*	*2,243*	*(2,871)*
Amount at year end						
Cost	55,347	150,343	301,380	21,580	636,658	1,165,308
Amortization (Amortization fund)	27,147	53,348	120,552	-	314,219	515,266
Carrying amount	28,200	96,995	180,828	21,580	322,439	650,042

B.I.1) Start-up and expansion costs

Start-up and expansion costs with long-term useful life were booked under assets, with the consent of the Board of Statutory Auditors.

These costs are amortized, according to a straight-line amortization schedule, over a period no higher than legally permitted (5 years).

The breakdown of this item is shown below (Article 2427, paragraph I, no. 3, Italian Civil Code):

Nature of asset	Gross amount	Net amount
Start-up costs	8,070	0
Expansion costs	47,277	28,200
Total	**55,347**	**28,200**

For the sake of completeness, it should be noted that in the year under review, the start-up costs, the amortization process of which ended last year, amounting to € 3,348, were fully written off.

B.I.4) Concessions, licenses, trademarks and similar rights

The breakdown of the item is shown below:

Nature of asset	Gross amount	Net amount
Trademarks and brands	24,805	17,387
Software licenses	125,538	79,608
Total	**150,343**	**96,995**

For the sake of completeness, it should be noted that in the year under review, the software concessions and licenses whose amortization process was completed last year, amounting to € 19,739, were fully written off.

B.I.5) Goodwill

Goodwill was recorded with the consent of the Board of Statutory Auditors.

The breakdown of the item is shown below:

Nature of asset	Gross amount	Net amount
Goodwill	301,380	180,828
Total	**301,380**	**180,828**

Goodwill was acquired against payment as a result of the acquisition of the business unit of Modalis S.r.l., in a procedure with an arrangement with creditors, and is amortized over 5 years.

B.I.7) Other intangible fixed assets

The breakdown of the item is shown below:

Nature of asset	Gross amount	Net amount
Non-recurring work on third-party assets	553,778	308,008
Other costs with long-term useful life	82,880	14,431
Total	**636,658**	**322,439**

B.II) Tangible fixed assets

The depreciation schedule, drawn up on the basis of the above principles, is shown below:

- industrial buildings (B.II.1): estimated useful life 33 years, depreciation rate 3%;
- general plant (B.II.2): estimated useful life 8 years, depreciation rate 12.50%;
- operating machinery (B.II.2): estimated useful life 8 years, depreciation rate 12.50%;
- equipment (B.II.3): estimated useful life 4 years, depreciation rate 25%;
- furniture and fittings (B.II.4): estimated useful life 8.33 years, depreciation rate 12%;
- ordinary office furniture and equipment (B.II.4): estimated useful life 8.33 years, depreciation rate 12%;
- electrical and electronic office machinery (B.II.4): estimated useful life 5 years, depreciation rate 20%;
- motor vehicles (B.II.4): estimated useful life 4 years, depreciation rate 25%;
- industrial vehicles (B.II.4): estimated useful life 5 years, depreciation rate 20%.

Movements in property, plant and equipment

Movements in property, plant and equipment are shown in the table below " *MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT* " (Article 2427, paragraph I, no. 2, Italian Civil Code):

	Land and buildings	Plant and equipment	Industrial and commercial equipment	Other tangible fixed assets	PPE under construction and advances	Total property, plant and equipment
Amount at beginning of year						
Cost	506,252	1,056,597	218,531	789,456	196,225	2,767,061
Depreciation (Depreciation fund)	15,932	598,074	164,503	426,052	-	1,204,561
Carrying amount	490,320	458,523	54,028	363,404	196,225	1,562,500
Changes in the year						
Increases from acquisitions	74,896	113,724	8,617	87,322	1,057,051	1,341,610
Reclassifications (of carrying amount)	-	6,150	-	4,800	(10,950)	-
Decreases due to disposals and divestments (of the carrying amount)	-	16,314	-	-	-	16,314
Depreciation for the year	12,965	95,186	24,877	106,479	-	239,507
Other changes	-	15,380	-	288	-	15,668
Total changes	*61,931*	*23,754*	*(16,260)*	*(14,069)*	*1,046,101*	*1,101,457*
Amount at year end						
Cost	581,148	1,160,157	227,148	881,578	1,242,326	4,092,357
Depreciation (Depreciation fund)	28,898	677,880	189,380	532,243	-	1,428,401

	Land and buildings	Plant and equipment	Industrial and commercial equipment	Other tangible fixed assets	PPE under construction and advances	Total property, plant and equipment
Carrying amount	552,250	482,277	37,768	349,335	1,242,326	2,663,956

It should be noted that the increase in *Fixed assets under construction* refers to the plant engineering works in progress relating to the new Warehouse in Collegno, Via Tunisia, whose operations began in the first quarter of the current year.

Finance leases

In accordance with the equity method, the Company accounts for leases by charging on an accruals basis the related fees to the income statement for the year. If the financial accounting method for finance leases had been applied, equity and net income would be approximately € 813,196 and € 73,613 higher, respectively, net of the tax effect of approximately € 23,246.

The table *"FINANCE LEASES* " shown below (Article 2427, paragraph I, no. 22, Italian Civil Code) provides information on the current value of the instalments not yet due, the actual financial expense, the financial expense for the year, the residual value of the asset at year end, the depreciation rate and the adjustments and writebacks relating to the year.

	Amount
Total amount of leased financial assets at year end	2,738,161
Depreciation that would have been charged in the year	89,519
Present amount of instalments of fees not yet due at year end	1,668,166
Financial expense for the year based on the effective interest rate	52,963

B.III) Financial fixed assets

Movements in investments, other securities and fixed financial derivative assets

B.III.1) Investments

The Company holds a 100% controlling interest in Pattern Project S.r.l..

Additionally, on 31 March 2020 it acquired the controlling stake in SMT S.r.l., Società Manifattura Tessile S.r.l., with registered office in Correggio (RE), Via Della Costituzione 37, equal to 51% of the share capital.

Movements in investments under Financial Fixed Assets are shown in the table below *"MOVEMENTS IN INVESTMENTS, OTHER SECURITIES AND FIXED FINANCIAL DERIVATIVE ASSETS"* (Article 2427, paragraph I, no. 2, Italian Civil Code).

	Investments in subsidiaries	Total investments
Amount at beginning of year		
Cost	167,000	167,000
Carrying amount	167,000	167,000
Changes in the year		
Increases from acquisitions	5,500,000	5,500,000
Total changes	5,500,000	5,500,000
Amount at year end		
Cost	5,667,000	5,667,000
Carrying amount	5,667,000	5,667,000

Changes in and maturity of long-term receivables

B.III.2) Receivables

The breakdown of the item is shown below:

Nature of receivable	Current-year amount	Prior-year amount
Deposits	0	1,100,000
Security deposits	39,266	25,960
Total	**39,266**	**1,125,960**

The tables below *"BREAKDOWN OF LONG-TERM RECEIVABLES BY GEOGRAPHICAL AREA*" and *"CHANGE AND MATURITY OF LONG-TERM RECEIVABLES*" show, separately for each item, the breakdown of receivables among financial fixed assets by geographical area and maturity. It should be noted that there are no receivables due beyond five years (Article 2427, paragraph I, no. 6, Italian Civil Code):

	Amount at beginning of year	Changes in the year	Amount at year end	Portion due within one year	Portion due beyond one year
Receivables from others	1,125,960	(1,086,694)	39,266	3,000	36,266
Total	**1,125,960**	**(1,086,694)**	**39,266**	**3,000**	**36,266**

With regard to the negative change in long-term receivables in the year, the amount of € 1,100,000, paid in the prior year as a guarantee deposit for the purchase of the 51% controlling interest in SMT S.r.l., was reclassified in the book value of the investment in SMT S.r.l. following its acquisition on 31 March 2020.

Long-term receivables from others are made up as follows:

- *portion due within one year*: security deposit of € 3,000 relating to the current lease for the local units in Bricherasio;

- *portion due beyond one year*: security deposits of € 36,266 relating to the leases for the warehouse in Collegno and the showroom in Milan, as well as security deposits for utilities.

Details of long-term investments in subsidiaries

The figures for directly-owned investments are shown in the tables below, with regard to investments in subsidiaries (Article 2427, paragraph I, no. 5, Italian Civil Code), which show, for each subsidiary, the name, registered office, capital, equity, profit or loss for the latest year, the stake held and the value attributed in the financial statements, the initial and final stake, new acquisitions, disposals and write-downs (Article 2427, paragraph I, no. 5, Italian Civil Code).

Name	City, if in Italy, or foreign country	Tax code (for Italian companies)	Capital in €	Profit (loss) for the latest year in €	Equity in €	Stake held in €	Stake held in %	Book value or corresponding receivable
PATTERN PROJECT SRL	COLLEGNO (TO)	11146850018	20,000	25,743	283,054	283,054	100.000	167,000
SMT SRL	COREGGIO (RE)	01182020352	1,000,000	1,482,142	4,080,115	2,080,859	51.000	5,500,000
Total								5,667,000

The entire investment in the subsidiary Pattern Project S.r.l. was measured on the basis of the cost incurred for its acquisition. It is not entered at a value higher than the value corresponding to the portion of equity shown in the latest financial statements of the investee.

The investment in the subsidiary SMT S.r.l., measured on the basis of the cost incurred for its acquisition, is entered at a value higher than that the value corresponding to the portion of equity shown in the latest financial statements approved by the investee. The difference is due to the goodwill of the investee, justified by the earnings capacity of the acquired business.

Breakdown of long-term receivables by geographical area

The table below shows a breakdown of receivables under financial fixed assets by geographical area (Article 2427, paragraph I, no. 6, Italian Civil Code):

Geographical area	Long-term receivables from others	Total long-term receivables
Italy	39,266	39,266

Amount of financial fixed assets

There are no financial fixed assets recorded at a value higher than the relating fair value.

Pursuant to Article 2427 bis, paragraph 1, no. 2 letter a), of the Italian Civil Code, details, for each financial asset, of the book value and fair value are shown below:

Details of the value of long-term receivables from others

Description	Book value	Fair value
Security deposits	39,266	39,266
Total	**39,266**	**39,266**

Current assets

Inventory

Goods are recognized in inventory when the ownership title is transferred, and consequently include the goods held at the company warehouses, except for those received from third parties for which the ownership right has not been acquired (for review, held for processing, on consignment), goods held by third parties (for review, held for processing, on consignment) and goods in transit where the ownership title has already been acquired.
Inventory under current assets amounted to € 3,556,896 (€ 3,434,954 in the prior year).

Given the risk of obsolescence and the risk of slow-moving goods, the value of inventory was adjusted by means of a specific provision for write-downs totaling € 1,149,265, broken down as follows:

- € 431,521 as a reduction in the value of raw materials inventory. The provision decreased versus the amount at the end of the prior year (€ 640,002), due to the increased disposal of raw materials that can no longer be used;
- € 717,744 as a reduction in the value of finished goods inventory. The provision increased versus the amount at the end of the prior year (€ 576,414), due to the entry of stocks of the new Esemplare collections into the warehouse, the difficulty in complying with their sales plans and disposal of obsolete ones, owing to the extraordinary difficulties in the year.

The breakdown and movements of the individual items are shown below:

	Amount at beginning of year	Changes in the year	Amount at year end
raw and ancillary materials and consumables	1,963,964	(139,448)	1,824,516
work in progress and semi-finished products	1,015,144	286,603	1,301,747
finished products and goods	455,846	(25,213)	430,633
Total	*3,434,954*	*121,942*	*3,556,896*

Unlike the prior year, and with the exception of Inventory of work in progress, which increased overall versus 2019, the value of Inventory of raw materials and Inventory of finished products, net of related adjustments for obsolescence and slow moving, decreased but remains at high levels, confirming the upswing in production, which will develop in the opening period of 2021.

The tables below show the breakdown and movements of the individual items:

C.I.1) Raw and ancillary materials and consumables

Raw and ancillary materials and consumables	Beginning of year	Change	End of year
Raw materials in stock	2,435,033	-206,252	2,228,781
Provision for inventory write-down of raw materials	-640,002	208,481	-431,521
Raw materials in transit	168,933	-141,677	27,256
Total	**1,963,964**	**-139,448**	**1,824,516**

C.I.2) Work in progress and semi-finished products

Work in progress and semi-finished products	Beginning of year	Change	End of year
Work in progress	1,015,144	286,603	1,301,747
Provision for inventory write-down of work in progress	0	0	0
Total	**1,015,144**	**286,603**	**1,301,747**

C.I.4) Finished products and goods

Finished products and goods	Beginning of year	Change	End of year
Finished products	901,809	246,328	1,148,137
Provision for inventory write-down of finished products	-576,414	-141,330	-717,744
Finished products in transit	130,451	-130,211	240
Total	**455,846**	**-25,213**	**430,633**

Receivables under current assets

Receivables under current assets amounted to € 6,123,717 (€ 9,337,554 in the prior year).

Changes in and maturity of receivables under current assets

The table below shows a breakdown of receivables under current assets by maturity for each item. It should be noted that there are no receivables due beyond five years (Article 2427, paragraph I, no. 6, Italian Civil Code):

	Amount at beginning of year	Change in the year	Amount at year end	Portion due within one year	Portion due beyond one year
Receivables from customers	8,005,583	(2,960,506)	5,045,077	5,045,077	-
Receivables from subsidiaries	-	9,457	9,457	9,457	-
Tax receivables	1,273,129	(320,429)	952,700	943,882	8,818
Prepaid tax	49,585	13,390	62,975	-	-
Receivables from others	9,257	44,251	53,508	53,508	-
Total	**9,337,554**	**(3,213,837)**	**6,123,717**	**6,051,924**	**8,818**

The breakdown of receivables under current assets is as follows:

C.II. 1) Receivables from customers

The item is broken down as follows:

Nature of receivable	Current-year amount	Prior-year amount
Receivables from customers	5,285,122	8,195,003
Invoices to issue	22,096	41,655
Credit notes to issue	-38,427	-16,881
Bank receipts	31,502	37,775
Allowance for impairment	-255,216	-251,969
Total	**5,045,077**	**8,005,583**

The sharp drop in the value of trade receivables is explained by a lower amount of sales in the final period of the year versus the prior year.

The allowance for impairment is deemed appropriate for the foreseeable collectability of receivables and changes as follows:

opening allowance for impairment	251,969
allocation in the year	26,549
utilization in the year	-23,302
closing allowance for impairment	255,216

The adjustment provision refers to receivables from customers.

C.II. 2) Receivables from subsidiaries

The item is broken down as follows:

Nature of receivable	Current-year amount	Prior-year amount
Invoices to issue to Pattern Project S.r.l	1,000	0
Invoices issued to SMT S.r.l.	8,457	0
Total	**9,457**	**0**

C.II. 5-bis) Tax receivables

The item is broken down as follows:

Nature of receivable	Current-year amount	Prior-year amount
within 12 months:		
Revenue Agency VAT a/c	365,985	1,273,129
IRES receivable	479,446	0
IRAP receivable	88,297	0
Other tax receivables	10,154	0
over 12 months:		
Other tax receivables	8,818	0
Total	**952,700**	**1,273,129**

For the sake of completeness, it should be noted that:

- the IRES tax receivable for the year, amounting to € 479,446, is the result of the difference between advances paid in the year under review by the Company (totaling € 750,000), added to the receivable for withholdings (€ 158) and the IRES tax payable for the year (€ 275,686).
  For the sake of completeness, it should be noted that the IRES tax payable was further reduced by the portion of the deduction due for energy saving measures pursuant to Law 296/2006 pertaining to the year (€ 4,974);
- the IRAP tax receivable for the year, amounting to € 88,297, is the result of the difference between advances paid in the year under review by the Company (totaling € 128,000), and the IRAP tax payable for the year (€ 39,703). For the sake of completeness, it should be noted that the IRAP tax payable was recorded net of the I notional unpaid IRAP advance, calculated as 40% of actual tax;
- the item "other tax receivables" includes, *inter alia*, the sanitization tax credit pursuant to Article 125 of Legislative Decree no. 34/2020 unused yet for offsetting purposes at 31 December amounting to € 7,141, and the tax credit for investments in capital goods pursuant to Article 1, paragraphs 184-197 of Law no. 160/2019, and Article 1, paragraphs 1051-1063 of Law no. 178/2020 amounting to € 11,076 (of which € 8,818 over 12 months).

C.II. 5-ter) Prepaid tax receivables

The item is broken down as follows:

Nature of receivable	Current-year amount	Prior-year amount
Prepaid tax receivables	62,975	49,585
Total	**62,975**	**49,585**

Reference is made for this item to the paragraph "Deferred taxation" below.

C.II. 5-quater) Other receivables

The item is broken down as follows:

Nature of receivable	Current-year amount	Prior-year amount
Receivables from social security entities	3,634	874
Redundancy fund	44,838	0
Advances to suppliers	0	33
Sundry receivables	5,036	8,350
Total	**53,508**	**9,257**

Breakdown of receivables under current assets by geographical area

The breakdown of receivables by geographical area is shown, separately for each item, in the table below (Article 2427, paragraph I, no. 6, Italian Civil Code):

Geographical area	Receivables from customers under current assets	Receivables from subsidiaries under current assets	Tax receivables under current assets	Deferred tax assets under current assets	Other receivables under current assets	Total receivables under current assets
Italy	838,332	9,457	952,700	62,975	53,508	1,916,972
EU	4,179,691	-	-	-	-	4,179,691
Extra-EU	27,054	-	-	-	-	27,054
Total	**5,045,077**	**9,457**	**952,700**	**62,975**	**53,508**	**6,123,717**

The above breakdown shows that the amount of receivables, specifically receivables from EU and Extra-EU customers, accounts for approximately 83% of total receivables. To provide, however, a correct presentation of the geographical distribution of trade receivables, mention should also be made that the remaining 17% of receivables from Italian customers is made up, for approximately 25%, of national customers belonging to large international groups. The analysis clearly confirms, also for 2020, that Pattern S.p.A. continues to target an international market in particular, consistent with the specific nature of its core business and business segment.

Cash and cash equivalents

At the end of the year, cash and cash equivalents amounted to € 19,966,472 (€ 16,073,052 in the prior year).

The strong increase in 2020 versus the prior year is attributable to the new medium-term loans taken out, all with grace periods, and to an improvement in net working capital.

With regard to their change, together with the change in payables to banks, reference is made to the Statement of Cash Flows.

	Amount at beginning of year	Changes in the year	Amount at year end
bank and postal deposits	16,043,197	3,900,448	19,943,645
cheques	20,109	(8,543)	11,566
cash and valuables in hand	9,746	1,515	11,261
Total	*16,073,052*	*3,893,420*	*19,966,472*

Accrued income and prepaid expenses

	Amount at beginning of year	Change in the year	Amount at year end
Accrued income	2,513	(945)	1,568
Prepaid expenses	509,948	(131,352)	378,596
Total accrued income and prepaid expenses	**512,461**	**(132,297)**	**380,164**

The decrease in the amount of prepaid expenses recorded in the financial statements, versus the prior year, is due primarily to the following:

- the reversal of deferrals relating to rental fees for the Spello production plant;
- the reversal of deferrals relating to certain long-term service contracts.

A breakdown of accrued income and prepaid expenses is provided below:

Description	Detail	Current-year amount
ACCRUALS AND DEFERRALS		
	ACCRUED INCOME	-
	Property leases	1,568
	PREPAID EXPENSES	-
	Rental fees	57,375
	Property lease fees	26,166
	Purchase of services	27,833
	Insurance	49,919
	Service contracts	25,303
	Software support contracts	23,460
	Maxi lease fees	147,451
	Bank expense	8,150
	Rental expense	10,525
	Sponsorships and advertising	2,414
	Accruals and deferrals	-
	Total	**380,164**

Capitalized financial expense

All interest and other financial expense were fully expensed during the year. For the purposes of Article 2427, paragraph 1, no. 8, of the Italian Civil Code, it is hereby certified that no financial expense was capitalized.

Notes to the financial statements, liabilities and equity

The movements of the individual items are analyzed in detail below, in accordance with current legislation.

Equity

A.I) Share capital

The subscribed and paid-up share capital, amounting to € 1,371,538, is made up of no. 13,715,384 ordinary shares, with no indication of par value, subject as from 1 July 2019 to the dematerialization scheme and therefore admitted to the centralized management system of financial instruments pursuant to Articles 83-bis et seq. of Legislative Decree 58/1998 (Article 2427, paragraph I, no. 17).

On 15 July 2019, the Company was admitted to trading of its ordinary shares on the AIM Italia multilateral trading system, organized and managed by Borsa Italiana S.p.A.; trading began on 17 July 2019.

On 24 April 2020, a free share capital increase of € 10,000 was executed, following allocation to the CEO of 100,000 shares, in execution of the Stock Grant Plan approved by the Ordinary Shareholders' Meeting of Pattern S.p.A. on 25 June 2019, by reducing by the same amount the unavailable reserve set up for this purpose.

Lastly, it should be noted that the authorized share capital at 31 December 2020 amounts to a total of € 1,401,538. The difference between the authorized share capital and the subscribed and paid-up share capital, amounting to € 1,371,538, is attributable to the Retained Earnings Reserve to service the free share capital increase, in the amount of € 30,000, resolved by the Extraordinary Shareholders' Meeting of Pattern S.p.A. on 25 June 2019. The free share capital increase is to service the Stock Grant Plan (for the period 2019-2022), approved by the Ordinary Shareholders' Meeting of 25 June 2019, regarding the granting to the Managing Director and CEO thereof of the right to receive a maximum of an additional no. 300,000 ordinary shares free of charge (of which no. 100,000 already granted as indicated above) subject to the achievement of certain annual targets for the company's growth.

On 4 December 2020, the Ordinary Shareholders' Meeting approved the purchase of treasury shares, authorizing the Governing Body, pursuant to Articles 2357 and 2357-ter of the Italian Civil Code, to purchase, during the following eighteen months, ordinary shares of the Company in one or more tranches, for an amount that may be freely determined by the Board of Directors, up to a maximum of treasury shares no higher than 10% of the share capital. Treasury shares will be purchased by the Board of Directors for one or more of the purposes illustrated in the report prepared by the Governing Body and attached to the minutes of the Ordinary Shareholders' Meeting, available on the company website (www.pattern.it), *Governance* section.

The Extraordinary Shareholders' Meeting of 4 December 2020 resolved to grant the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, the power, to be exercised by 31 December 2022, to increase the share capital against payment, on a divisible basis, up to a maximum total amount of € 15 million, including share premium, through contributions in kind. More specifically, any increase will take place through issue of ordinary shares with the characteristics and the same dividend entitlement as the ordinary shares outstanding at the issue date, to be offered for subscription to subjects performing activities similar, connected, functional and/or synergic to those of the Company, within the context of transactions for the acquisition of investments, companies and/or business units or other assets connected with and functional to the corporate object of the Company and/or its subsidiaries.

A.II) Share premium reserve

The Share premium reserve amounts to € 8,238,460 and was set up in the prior year following the share capital increase to service the listing on the AIM Italia multilateral trading system. Specifically, the share premium was set at € 3.15 per share issued.

A.IV) Legal reserve

The Legal Reserve amounts to € 272,308 and the movements in the year are as follows:

Legal reserve	Amount
Prior-year amount	200,000
Allocation of prior year's profit	72,308
Balance at year end	**272,308**

A.VI) Other equity reserves

Extraordinary reserve

The Extraordinary reserve amounts to € 6,558,256 and the movements in the year are as follows:

Extraordinary reserve	Amount
Prior-year amount	3,505,409
Allocation of prior year's profit	3,738,617
Dividend distribution	(685,769)
Balance at year end	**6,558,257**

Reserve for merger surplus

The Reserve for merger surplus amounts to € 101,764 and refers to the merger differences arising from the incorporation of Roscini Atelier S.r.l. in the prior year, composed as follows:

- € 22,540 in exchange surplus;
- € 79,224 in cancellation surplus.

Reserve for exchange gains

The Reserve for exchange gains amounts to € 291 and covers exchange rate valuation differences outstanding at the end of the prior year.

Other Reserves

Restricted reserve for share capital increase to service the Stock Grant Plan

The Parent Company’s Shareholders' resolution of 25 June 2019 set up the restricted reserve for share capital increase to service the Stock Grant Plan approved by its shareholders (for the period 2019 - 2022), in the amount of € 40,000, through use of the extraordinary reserve. In the year, as mentioned earlier, the reserve was used for a free share capital increase of € 10,000.

Restricted reserve for share capital increase to service the Stock Grant Plan	**Amount**
Prior-year amount	40,000
Utilization for share capital increase	(10,000)
Balance at year end	**30,000**

A.VII) Reserve for hedges of expected cash flows

The Reserve for hedges of expected cash flows amounts to € -45,581 and refers to the fair value at 31.12.2020 of two IRS derivative contracts hedging interest rate risk on loans taken out in the year.

For a breakdown of derivatives, reference is made to Part V of these notes.

Changes in equity items

Changes in the items making up equity are shown in the tables "CHANGES IN EQUITY" *and "DETAILS OF OTHER RESERVES* " shown below (Article 2427, paragraph I, no. 4 and 7, Italian Civil Code)

	Amount at beginning of year	**Allocation of prior year's result - Other allocations**	**Other changes - Increases**	**Other changes - Decreases**	**Other changes - Reclassifications**	**Profit (loss) for the year**	**Amount at year end**
Share capital	1,361,538	-	-	-	10,000	-	1,371,538
Share premium reserve	8,238,460	-	-	-	-	-	8,238,460
Legal reserve	200,000	72,308	-	-	-	-	272,308
Extraordinary reserve	3,505,409	3,738,617	-	685,769	-	-	6,558,257
Merger surplus reserve	101,764	-	-	-	-	-	101,764
Reserve for unrealized exchange gains	291	-	-	-	-	-	291
Various other reserves	40,000	-	-	-	(10,000)	-	30,000
Total other reserves	3,647,464	3,738,617	-	685,769	(10,000)	-	6,690,312
Reserve for hedges of expected cash flows	-	-	(45,581)	-	-	-	(45,581)
Profit (loss) for the year	3,810,925	(3,810,925)	-	-	-	1,950,762	1,950,762
Total	**17,258,387**	**-**	**(45,581)**	**685,769**	**-**	**1,950,762**	**18,477,799**

Details of the various other reserves

Description	Amount
Restricted reserve for share capital increase to service the Stock Grant Plan	30,000
Total	**30,000**

Availability and utilization of equity

The eligibility for the utilization and distribution of Equity items, as well as their utilization in the previous three years, are shown in the tables *"AVAILABILITY AND UTILIZATION OF EQUITY" and "ORIGIN AND ELIGIBILITY FOR THE UTILIZATION AND DISTRIBUTION OF VARIOUS OTHER RESERVES"* below (Article 2427, paragraph I, no. 7 bis, Italian Civil Code).

Description	Amount	Origin/Nature	Eligibility for utilization	Portion available	Summary of utilizations made in past three years - for other reasons
Share capital	1,371,538			-	-
Share premium reserve	8,238,460	Share capital	A;B;C	8,238,460	-
Legal reserve	272,308	Profit	B	272,308	-
Extraordinary reserve	6,558,257	Profit	A;B;C	6,558,257	2,317,498
Merger surplus reserve	101,764	Profit	A;B;C	101,764	-
Reserve for unrealized exchange gains	291	Profit	A;B	291	-
Various other reserves	30,000	Profit	A	30,000	10,000
Total other reserves	6,690,312	Profit		6,690,312	-
Reserve for hedges of expected cash flows	(45,581)			-	-
Total	**16,527,037**			**15,201,080**	**2,327,498**
Non-distributable portion				302,798	
Remaining distributable portion				14,898,282	
Key: A: for capital increase; B: to cover losses; C: for distribution to shareholders; D: for other statutory obligations; E: other					

Origin, eligibility for utilization and distribution of various other reserves

Description	Amount	Origin/Nature	Eligibility for utilization	Portion available	Summary of utilizations made in past three years - for other reasons
Various other reserves	30,000	Profit	A	30,000	10,000
Total	**30,000**			-	-
Key: A: for capital increase; B: to cover losses; C: for distribution to shareholders; D: for other statutory obligations; E: other					

Changes in the reserve for hedges of expected cash flows

The information required by Article 2427-bis, paragraph 1, no. 1, letter b-quater) of the Italian Civil Code regarding the details of movements in the year is summarized in the table below:

	Changes in the year - Decrease due to change in fair value	Amount at year end
Reserve for hedges of expected cash flows	45,581	(45,581)

Lastly, it should be noted that no Equity item at 31 December 2020 is subject to tax suspension restrictions.

Provisions for risks and charges

Changes in the items making up the provisions for risks and charges are shown in the table below *"PROVISIONS FOR RISKS AND CHARGES"* as well as further below (Article 2427, paragraph I, no. 4, Italian Civil Code).

The breakdown and movements of the individual items are shown below:

	Amount at beginning of year	Changes in the year - Allocation	Changes in the year - Utilization	Changes in the year - Total	Amount at year end
Provision for retirement and similar obligations	4,438	515	2,123	(1,608)	2,830
Financial derivative liabilities	-	45,581	-	45,581	45,581
Other provisions	47,741	-	14,412	(14,412)	33,329
Total	**52,179**	**46,096**	**16,535**	**29,561**	**81,740**

B.1) Provisions for pensions and similar obligations

Provision for agents' termination benefits

The provision represents allocations for supplementary social security payments, due, based on the collective agreement that regulates agency and sales representation relationships, to agents tasked with the sale of "Esemplare" products.

The breakdown and changes in this item are shown below:

	Current-year amount	Prior-year amount
Opening balance	4,438	2,741
Allocation in the year	515	1,697
Utilization in the year	-2,123	0
Closing balance	**2,830**	**4,438**

B.3) Financial derivative liabilities

Movements were as follows:

	Current-year amount
Opening balance	0
Recognition of fair value of derivatives 31.12.20	-45,581
Closing balance	**-45,581**

B.4) Other provisions

The breakdown and changes in "other provisions" are shown below (Article 2427, paragraph I, no. 7, Italian Civil Code).

Provision for risks on sales returns

Movements were as follows:

	Current-year amount	Prior-year amount
Opening balance	47,741	32,497
Allocation in the year	0	30,244
Utilization for expense incurred	-14,412	-15,000
Closing balance	**33,329**	**47,741**

The provision for risks on sales returns includes the best estimate of any expense the company will incur in the event of returns on sales of “Esemplare” garments. This estimate is determined by taking account of the records of the opening months of the following year, direct review at customer premises, based on specific contractual agreements and the company's experience.

Post-employment benefits

Post-employment benefits are recorded under liabilities for a total of € 1,045,755 (€ 875,952 in the prior year).

The changes in the amount of this item are shown in the table below (Article 2427, paragraph I, no. 4, Italian Civil Code):

	Amount at beginning of year	Changes in the year - Allocation	Changes in the year - Utilization	Changes in the year - Total	Amount at year end
POST-EMPLOYMENT BENEFITS	875,952	438,426	268,623	169,803	1,045,755
Total	**875,952**	**438,426**	**268,623**	**169,803**	**1,045,755**

Payables

Payables are recorded under liabilities for a total of € 19,410,941 (14,657,347 in the prior year).

Changes and maturity of payables

The table below shows a breakdown of payables by maturity, with the amount of payables with a residual duration of more than five years, separately for each item (Article 2427, paragraph I, no. 6, Italian Civil Code):

	Amount at beginning of year	Change in the year	Amount at year end	Portion due within one year	Portion due beyond one year	Of which with residual maturity of over 5 years
Payables to banks	3,288,327	7,546,221	10,834,548	1,587,097	9,247,451	305,193
Payables to other lenders	400,000	-	400,000	-	400,000	120,014
Payables to suppliers	8,893,574	(2,201,284)	6,692,290	6,692,290	-	-
Payables to subsidiaries	55,480	7,952	63,432	63,432	-	-
Tax payables	603,127	(398,586)	204,541	204,541	-	-
Payables to welfare and social security entities	559,274	(74,195)	485,079	485,079	-	-
Other payables	857,565	(126,514)	731,051	731,051	-	-
Total	**14,657,347**	**4,753,594**	**19,410,941**	**9,763,490**	**9,647,451**	**425,207**

Breakdown of payables by geographical area

The breakdown of payables by geographical area is shown, separately for each item, in the table below (Article 2427, paragraph I, no. 6, Italian Civil Code):

Geographical area	Payables to banks	Payables to other lenders	Payables to suppliers	Payables to subsidiaries	Tax payables	Payables to welfare and social security entities	Other payables	Payables
Italy	10,834,548	400,000	5,885,119	63,432	204,541	485,079	731,051	18,603,770
EU	-	-	570,152	-	-	-	-	570,152
Extra-EU	-	-	237,019	-	-	-	-	237,019
Total	**10,834,548**	**400,000**	**6,692,290**	**63,432**	**204,541**	**485,079**	**731,051**	**19,410,941**

Payables secured by collateral on company assets

Pursuant to Article 2427, paragraph 1, no. 6, of the Italian Civil Code, it is hereby certified that payables are secured by collateral.

	Payables unsecured by collateral	Total
Payables to banks	10,834,548	10,834,548
Payables to other lenders	400,000	400,000
Payables to suppliers	6,692,290	6,692,290
Payables to subsidiaries	63,432	63,432
Tax payables	204,541	204,541
Payables to welfare and social security entities	485,079	485,079
Other payables	731,051	731,051
Total payables	**19,410,941**	**19,410,941**

Loans made by shareholders of the company

The Company has not received any shareholder loans.

Other debt items are detailed below:

D.4) Payables to banks

Payables to banks are shown below:

Nature of payable	Current-year amount	Prior-year amount
Within 12 months		
Credit cards	10,596	14,852
Loans without collateral	1,575,428	910,342
Bank fees to settle	1,073	624
Over 12 months		
Loans without collateral	9,247,451	2,362,509
Total	**10,834,548**	**3,288,327**

Details of outstanding loans, shown at amortized cost, are provided below, as anticipated in Part III of these Notes.

Bank	Amount granted	Disbursement	Maturity	Remaining debt at 31.12.2020	Debt within 12 months	Debt over 12 months
Intesa Sanpaolo	498,500	2017	2022	226,586	100,373	126,213
Unicredit	494,800	2017	2022	166,005	111,111	54,894
Banco-BPM	997,000	2018	2023	505,790	200,743	305,047
Banco-BPM	1,994,000	2019	2023	1,748,939	500,000	1,248,939
Unicredit	2,997,285	2020	2025	2,833,256	663,201	2,170,056
Intesa Sanpaolo	2,994,286	2020	2026	2,994,286	0	2,994,286
BNL	2,348,017	2020	2026	2,348,017	0	2,348,017
TOTAL	**12,323,888**			**10,822,880**	**1,575,428**	**9,247,451**

Bank	Remaining debt prior year	New loans	Repayments	Remaining debt current year
Intesa Sanpaolo	300,947	0	74,361	226,586
Unicredit	276,068	0	110,063	166,005
Banco-BPM	702,322	0	196,532	505,790
Banco-BPM	1,993,514	0	244,576	1,748,939
Unicredit	0	2,997,285	164,029	2,833,256
Intesa Sanpaolo	0	2,994,286	0	2,994,286
BNL	0	2,348,017	0	2,348,017
TOTAL	**3,272,851**	**8,339,588**	**789,560**	**10,822,880**

In the year, medium-term loan agreements were concluded with the following banks:

- Unicredit Spa for the amount of € 3 million;
- Intesa Sanpaolo Spa for the amount of € 3 million;
- Bnl-BNP Paribas for the amount of € 2.4 million.

The above amounts are gross of up-front fees if any. The last two were resolved under the so-called "Liquidity Decree".

In order to prevent interest rate risks, two IRS contracts were concluded on the loans taken out with Intesa Sanpaolo and Unicredit.

In this regard, it should be noted that, pursuant to Article 2427-bis, paragraph 1, of the Italian Civil Code, the fair value of these contracts came to a total negative amount of € 45,581.

For a breakdown, reference is made to Part V of these notes.

D.5) Payables to other lenders

In the prior year (on 30 January 2019), the Company took out a loan with SIMEST S.p.A. (loan to support the capitalization of exporting SMEs pursuant to Article 6, paragraph 2, letter c, of Law no. 133/2008) for the amount of € 400,000, expiring on 31 December 2026.

Nature of payable	Current-year amount	Prior-year amount
Over 12 months		
Loan	400,000	400,000
Total	**400,000**	**400,000**

D.7) Payables to suppliers

The item is broken down as follows:

Nature of payable	Current-year amount	Prior-year amount
Payables to suppliers	5,863,771	7,932,374
Invoices to receive	1,032,510	1,029,295
Credit notes to receive	-203,991	-68,095
Total	**6,692,290**	**8,893,574**

As shown in the table above, the amount of trade payables fell significantly versus the prior year. The decrease is attributable, as in the case of the reduction in the customer balance, to a lower amount of production in the last quarter of the year.

D.9) Payables to subsidiaries

The item is broken down as follows:

Nature of payable	Current-year amount	Prior-year amount
Invoices received from Pattern Project S.r.l.	56,200	55,480
Invoices received from SMT S.r.l.	1,930	0
Invoices to receive from SMT S.r.l.	5,302	0
Total	**63,432**	**55,480**

The amount of € 56,200 represents the payable to Pattern Project S.r.l. for royalties due from the use of the "Esemplare" trademark, owned by the latter.

D.12) Tax payables

The item is broken down as follows:

Nature of payable	Current-year amount	Prior-year amount
Revenue Agency withholding tax on employees a/c	197,604	231,279
Revenue Agency withholding tax on self-employment a/c	3,344	2,245
Revenue Agency withholding tax on post-employment benefits a/c	18	87
Revenue Agency Irap a/c	0	58,569
Revenue Agency Ires a/c	0	310,473
Revenue Agency other payables a/c	3,575	474
Total	**204,541**	**603,127**

With regard to the recognition of IRES and IRAP tax payables, reference is made to the section on "Tax receivables".

D.13) Payables to welfare and social security entities

The item is broken down as follows:

Nature of payable	Current-year amount	Prior-year amount
Inps	311,714	342,032
Inail	0	11,449
Inps and Inail accruals	104,516	129,800
Contributions to supplementary pension funds	67,779	72,624
Enasarco	1,070	3,369
Total	**485,079**	**559,274**

D.14) Other payables

The item is broken down as follows:

Nature of payable	Current-year amount	Prior-year amount
Payables to pension funds	8,772	9,555
Accruals for holidays not taken	358,005	450,988
Payables for salaries to settle	320,663	359,436
Payables for commissions to settle	26,870	32,696
Other payables	16,741	4,890
Total	**731,051**	**857,565**

This item includes residual amounts due for fees accrued but not yet paid, primarily to employees and, to a much lesser extent, to agents.

Accrued expenses and deferred income

The item is composed as follows:

	Amount at beginning of year	Change in the year	Amount at year end
Accrued expenses	22,528	(3,762)	18,766
Deferred income	-	12,512	12,512
Total accrued expenses and deferred income	**22,528**	**8,750**	**31,278**

The table below shows the breakdown of the items in question, as recorded in the financial statements.

Description	Detail	Current-year amount
ACCRUALS AND DEFERRALS		
	ACCRUED EXPENSES	-
	Insurance	6,270
	Services and utilities	9,851
	Interest expense	1,588
	Other	1,057
	DEFERRED INCOME	-
	Lease	1,844
	Purchase of services	188
	Software support contracts	200
	Grants plants a/c	10,280
	Accruals and deferrals	-
	Total	**31,278**

Notes to the financial statements, income statement

The income statement shows the result for the year.

It present operations by summarizing the positive and negative income components that contributed to the result. The positive and negative income components, recorded in the financial statements in accordance with the provisions of Article 2425-bis of the Italian Civil Code, are distinguished according to whether they belong to the various categories: ordinary, ancillary and financial.

The ordinary business identifies the components of income generated by transactions that occur on an ongoing basis and in the segment relevant to the performance of operations, which identify and qualify the specific and distinctive part of the business carried on by and the object of the company.

Financial activities consist of transactions that generate financial income and expense.

On a residual basis, ancillary activities consist of transactions that generate income components that are part of ordinary activities but are not part of the ordinary business and of financial activities.

Value of production

Revenue is recorded in the financial statements on an accruals basis, net of returns, allowances, discounts and rebates, as well as tax directly thereto.

Breakdown of revenue from sales and services by business category

A.1) Revenue

The Company's revenue is broken down as follows (Article 2427, paragraph I, no. 10, Italian Civil Code):

Business category	Current-year amount
Production area	30,783,352
Design area	2,377,047
Other revenue	1,064,088
Total	**34,224,487**

The sharp drop in revenue is explained by the global decline in economic activities as a result of the ongoing pandemic, which has severely impacted the apparel and luxury segments.

For an in-depth analysis of this issue, reference is made to the Directors' Report.

Breakdown of revenue from sales and services by geographical area

In relation to the provisions of Article 2427, paragraph I, no. 10, of the Italian Civil Code, the tables below also show a breakdown of revenue by geographical area:

Geographical area	Current-year amount
Italy	3,428,220
EU	30,573,161
Extra-EU	223,106
Total	**34,224,487**

The overall share of business with foreign customers is 90%, up further from 88.1% last year.

A.5) Other income

Income is as follows:

Nature	Current-year amount	Prior-year amount
Operating grants		
Advertising bonus pursuant to LD 50/2017	0	11,616
R&D tax credit pursuant to LD 145/2013	115,925	62,132
Training Plan Contribution (FDIR)	1,000	15,000
Sanitation tax credit pursuant to Article 125 LD 34/2020	10,685	0
Bonus listing pursuant to L 205/2017	500,000	0
Other revenue		
Ordinary capital gains	1,724	14,409
Tax credit pursuant to L. 145/2018	250	463
Grants plants a/c	30,171	639
Claims for damages	16,217	436
Contingent assets	8,552	0
Other revenue and income	14,313	29,807
Total	**698,837**	**134,502**

In the year under review, the Company received:

- the tax credit for research and development on the design of models, prototypes and samples; in this regard, reference should be made to the specific section in the Directors' Report on Operations;
- the contribution from Fondirigenti to reduce the costs of training plans to which the Company has adhered;
- the sanitization tax credit pursuant to Article 125 of Legislative Decree no. 34/2020 recognized for expense incurred in the year under review for the sanitization of workplaces and the purchase of individual protection devices, such as measures to contain the spread of the Coronavirus;
- the tax credit pursuant to Law 205/2017 recognized for advisory costs incurred last year for admission to listing on AIM. This credit, recognized by the Ministry of Economic Development at the beginning of May, was granted up to a maximum of € 500 thousand.

Costs of production

Costs and expense are allocated on an accruals basis and according to their nature, net of returns, allowances, discounts and rebates, in accordance with the principle of matching revenue, and recorded in the respective items in accordance with the provisions of OIC 12.

B.6) Cost of raw and ancillary materials, consumables and goods

This item includes mainly costs incurred for the procurement of raw materials and accessories used in the production of garments manufactured by the company.

B.7) Costs for services

These involve mainly the following types of services:

Nature	Current-year amount	Prior-year amount
Production services	10,751,060	18,604,024
Commercial services	919,800	1,537,114
Administrative and management services	1,133,380	2,836,171
Total	**12,804,240**	**22,977,309**

Specifically:

- production services: these consist mainly of packaging service costs;
- commercial services: most of this item regards transport services;
- administrative and management services: these include advisory fees and other administrative and management service costs pertaining to the period under review.

B.8) Lease and rental costs

Costs are as follows:

Nature	Current-year amount	Prior-year amount
Rental payments	170,019	128,734
Lease payments	239,036	233,535
Fees for software use	64,295	29,593
Car rental fees	148,131	143,537
Rental fees for other capital goods	31,807	36,372
Royalties	60,000	60,000
Total	**713,288**	**631,771**

B.9) Personnel expense

Payroll costs totaled € 7,775,262 (€ 9,238,945 in the prior year).

B.14) Sundry operating expense

Costs are as follows:

Nature	Current-year amount	Prior-year amount
Other tax and duties	58,386	57,925
Contingent liabilities	25,057	40,704
Other operating expense	55,792	41,253
Total	**139,235**	**139,882**

Financial income and expense

Financial income and expenses are recorded on an accruals basis relating to the portion accrued in the year.

Breakdown of income from investments

C.15) Income from investments

Income is as follows (Article 2427, paragraph I, no. 11, Italian Civil Code):

	Income from investments
From subsidiaries	45,000
Total	**45,000**

The amount refers to the dividend approved in 2020 on approval of the financial statements for the prior year by the subsidiary Pattern Project S.r.l..

There is no income from investments pursuant to Article 2425, no. 15, of the Italian Civil Code other than dividends.

C.16) Other financial income

Income is as follows:

Interest and other financial income	**Current-year amount**	**Prior-year amount**
Bank interest income	609	1,930
Interest on quarterly VAT refunds	2,167	2,096
Other	96	181
Total	**2,872**	**4,207**

Breakdown of interest and other financial expense by type of payables

C.17) Interest and other financial expense

The breakdown of interest and other financial expense is shown in the table below (Article 2427, paragraph I, no. 12, Italian Civil Code):

	Payables to banks	**Other**	**Total**
Interest and other financial expense	50,194	505	50,699

The increase in financial payables from medium-term bank borrowings is attributable to medium-term debt capital.

Nature	Current-year amount	Prior-year amount
Interest expense on medium-term loans	50,194	22,002
Other financial expense	505	2,903
Total	**50,699**	**24,905**

C.17 bis) Exchange gains and losses

The items are as follows:

Nature	Current-year amount	Prior-year amount
Valuation exchange differences	3,363	291
Realized exchange gains	17,174	8,206
Realized exchange losses	-11,642	-42,377
Total	**8,895**	**-33,880**

The decrease in the amount of foreign exchange losses incurred in the year is due mainly to the fluctuations recorded on purchases of raw materials in US dollars, Canadian dollars and British pounds.

Amount and nature of individual revenue/cost items of exceptional size or incidence

In the year, the Company did not earn revenue of an extraordinary nature, size or incidence to be reported pursuant to Article 2427, paragraph I, no. 13, of the Italian Civil Code.

In the year, in addition to the expense relating to the measures taken to implement adequate preventive measures to deal with the COVID-19 health emergency, the Company did not incur any costs of an extraordinary nature, size or incidence to be reported pursuant to Article 2427, paragraph I, no. 13, of the Italian Civil Code.

Income tax for the year, current, deferred and prepaid tax
Income tax

Income tax is a reasonable estimate of the tax due by applying the tax provisions in determining taxable corporate income.

Pursuant to the provisions of OIC Accounting Standard no. 25, the table below shows the "*RECONCILIATION BETWEEN THEORETICAL AND ACTUAL TAX RATE*".

IRES

Amounts in € thousands	**2020**	
Profit (loss) for the year before tax		2,128,690
Actual income tax	275,686	13.0%
Lower tax (versus theoretical rate)		
Utilization of taxed provision for risks	3,459	0.2%
R&D credit	27,822	1.3%
Sanitation tax credit	2,564	0.1%
Listing tax credit	120,000	5.6%
Tax credit for expenditure in capital goods	191	0.0%
Energy saving deductions	1,194	0.1%

Deductible entertainment expense	2,005	0.1%
Supplementary pension	1,545	0.1%
Super depreciation	10,920	0.5%
Hyper depreciation	3,101	0.1%
Utilization of provision for raw materials write-down	50,036	2.4%
IMU instrumental properties	2,824	0.1%
Dividends	10,260	0.5%
IRAP deductions	4,288	0.2%
Patent box	60,528	2.8%
A.C.E.	34,172	1.6%
Higher tax (versus theoretical rate)		
Inventory write-down of finished products	(33,919)	-1.6%
Maintenance	(169)	0.0%
Miscellaneous car costs	(4,182)	-0.2%
Insurance	(2,496)	-0.1%
Telephone expense	(3,178)	-0.1%
Entertainment expense	(2,664)	-0.1%
Car rental	(8,588)	-0.4%
Lease fees	(13,226)	-0.6%
Goodwill	(10,445)	-0.5%
Non-deductible depreciation	(1,402)	-0.1%
IMU instrumental properties	(4,706)	-0.2%
Other increases	(14,222)	-0.7%
Theoretical income tax	**511,397**	**24.0%**

IRAP

Amounts in € thousands	**2020**	
Value added (IRAP taxable base)		9,924,433
Actual income tax	66,172	0.7%
Lower tax (versus theoretical rate)		
Utilization of taxed provision for risks	562	0.0%
R&D credit	4,521	0.0%
Sanitation tax credit	417	0.0%
Listing tax credit	19,500	0.2%
Tax credit for expenditure in capital goods	31	0.0%
Energy saving deductions	194	0.0%
Utilization of provision for raw materials write-down	8,131	0.1%
Non-taxable chargeback of personnel	293,387	3.0%
Patent box	9,836	0.1%
Other decreases	272	0.0%
Higher tax (versus theoretical rate)		
Inventory write-down of finished products	(5,512)	-0.1%
Insurance	(406)	0.0%
Land portion of property lease payments	(2,001)	0.0%
Interest share on lease payments	(2,066)	0.0%
IMU instrumental properties	(1,697)	0.0%
Goodwill	(765)	0.0%
Other increases	(3,524)	0.0%
Theoretical income tax	**387,053**	**3.9%**

Deferred taxation

A description of the temporary differences that led to the recognition of deferred tax assets and liabilities, as well as deferred tax assets booked for losses incurred, is shown in the table below *"DETAILS OF TAXABLE DIFFERENCES*" (Article 2427, paragraph I, no. 14, Italian Civil Code).

The table*" DETAILS OF TEMPORARY DIFFERENCES EXCLUDED*" also shows the temporary differences for which deferred taxation was not recognized.

Details of taxable temporary differences

Description	Amount at end of prior year	Change in the year	Amount at year-end	IRES rate	IRES tax effect	IRAP rate	IRAP tax effect
Non-deductible amortization of goodwill	43,519	43,519	87,038	24.00	20,889	3.90	3,395
Non-deductible write-down of receivables	156,014	-	156,014	24.00	37,443	-	-
Fees to Directors	-	5,200	5,200	24.00	1,248	-	-

Details of temporary differences excluded

Description	Amount at end of prior year	Change in the year	Amount at year-end	IRES rate	IRES tax effect	IRAP rate	IRAP tax effect
Allocation for risks on product returns	30,244	(14,412)	15,832	24.00	3,800	3.90	617
Inventory write-down of raw materials	640,002	(208,482)	431,520	24.00	103,565	3.90	16,829
Inventory write-down of finished products	576,414	141,330	717,744	24.00	172,259	3.90	27,992
Non-deductible write-down of receivables ex Roscini	5,839	-	5,839	24.00	1,401	-	-

Notes, other information

PART V: ADDITIONAL INFORMATION

Other information required by the Italian Civil Code is provided below.

Headcount

The average number of employees, broken down by category, is shown in the table below (Article 2427, paragraph I, no. 15, Italian Civil Code):

	Executives	Managers	Employees	Workers	Other employees	Total employees
Average number	9	12	85	55	15	176

Employees amounted to 174 at 31 December 2020, including 133 women and 41 men (173 employees at 31 December 2019, including 130 women and 43 men).

The table below shows a breakdown by category of employees at 31 December 2020 and 31 December 2019:

	31.12.2020	31.12.2019
Executives	9	8
Managers	11	12
Employees	86	83
Workers	55	54
Trainees	13	16
Total	**174**	**173**

Fees, advances and receivables granted to directors and statutory auditors and commitments undertaken on their behalf

Information regarding the Directors and Statutory Auditors is provided below (Article 2427, paragraph I, no. 16, Italian Civil Code).

	Directors	Statutory Auditors
Fees	5,200	32,760

Fees to the Auditor or to the Independent Auditors

The information regarding fees paid to the Independent Auditors is provided below (Article 2427, paragraph I, no. 16-bis, Italian Civil Code).

	Statutory auditing	Other non-audit services	Total fees payable to the Auditor or to the Independent Auditors
Price	37,811	5,250	43,061

The fees for the year paid to the Independent Auditors also include the fee of € 5,250 for the preliminary work required to issue the certification of the tax credit for Research and Development.

Categories of shares issued by the company

The information required by Article 2427, paragraph I, no. 17, of the Italian Civil Code, with regard to data on the shares forming the company's capital, the number and par value of the shares subscribed in the year can be summarized as follows: the share capital, as indicated above, is made up of no. 13,715,384 ordinary shares, with no indication of the par value, subject as from 1 July 2019 to the dematerialization scheme and therefore admitted to the centralized management system of financial instruments pursuant to Articles 83-bis et seq. of Legislative Decree 58/1998 (Article 2427, paragraph I, no. 17).

Additionally, it should be noted that the approved share capital amounts to a total of € 1,401,538. As already explained in Part IV of these Notes, the difference between the authorized share capital and the subscribed and paid-up share capital, amounting to € 1,371,538, is attributable to the Retained Earnings Reserve to service the free share capital increase, in the amount of € 30,000, resolved by the Extraordinary Shareholders' Meeting on 25 June 2019. The free share capital increase is to service the Stock Grant Plan (for the period 2019-2022), approved by the Ordinary Shareholders' Meeting of 25 June 2019, regarding the granting to the Managing Director and CEO of the right to receive a maximum of an additional 300,000 ordinary shares free of charge, subject to the achievement of certain annual targets for the company's growth.

	Initial amount, number	Shares subscribed in the year, amount	Final amount, number
Ordinary shares	13,615,384	100,000	13,715,384

Securities issued by the company

It is acknowledged that the Company has never issued dividend-bearing shares, bonds convertible into shares, warrants, options and similar securities or instruments, pursuant to Article 2427, paragraph I, no. 18, of the Italian Civil Code.

Details of other financial instruments issued by the company

It is acknowledged that the Company has never issued other equity financial instruments pursuant to Article 2427, paragraph I, no. 19, of the Italian Civil Code.

Commitments, guarantees and contingent liabilities not resulting from the statement of financial position

Details of the guarantees furnished and commitments undertaken by the Company are provided below (Article 2427, paragraph I, no. 9, of the Italian Civil Code).

Guarantees issued

	Amount
Guarantees	2,496,572
of which collateral	-

Specifically, it involves the following:

- as a guarantee for the loan granted in the year by Simest S.p.A., the Company previously issued a specific guarantee for an amount equal to 20% of the loan amount as repayment of the principal and 1.268% of the loan amount as interest, in addition to ancillary expense;
- as a guarantee for the obligations undertaken with Modalis S.r.l. (in a procedure with an arrangement with creditors) arising from the agreement on the acquisition of the business unit signed in the year, the Company issued a specific surety of € 2,411,500. The obligations undertaken in favour of Modalis S.r.l., in a procedure with an arrangement with creditors, are as follows:
    - a rental contract signed for the property in Spello where activity is carried out, at an annual fee of € 100,000, for six years and excluding the possibility of withdrawal, unless during the same period the property is sold to third parties through notice of sale;
    - assumption of the obligation to purchase the property in Spello for the price of € 2,000,000 if, during the seven years following the date of purchase of the business unit Modalis S.r.l, the property is not sold at a higher price.

Lastly, it should be noted that the commitments, resulting from fees and redemption rates, and arising from contracts related to leased assets which expire in subsequent years, amount to a total of approximately € 1,668,166.

Information on assets and loans allocated for a specific transaction

Assets allocated for a specific transaction

As inferred from the financial statements, pursuant to Article 2427, paragraph I, no. 20 and 21, of the Italian Civil Code, in the year the Company did not allocate any assets exclusively for specific transactions (pursuant to Article 2447-bis, paragraph I, letter a) of the Italian Civil Code); nor, with regard to specific transactions, did it take out any loans (pursuant to Article 2447-bis, paragraph I, letter b) of the Italian Civil Code).

Loans for a specific transaction

It is certified that, as of the balance sheet date, there are no loans allocated for a specific purpose pursuant to point 21 of Article 2427 of the Italian Civil Code.

Information on transactions with related parties

Pursuant to the provisions of Article 2427, paragraph 1, no. 22 bis, of the Italian Civil Code, with regard to transactions with related parties, it should be noted that in the year the Company paid royalties to Pattern Project S.r.l. for the exclusive use of the "Esemplare" trademark, in accordance with market conditions.

Moreover, some minor commercial supply transactions were performed with SMT S.r.l., again in accordance with market conditions.

For the sake of completeness, it should be noted - also in compliance with the provisions of the AIM Italia Related Parties Regulation and the specific internal procedure "Transactions with related parties" - that none of the transactions carried out in the year with related parties had a significant impact on the Company's financial situation.

Information on agreements not resulting in the Statement of Financial Position

It is acknowledged that there are no agreements not resulting in the Statement of Financial Position, worthy of mention of the nature, operating purpose and effect on the Company's balance sheet and income statement, pursuant to Article 2427, paragraph I, no. 22-ter, of the Italian Civil Code.

Significant events after year end

Pursuant to Article 2427, paragraph 1, no. 22-quater) of the Italian Civil Code, mention is specifically made of the following.

With regard to the effects of the ongoing COVID-19 health emergency, the Governing Body continues to constantly monitor the developments in general and to assess, as was the case in 2020, the adoption of the most fitting measures to contain the negative impact on the Company in the best of ways, also using any useful tool that will be made further available by the Government to curb the effects of the pandemic on the Company's results and financial situation.

The opening months of 2021 saw the completion of the consolidation of control over S.M.T., Società Manifattura Tessile Srl, which increased the stake in the investee from 51% to 80%.

Specifically, the transaction was closed last 5 March and was achieved through: i) the signing of the deed of transfer of shares for the transfer of 19% of S.M.T. S.r.l. by Stefano Casini to Pattern at the agreed price of € 2,555,000; ii) the signing of the deed of transfer of 10% of S.M.T. S.r.l. by Camer S.r.l. to Pattern, against the allocation to Camer S.r.l. of newly-issued Pattern ordinary shares with a total value of € 1,345,000. In this regard, it should be noted that, as a result of the abovementioned contribution in kind, the value of the paid-up share capital remains equal to € 1,371,538 at the date of preparation of this report, since the abovementioned capital increase will be carried out once the suspensive condition envisaged for this type of transaction no longer applies. The effectiveness of the contribution is, in fact, conditional on the failure of shareholders holding at least 5% of Pattern's share capital to request a new valuation of S.M.T. Srl pursuant to Article 2343 of the Italian Civil Code within 30 days of the notarial resolution of the Board of Directors to increase the share capital in kind intended for Camer Srl to service the transaction.

Under this transaction, Stefano Casini, Managing Director of S.M.T. Srl, was appointed Director of Pattern Spa on 5 March 2021, replacing the outgoing Claudio Saracco. In this regard, more exhaustive information is found in the Directors’ Report on Operations.

As for the business outlook, expectations for 2021 point to a steady recovery in production and sales volumes, especially during the second half of the year. The overall 2021 sales revenue figure will be closer to the 2020 result than to the 2019 result.

The autumn/winter 2021 order backlog marks a sharp reversal from the same season in the prior year, with deliveries mostly squeezed in the second half of the year.

Greater uncertainty looms over the outlook for the latter part of the year, when deliveries for spring-summer of the following year begin. The hoped-for success of the COVID-19 vaccination campaign by next summer should provide a major boost to order growth this season.

The increase in sales revenue, with the resulting higher absorption of fixed costs, will drive growth in operating margins. Sales price pressure in 2021, however, is expected to push in the opposite direction. Additionally, the current laws envisage no extraordinary tax benefits as the ones recognized in 2020.

The current year will continue to see a resort to the redundancy fund, especially in the first part of the year, when volumes of business are expected to remain low.

Despite the lingering economic uncertainty, Pattern intends to continue with its project to create an "Italian Luxury Design Hub", so any opportunities for growth through acquisitions that may arise will be carefully assessed.

Entities that prepare the financial statements of the larger/smaller body of entities they are part of as subsidiaries

As mentioned, the Company has prepared consolidated financial statements. The scope of consolidation includes the financial statements at 31 December 2020 of Pattern S.p.A. of the wholly-owned subsidiary Pattern Project S.r.l. and the subsidiary S.M.T. S.r.l..

Reclassified statement of financial position

As a supplement to the financial statements, the reclassified Statement of Financial Position is shown below in order to present, with regard to loans, the breakdown of capital employed and, for sources of financing, the calculation of the value of the net financial position.

	current year in €	%	prior year in €	%
Fixed assets (excluding long-term securities and financial derivative assets)	9,020,264		3,508,372	
TOTAL FIXED ASSETS	**9,020,264**	**92.6%**	**3,508,372**	**72.0%**
Inventory	3,556,896		3,434,954	
Receivables relating to working capital	6,123,717		9,337,554	
Investments not held as fixed assets	0		0	
Accrued income and prepaid expenses	380,164		512,461	
Payables relating to working capital	(8,176,393)		(10,969,020)	
Accrued expenses and deferred income	(31,278)		(22,528)	
Provisions for risks	(81,740)		(52,179)	
Provision for post-employment benefits	(1,045,755)		(875,952)	
NET WORKING CAPITAL	**725,611**	**7.4%**	**1,365,290**	**28.0%**
CAPITAL EMPLOYED	**9,745,875**	**100.0%**	**4,873,662**	**100.0%**
Equity (net of receivables from shareholders for payments due)	18,477,799		17,258,387	
EQUITY	**18,477,799**	**189.6%**	**17,258,387**	**354.1%**
Financial liabilities	11,234,548		3,688,327	
Financial assets	0		0	
Cash and cash equivalents	(19,966,472)		(16,073,052)	
NET FINANCIAL POSITION	**(8,731,924)**	**-89.6%**	**(12,384,725)**	**-254.1%**
ACQUIRED CAPITAL	**9,745,875**	**100.0%**	**4,873,662**	**100.0%**

Information on financial derivatives pursuant to Article 2427-bis of the Italian Civil Code

For each category of financial derivatives, information is shown below, pursuant to Article 2427 bis, paragraph 1, point 1, of the Italian Civil Code:

Derivative hedging instruments	Start date - End date	Fair Value at 31.12.20
IRS Unicredit S.p.A.	30.6.20 – 31.3.25	-18,726
IRS Intesa Sanpaolo S.p.A.	19.6.20 – 19.6.26	-26,855
		-45,581

In the year under review, the Company entered into two IRS derivative contracts to hedge the interest rate risk on bank loans taken out; the value of these derivative products was adjusted to reflect their negative fair value at 31.12.20.

Summary of the financial statements of the company exercising direction and coordination

The Company is subject to the direction and coordination of BO.MA. Holding S.r.l.; specifically, pursuant to the provisions of Article 2497-bis of the Italian Civil Code, a summary is shown below of the key figures from the latest approved financial statements of the company or entity exercising direction and coordination activities over it.

Summary statement of financial position of the company exercising direction and coordination

	Latest year	Date	Prior year	Date
Date of latest approved financial statements		31/07/2020		31/07/2019
B) Fixed assets	1,237,975		1,237,975	
C) Current assets	17,785		154,360	
D) Accrued income and prepaid expenses	-		1	
Total assets	**1,255,760**		**1,392,336**	
Share capital	110,000		110,000	
Reserves	138,307		8,239	
Profit (loss) for the year	(25,442)		130,068	
Total equity	**222,865**		**248,307**	
D) Payables	1,032,894		1,144,028	
E) Accrued expenses and deferred income	1		1	
Total liabilities	**1,255,760**		**1,392,336**	

Summary income statement of the company exercising direction and coordination

	Latest year	Date	Prior year	Date
Date of latest approved financial statements		31/07/2020		31/07/2019
B) Costs of production	18,535		15,782	
C) Financial income and expense	(6,907)		145,850	
Profit (loss) for the year	(25,442)		130,068	

Information pursuant to Article 1, paragraph 125, of Law no. 124 of 4 August 2017

With regard to the information requirement referred to in Article 1, paragraph 125 of Law 124/2017, for grants received in the year from Public Administration entities or public investee companies, reference is made to the information contained in the National State Aid Register, Transparency section, which provides the overall situation of grants from public entities.

With regard to grants subject to disclosure, and based on the interpretation of Assonime Circular 5/2019 and the clarifications provided by the National Agency for Active Employment Policies, the following do not apply:

- sums received as consideration for public works, services and supplies or due as compensation;
- paid assignments part of the company's ordinary operations;
- forms of incentive/subsidy received in application of a general aid scheme to all eligible parties;
- public resources attributable to public entities in other countries (European or non-European) and to European institutions;
- training grants received from interprofessional funds set up in the legal form of an association.

Based on the above, the public grants, relevant pursuant to the aforementioned Law 124/17, from which Pattern S.p.A. benefited during the year, are shown below:

Paying entity	Date granted	Aid instrument	Grant collected
Ministry of Economic Development	05/05/2020	Tax credit for SMEs that start a listing procedure in a regulated market or in multilateral trading systems	500,000.00
Revenue Agency	16/12/2020	Tax credit on incremental advertising investments in newspapers, magazines and local television and radio stations	11,616.00

In order to curb the negative effects arising from the COVID-19 prevention and containment measures, as already mentioned in part IV of these notes, the Company was able to benefit in the year under review from the bonus for sanitization of workplaces pursuant to Article 125 of Legislative Decree 34/2020, for a total amount of € 10,685.

Proposed allocation of profit or coverage of losses

Together with the approval of the financial statements at 31 December 2020, a proposal is made to allocate the result for the year of € 1,950,761.87:

- € 1,999.49 to the legal reserve, up to the legal limit pursuant to Article 2430 of the Italian Civil Code;
- € 3,072.00 to the reserve for exchange gains;
- up to a maximum of € 384,030.75 as a dividend to Shareholders, equal to € 0.028 for each of the maximum no. 13,715,384 ordinary shares making up the Company's share capital to date. The dividend will be paid out as from 26 May 2021, with ex-dividend date on 24 May 2021 and record date on 25 May 2021;
- to the extraordinary reserve, the residual amount equal to at least € 1,561,659.63.

If the share capital increase approved by the Company's Board of Directors on 5 March, under the powers granted to it under Article 2443 of the Italian Civil Code by the Extraordinary Shareholders' Meeting held on 4 December 2020 - with a resulting increase in the number of outstanding shares (of no. 347,545 newly-issued shares) - is fully executed before the Ordinary Shareholders' Meeting that resolves on the proposal, the proposed allocation of profit for the year, amounting to € 1,950,761.87, would be as follows:

- € 8,950.39 to the legal reserve, up to the legal limit pursuant to Article 2430 of the Italian Civil Code;
- € 3,072.00 to the reserve for exchange gains;

- up to a maximum of € 393,762.01 as a dividend to Shareholders, equal to € 0.028 for each of the maximum no. 14,062,929 ordinary shares making up the Company's share capital after the execution of the share capital increase. The dividend will be paid out as from 26 May 2021, with ex-dividend date on 24 May 2021 and record date on 25 May 2021;
- to the extraordinary reserve, the residual amount equal to at least € 1,544,977.47.

Notes - Closing section

Shareholders, in our opinion, these financial statements, which comprise the Statement of Financial Position, Income Statement, Statement of Cash Flows and Notes, present a true and fair view of the Company's financial position at the reporting date, and of its results of operations for the year, and match the accounting records.

The Financial Statements are true and fair and match the accounting records.

For the **Board of Directors**
The Chairman of the Board of Directors
Francesco MARTORELLA

PATTERN SPA

Registered office in Collegno (TO) - Via Italia, 6/A

Share capital € 1,371,538.40

Tax Code and Listing with the Turin Company Register no. 10072750010

Company subject to the direction and coordination of Bo.Ma. Holding S.r.l.

BOARD OF STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 DRAWN UP IN ACCORDANCE WITH ARTICLE 2429, PARAGRAPH 2, OF THE ITALIAN CIVIL CODE

Shareholders,

in the year ended 31 December 2020, we performed the supervisory activities required by law, in compliance with the applicable provisions and the Rules of Conduct of the Board of Statutory Auditors issued by the Italian Association of Public Accountants and Accounting Professionals.

The Board of Statutory Auditors performed the mandatory assessments on its composition regarding the professional, competence, integrity and independence requirements of law, as set out in the AIM Issuer Regulation in force as from 20 July 2020, and regarding the time available for the assignment: the self-assessment showed an adequate profile of the members of the Board of Statutory Auditors.

Supervision

With regard to the activities performed by the Board of Statutory Auditors in 2020, mention should be made that most of the meetings were held remotely in application of the Company's guidelines to comply with the COVID-19 measures.

In performing our duties:

- we supervised compliance with the law and the Bylaws and the principles of correct administration;
- we attended the Shareholders' meetings and the meetings of the Board of Directors, in relation to which, based on the information available, we found no violations of law or of the Bylaws, nor any openly incautious, risky transactions, in potential conflict of interest or such as to compromise the integrity of the company's assets;
- we obtained information from the Directors on the overall business performance and the outlook, as well as on the most significant transactions, owing to their size or characteristics, carried out by the company and, based on the information acquired, we have no particular remarks to make;
- we acquired knowledge of and supervised, to the extent of our responsibilities, the adequacy and operation of the company's organizational structure, also by collecting information from the heads of departments and the directors; in this regard, also taking account of the processes in place, we have no particular remarks to make;
- we reviewed and supervised the adequacy and operation of the administrative and accounting system, as well as the reliability of the latter to properly present operations, also with regard to the timely reporting of potential events or circumstances that may give rise to significant doubts of crisis situations or loss of the going concern assumption; in this context, we acted by requesting and obtaining

information from the heads of the departments and the Directors, as well as on the basis of the review of company documents, and in this regard, also taking account of the adjustment processes underway, we have no particular remarks to make;

- we exchanged information on a regular basis in our meetings with the Independent Auditors PricewaterhouseCoopers Spa, with no significant data or information to be mentioned in this report;
- we supervised compliance with the rules adopted for transactions with related parties, in terms of decision-making powers, grounds and documentation; we take note that the transactions carried out, as explained in the Notes to the Financial Statements, comply with the law and Bylaws and do not require further consideration or comment;
- we verified that the provisions and procedures on the management and disclosure of inside information had been applied;
- we took note of the measures taken to follow the recommendations and indications to address the COVID-19 health emergency, in compliance with the provisions of the resolutions gradually issued by Government or by the regional authorities;
- we verified that the governing body had carried out an analysis of the current and potential future risks and impacts from the ongoing COVID-19 pandemic, based on evidence currently available and the plausible scenarios to date.

We inform you that no complaints have been received pursuant to Article 2408 of the Italian Civil Code, and that during our supervisory activities, as described above, no such significant facts appeared as to require mention in this report.

Financial statements

The financial statements for the year ended 31 December 2020, which the Board of Directors submits for your approval, have been made available to us in accordance with the time limit set forth in Article 2429 of the Italian Civil Code.

The preparation of the financial statements is the responsibility of the company's governing body, and it is the task of the Independent Auditors, PricewaterhouseCoopers Spa, entrusted with the statutory auditing, to issue a professional opinion on the financial statements based on audits performed.

With regard to these financial statements, which show equity of € 18,477,799 including net profit for the year of € 1,950,762, the analytical audit of which does not fall within our remit, we additionally certify that:

- we supervised the general approach and general compliance with the law regarding their formation and structure and, in this regard, found that the financial statements have been prepared in accordance with the provisions of Articles 2423 et seq. of the Italian Civil Code, supplemented by the accounting standards drawn up by the Italian Accounting Body in their revised version in 2016, 2017 and 2019.
- to the best of our knowledge, in preparing the financial statements, the Directors did not depart from the provisions of law pursuant to Article 2423, paragraph 5, of the Italian Civil Code;
- we verified that the financial statements and Directors' Report on Operations are consistent with the facts and information brought to our attention as a result of the performance of our duties, and have no remarks to make in this regard;

- pursuant to Article 2426, no. 5, of the Italian Civil Code, start-up and expansion costs amounting to € 58,695, gross of the amortization rate, are entered with our consent under assets in the statement of financial position;
- pursuant to Article 2426, no. 6, of the Italian Civil Code, goodwill amounting to € 301,380, gross of the amortization rate, is entered with our consent under assets in the statement of financial position;
- as required by Articles 2423 and 2423-bis of the Italian Civil Code, the Financial Statements have been prepared on a going concern basis, in accordance with the general principles of prudence, on an accruals and relevance basis, also taking account of substance over form in transactions or contracts. The criteria applied in the valuation of the items in the financial statements and in the value adjustments are unchanged from the prior year and in accordance with the provisions of the Italian Civil Code, mainly contained in Article 2426."

Conclusions

Based on the controls directly performed, in light of the above points, and considering that the Independent Auditors' report on the financial statements at 31 December 2020 issued by PricewaterhouseCoopers Spa on 15 April 2021 provides an unqualified opinion, the Board of Statutory Auditors deems that there are no reasons to oppose the approval of the financial statements for the year ended 31 December 2020 of PATTERN Spa, as prepared by the Directors, as well as the proposal made by the Directors and contained in the Notes, regarding the allocation of profit for the year of € 1,950,762.

Turin, 15 April 2021

THE BOARD OF STATUTORY AUDITORS

Lucia Starola

Lucia Margherita Calista Rota

Alcide Casini

INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

PATTERN GROUP

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010

To the Shareholders of
Pattern SpA

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Pattern SpA and its subsidiaries (the "Pattern Group" or the "Group"), which comprise the balance sheet as of 31 December 2020, the income statement and the statement of cash flows for the year then ended and related notes.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2020, and of the result of its operations and cash flows for the year then ended in compliance with the Italian laws governing the criteria for their preparation.

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 Pattern SpA (the "Company") pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the directors and the board of statutory auditors for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the Italian laws governing the criteria for their preparation and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- we concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

However, future events or conditions may cause the Group to cease to continue as a going concern;

- we evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

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

Report on compliance with other laws and regulations

Opinion in accordance with article 14, paragraph 2, letter e), of Legislative Decree No. 39/10

The directors of Pattern SpA are responsible for preparing a report on operations of the Pattern Group as of 31 December 2020, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of the Pattern Group as of 31 December 2020 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the consolidated financial statements of the Pattern Group as of 31 December 2020 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Turin, 15 April 2021

PricewaterhouseCoopers SpA

Signed by

Piero De Lorenzi
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers. We have not examined the translation of the consolidated financial statements referred to in this report.

INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

PATTERN SPA

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010

To the Shareholders of
Pattern SpA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Pattern SpA (the "Company"), which comprise the balance sheet as of 31 December 2020, the income statement and the statement of cash flows for the year then ended and related notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2020, and of the result of its operations and cash flows for the year then ended in compliance with the Italian laws governing the criteria for their preparation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the directors and the board of statutory auditors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian laws governing the criteria for their preparation and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- we concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- we evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on compliance with other laws and regulations

Opinion in accordance with article 14, paragraph 2, letter e), of Legislative Decree No. 39/10

The directors of Pattern SpA are responsible for preparing a report on operations of the Company as of 31 December 2020, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of Pattern SpA as of 31 December 2020 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the financial statements of Pattern SpA as of 31 December 2020 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Turin, 15 April 2021

PricewaterhouseCoopers SpA

Signed by

Piero De Lorenzi
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers. We have not examined the translation of the financial statements referred to in this report.