



PATTERN S.P.A.

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

FINANCIAL STATEMENTS AT 31 DECEMBER 2021

registered office in Collegno, via Italia 6/a

authorized share capital € 1,436,292.90 of which € 1,426,292.90 subscribed and paid up

listed with the Turin Company Register no. 10072750010 tax code

R.E.A. no. 1103664

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BOARD OF STATUTORY AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

INTRODUCTION

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 Euronext Growth Milan

Authorized share capital € 1,436,292.90, of which € 1,426,292.90 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
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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 ended 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 30 April 2021 for three financial years, and will therefore expire with the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2023.

NOTICE OF ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING

The Ordinary and Extraordinary Shareholders' Meeting of Pattern S.p.A. is convened in **first call** for **28 April 2022**, **at 11:00 a.m.**, at the registered office in Collegno (Turin), Via Italia 6/A, and in second call for 2 May 2022, at the same time and place, with the following:

Agenda

Ordinary session

1. Approval of the financial statements at 31 December 2021.
2. Allocation of profit for the year.
3. Appointment of the Board of Directors:
 - a. determination of the number of members of the Board of Directors;
 - b. determination of the term of office;
 - c. appointment of the directors;
 - d. appointment of the Chairman of the Board of Directors;
 - e. determination of Board of Directors' fees.
4. Appointment of the Board of Statutory Auditors:
 - a. appointment of the members of the Board of Statutory Auditors and its Chairman;
 - b. determination of Board of Statutory Auditors' fees.
5. Authorization to purchase and dispose of treasury shares; related and consequent resolutions.

Extraordinary session

1. Approval of the plan to merge Pattern Project S.r.l. into Pattern S.p.A.; related and consequent resolutions.

Share capital information

The subscribed and paid-up share capital amounts to € 1,426,292.90, represented by no. 14,262,929 ordinary shares with no indication of par value. Each ordinary share entitles the holder to one vote. To date, the Company does not hold any treasury shares.

Participation in the Shareholders' Meeting

Pursuant to Article 83-sexies of Legislative Decree no. 58/1998 ("TUF"), those from whom the Company has received notice through an authorized intermediary, based on the accounting records at the end of the 7th (seventh) trading day prior to the date of the Shareholders' Meeting (19 April 2022 - record date), are entitled to attend the Meeting and exercise their voting right **exclusively through the Appointed Representative**, as indicated below. Credit and debit entries made on the accounts after such date are not relevant for the purposes of entitlement to exercise voting rights at the Shareholders' Meeting.

Pursuant to Article 83-sexies, paragraph 4, of the TUF, notices from intermediaries shall be received by the Company by the end of the 3rd (third) trading day prior to the date set for the Shareholders' Meeting, i.e. by 25 April 2022. This does not affect the entitlement to attend and to exercise voting rights in the case where notices are received by the Company after such term, provided that this is made before the beginning of the Shareholders' Meeting in first call.

Participation of the directors, the statutory auditors, the notary, the representative of the independent auditors and the Appointed Representative shall also take place, if necessary, by means of telecommunication, in compliance with the applicable provisions in force.

Granting of proxies to the Appointed Representative

Under Article 106, paragraphs 4 and 5, of Law Decree 18/2020 converted by Law 27/2020 ("Cura Italia" Decree), as most recently extended by Article 3, paragraph 1, of Law Decree no. 228 of 30 December 2021, converted by Law no. 15 of 25 February 2022 ("Decree"), which allows companies admitted to trading on a multilateral trading system to provide in the notice of meeting that attendance in the meeting takes place **exclusively through the Appointed Representative** pursuant to Article 135-undecies of the TUF, participation in the Shareholders' Meeting of those who are entitled to vote is allowed exclusively through Computershare S.p.A. - with registered office in Milan - the shareholders' representative appointed by the Company pursuant to Article 135-undecies of the TUF ("**Appointed Representative**").

The proxy can be granted - without any cost for the delegating party (except for possible delivery costs) - with voting instructions on all or some of the proposals on the agenda, by signing the specific proxy form available, together with the related filling and submission instructions, on the Company website (at www.pattern.it, *Investor Relations* section).

The proxy with the voting instructions shall be sent - by using the methods specified in the form, together with a copy of a currently valid identity document of the delegating party or, if the delegating party is a legal person, of the pro tempore legal representative or of another party with appropriate powers, together with appropriate documents proving his/her qualification and powers - to the abovementioned Appointed Representative by the end of the second trading day prior to the date of the Shareholders' Meeting in first call (i.e. by 26 April 2022, or, if in second call, by 28 April 2022).

Within the abovementioned time limits, the proxy and the voting instructions may always be revoked in the manner specified above.

Mention should be made that the shares for which the proxy has been granted, even partly, are counted for the purpose of duly constituting the Meeting. The proxy shall have no effect on the proposals for which no voting instructions have been given.

As allowed by the Decree, as an exception to Article 135-undecies, paragraph 4 of the TUF, those who do not intend to make use of the participation procedure under Article 135-undecies of the TUF, may alternatively participate by granting the Appointed Representative a proxy or sub-proxy pursuant to Article 135-novies of the TUF, containing voting instructions on all or some of the proposals on the agenda, at no cost for the delegating party (except for any delivery costs), by using the proxy/sub-proxy form, available on the Company website (at www.pattern.it, *Investor Relations* section).

To grant and notify proxies or sub-proxies, also through electronic means, the procedures indicated in the proxy form shall be followed. The proxy shall be received by 12:00 noon on the day prior to the Shareholders' Meeting (it being understood that the Appointed Representative may accept proxies and/or instructions even after the above deadline and before the opening of the meeting). The proxy and voting instructions may always be revoked within the above time limit according to the abovementioned manners.

For any clarification concerning the granting of the proxy to the Appointed Representative (and, in particular, on completion of the proxy form and the voting instructions, as well as their notification), contact Computershare S.p.A. by e-mail at sedeto@computershare.it or with the following phone number +39 011 – 0923200 (on business days from 9am to 5pm).

The Company reserves the right to supplement and/or amend the above instructions in view of any needs that may arise as a result of the current COVID-19 emergency and its developments unforeseeable at this time.

Appointment of the Board of Directors

Under the Bylaws, the Board of Directors is appointed on the basis of lists of candidates. The relevant rules and procedures, as well as the required accompanying documentation, are set out in Article 10.2 of the Bylaws currently in force, which are published on the Company website (www.pattern.it). The lists of candidates shall be

filed, together with the related documents, at the registered office no later than 1.00 pm of the 10th day prior to the date of the first call (i.e. no later than 1.00 pm of 18 April 2022). The filing shall be made by registered letter with return receipt addressed to Pattern S.p.A., Via Italia 6/A, 10093 Collegno (TO), Corporate Affairs Office, or by certified e-mail at the following address patterntorino@legalmail.it. In compliance with the provisions contained in the Bylaws, lists may be submitted by the holders of shares who, at the time of submitting the list, hold, individually or jointly, an interest equal to at least 5% of the share capital subscribed at the time the list is submitted. Notice of the interest shall be submitted by the intermediary concurrent to filing of the lists.

At least one of the members of the Board of Directors shall meet the independence requirements pursuant to Article 148, paragraph 3, of the TUF, as referred to in Article 147-ter, paragraph 4, of the TUF. Independent directors shall be selected from those candidates who have been previously identified or positively evaluated by the Company's Euronext Growth Advisor.

In this regard, on 4 April 2022, the Board of Directors approved the procedure for obtaining the prior opinion of the Company's Euronext Growth Advisor on the proposed appointment of independent director(s) (the "Procedure"), which provides that Shareholders entitled to submit lists for the appointment of members of the Board of Directors, with regard to one or more director candidates who meet the independence requirements, shall submit the nominations, in advance, to the Euronext Growth Advisor by sending a letter (the "Notice") in the form provided for in the Procedure no later than 4 calendar days before the deadline for submitting the list (i.e., by 1:00 p.m. on 14 April 2022). The Euronext Growth Advisor, based on the Notice and the documentation sent, shall assess the satisfaction of the independence requirements of the independent director candidate(s) and, no later than 2 calendar days from receipt of the Notice, shall send to the proposing Shareholders the positive or negative prior opinion. The Procedure is publicly available on the Company website (www.pattern.it Governance - Corporate Documents section).

The candidate indicated in the list with number order 1 shall meet the independence requirements indicated above, duly certified by the Company's Euronext Growth Advisor.

The lists and the documents relating to the candidates are made publicly available at the registered office and on the Company website (www.pattern.it, Investor Relations section) at least 5 days before the Shareholders' Meeting (i.e. by 23 April 2022).

Appointment of the Board of Statutory Auditors

Under the Bylaws, the Board of Statutory Auditors is appointed on the basis of lists of candidates. The relevant rules and procedures, as well as the required accompanying documentation, are set out in Article 12 of the Bylaws currently in force, which are published on the Company website (www.pattern.it). The lists of candidates shall be

filed, together with the related documents, at the registered office no later than 1.00 pm of the 10th day prior to the date of the first call (i.e. no later than 1.00 pm of 18 April 2022). The filing shall be made by registered letter with return receipt addressed to Pattern S.p.A., Via Italia 6/A, 10093 Collegno (TO), Corporate Affairs Office, or by certified e-mail at the following address pattern torino@legalmail.it. In compliance with the provisions contained in the Bylaws, lists may be submitted by the holders of shares who, at the time of submitting the list, hold, individually or jointly, an interest equal to at least 5% of the share capital subscribed at the time the list is submitted. Notice of the interest shall be submitted by the intermediary concurrent to filing of the lists.

The lists and the documents relating to the candidates are made publicly available at the registered office and on the Company website (www.pattern.it, *Investor Relations* section) at least 5 days before the Shareholders' Meeting (i.e. by 23 April 2022).

Documentation

The documentation relating to the items on the agenda of the Shareholders' Meeting is publicly available at the registered office and on the Company website (www.pattern.it *Investor Relations* section), within the time limits of law. This notice is published in the daily newspaper *Il Sole 24 Ore*, as well as on the Company website.

Collegno, 13 April 2022

For the Board of Directors

The Chairman of the Board of Directors

Francesco Martorella

LETTER TO SHAREHOLDERS AND STAKEHOLDERS

Shareholders and Stakeholders,

We hereby present the financial statements of Pattern Spa at 31 December 2021, 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 allowed 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.

In 2021, following a number of extraordinary transactions made, the Pattern Group significantly expanded its setup and consolidation scope, in line with the strategic decisions disclosed to the market since its listing.

To start with, at the beginning of the year, it increased its stake in Società Manifattura Tessile from 51% to 80%.

During the second half of the prior year, it acquired 54% of Idee Consulting Srl (which switched its name to Idee Partners at the beginning of 2022); the company is based in the Scandicci district and specializes in luxury leather goods (mainly bags and small accessories). The transaction was concluded on 16 November. The total purchase cost was € 4,031,434.

In June, Idee Partners had concluded the acquisition of 60% of Petri & Lombardi Srl, a leather goods company based in Bientina (Pisa), with over thirty years of experience in the field. The aim, consistent with the demands of luxury brands, is to expand the production chain, building on its ability to produce a significant share of items in-house.

Thanks to these latest transactions, Pattern has achieved its goal of landing in the third sector of luxury fashion - luxury leather goods - a decision that will allow the Group to strengthen its position, thanks to the possibility of managing the three product categories (fabric, knitwear and leather) in-house, as well as hybrids, complex garments made up of different materials and processes.

On 7 February this year, it completed the acquisition of 100% of Zanni Srl, a company specializing in seamless technology applied to knitwear at an international level. The acquisition was made by S.M.T., which is the company at the head of the knitwear hub within the more general construction of the luxury hub.

Following all these transactions, the Group expects to generate between € 85 and € 90 million in revenue from

sales, with almost 450 employees, plus the important supply chain.

Sales volumes increased significantly during the year, with a more than proportional growth in profitability. These trends touched all areas of business, although knitwear boasted a stronger performance, as already mentioned in last year's annual financial statements and consolidated half-year financial statements at 30 June. S.M.T.'s revenue accelerated further in the second half of the year versus the same period of the prior year.

Cash flow from operations enabled the Group to maintain a positive financial position at year end, with a high level of cash funds, despite the heavy expenditure made by the Group especially in the acquisition of investments.

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

- Value of production € 72.5 million (€ 54.0 million in 2020).
- EBITDA € 7.7 million (€ 5.4 million last year).
- Net profit for the period € 3.7 million (€ 3.0 million in 2020), of which € 3.0 million attributable to the owners of the parent.
- Positive net financial position € 3.1 million (€ 8.8 million at 31 December 2020).

The positive results achieved, which we submit for the approval of the Shareholders, allow us to propose to the Shareholders' Meeting a dividend of € 0.071 per share, an increase of 153.6% versus 2020.

On behalf also of the Board of Directors, we would like to thank all the men and women of the Pattern Group for the skills and commitment they put into their work every day, which has allowed us to achieve these results .

The Chairman
Francesco Martorella

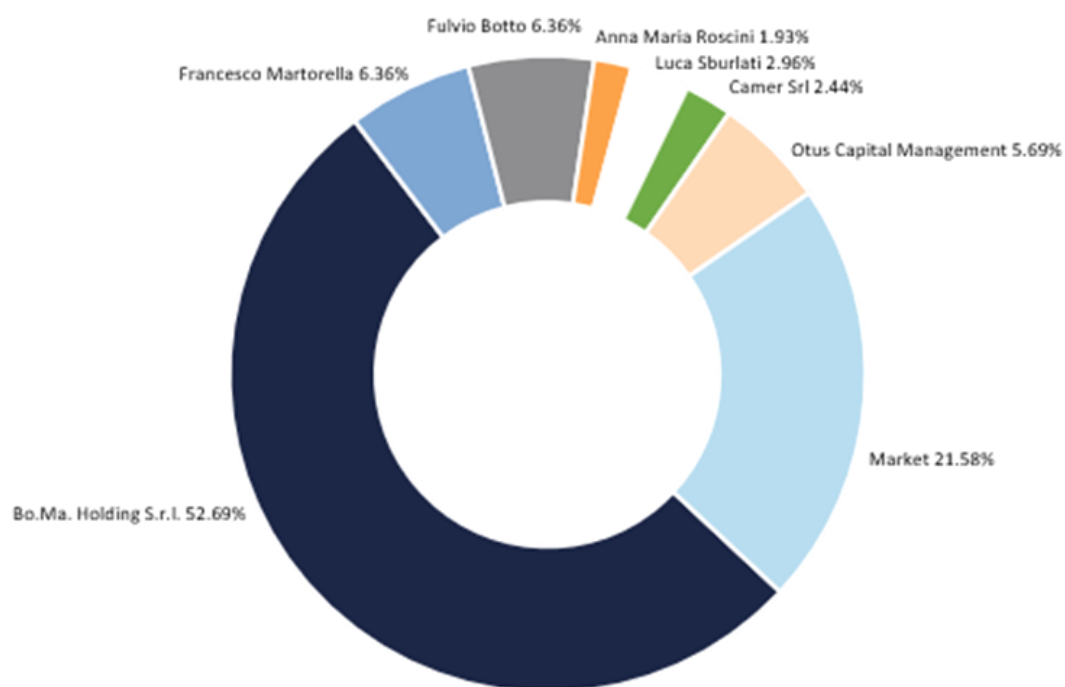
The Vice Chairman
Fulvio Botto

The Chief Executive Officer
Luca Sburlati

SHAREHOLDER BASE

The Company's share capital stands at € 1,426,292.90 for a total of 14,262,929 ordinary shares with no par value.

At 13 April 2022, based on available information, Pattern's shareholder base is as follows.



THE PATTERN GROUP AND ITS HISTORY

Pattern was established at the end of the year 2000 by Fulvio Botto and Francesco Martorella, who decided to set up a company active in clothing design, leveraging on their previous wealth of experience working with national and international fashion houses.

In 2009, the new plant in Collegno/Turin was inaugurated, and in 2011 a "tailor-made" production chain was taken over with the aim of responding more effectively to market needs.

In 2013, Pattern became the first Italian packaging company to obtain the SA8000 International Social Accountability Certification, awarded thanks to the implementation of internal processes in line with the principles of environmental protection and safety in the management of internal human resources and the supply chain.

In July 2014, Pattern acquired the Esemplare brand, specialized in functional menswear, which became the only brand owned by the company.

In 2016, Pattern published its first GRI Sustainability Report, the only company among SMEs in the textile/clothing industry, and was chosen to join the Elite program of Borsa Italiana.

In 2017, Pattern acquired Roscini Atelier, giving it new life and strengthening its competitive edge in the design and production of women's collections.

In 2018, it received the Elite Certification from Borsa Italiana and launched the "From Red to Green Carpet" project, whose goal is to transform the company by making it sustainable and with zero impact on the environment by 2023.

In 2019, following its listing on the Euronext Growth Milan market of Borsa Italiana, Pattern announced the entry of knitwear manufacturer S.M.T. (Società Manifattura Tessile) into the group, a historic Emilia-based company specialized in the prototyping and production of luxury knitwear.

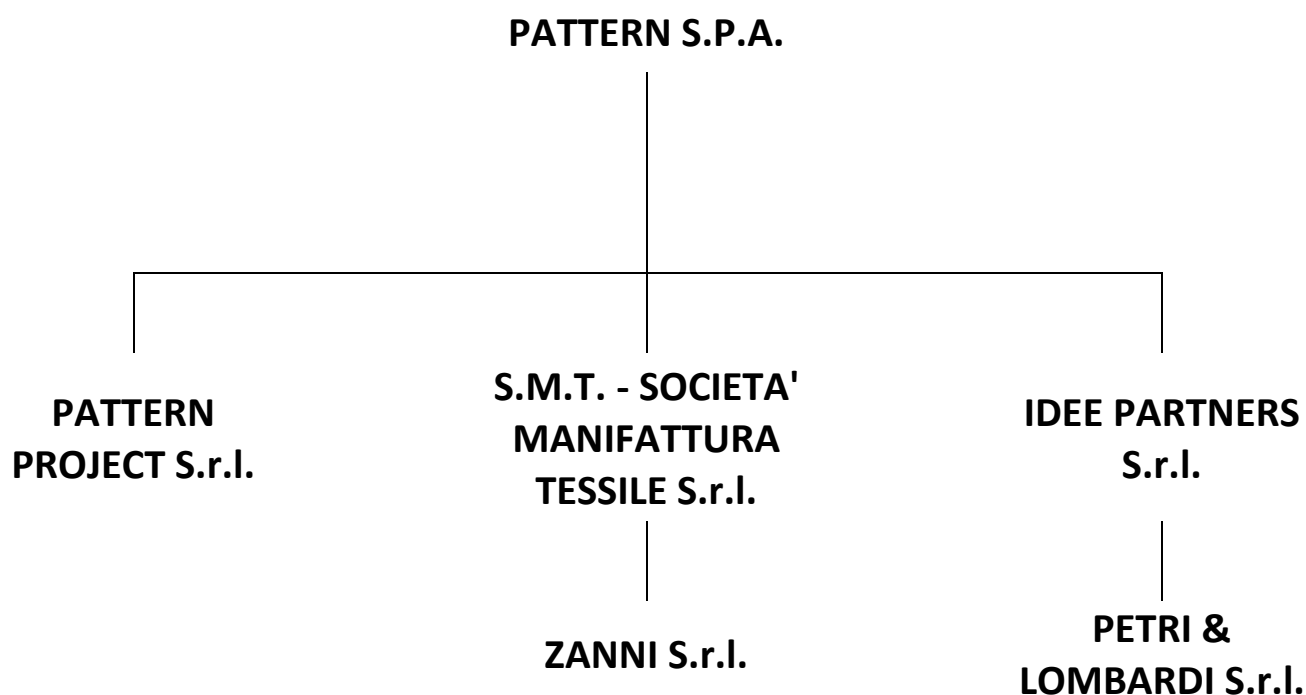
In 2021, it completed the acquisition of the majority of Idee Partners, a Tuscan company specialized in development, design and production in the luxury leather goods segment; in 2022, it added the Reggio Emilia-based Zanni knitwear factory, a national and European landmark in the whole garment (seamless) processing of knitwear.

These latest steps have allowed Pattern to position itself as a leading player in the knitwear and leather goods segment, marking the birth of the Italian luxury design hub.

PATTERN GROUP IN FIGURES: 2021 HIGHLIGHTS

INCOME STATEMENT	31.12.2021	31.12.2020	% chg
(€)			
Value of production	72,521,279	54,019,871	34.2%
EBITDA	7,689,925	5,384,785	42.8%
EBIT	5,266,023	3,563,421	47.7%
Profit (loss) for the period	3,673,556	2,996,144	22.6%
<i>- of which Group</i>	<i>2,998,895</i>	<i>2,269,894</i>	<i>32.1%</i>
Group earnings per share	0.2103	0.1655	27.0%
Number of shares	14,262,929	13,715,384	4.0%
STATEMENT OF FINANCIAL POSITION	31.12.2021	31.12.2020	% chg
(€)			
Net fixed assets	17,865,786	10,849,768	64.7%
Net working capital	7,028,751	3,228,821	117.7%
Liability funds	-2,857,431	-1,923,253	48.6%
Net capital employed	22,037,106	12,155,336	81.3%
Consolidated equity	25,123,786	20,931,499	20.0%
<i>- of which Group</i>	<i>22,922,861</i>	<i>18,932,242</i>	<i>21.1%</i>
Net financial position	-3,086,557	-8,776,163	-64.8%
Equity and net financial position	22,037,106	12,155,336	81.3%

CORPORATE STRUCTURE OF THE GROUP



The setup of the Group hinges on a model that envisages a holding company - Pattern Spa - based in Collegno and active in the design and production of menswear and womenswear and five subsidiaries.

Pattern Project, based in Collegno, owner of the Esemplare brand, licensed to Pattern.

Società Manifattura Tessile, the knitwear business based in Correggio (Reggio Emilia) and owned 80% by Pattern. The company in turn owns 100% of Zanni, specialized in seamless knitwear, based in Reggio Emilia.

Idee Partners is instead the company, based in the Scandicci district, operating in the leather accessories area. The company in turn controls 60% of Petri & Lombardi, a leather goods business based in Bientina.

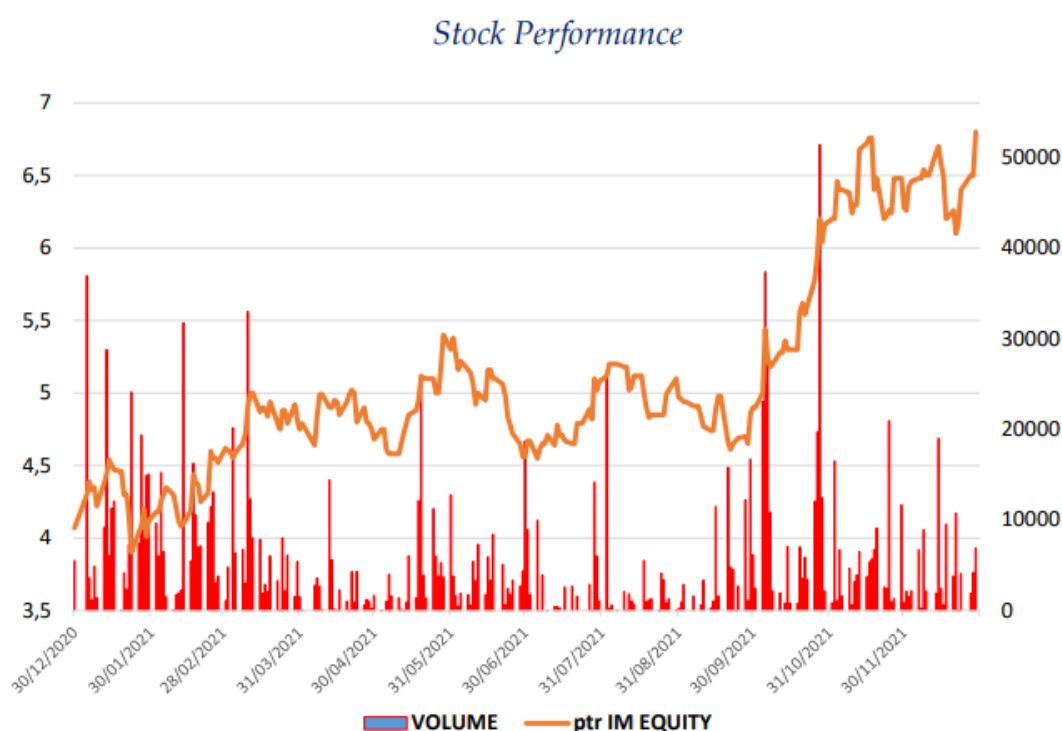
PATTERN SHARE PERFORMANCE IN 2021

Pattern's share price at 30 December 2021, the last trading day of the period, reached its highest level of the year at € 6.8 per share, with a market capitalization of € 95.7 million.

This indicates a 67% increase from the price of € 4.07 per share recorded at the beginning of the year on 4 January, with average daily volumes traded during the period of approximately 5,477 shares.

The average price in 2021 was € 5.089 per share, while the period low of € 3.9 per share was recorded on 25 January 2021.

The following chart shows the price and volume trends for the Pattern share in 2021.



PATTERN SPA

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

registered office in Collegno, via Italia 6/a

authorized share capital € 1,436,292.90 of which € 1,426,292.90 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 2021

MARKET SCENARIO

The COVID-19 pandemic, which had dominated 2020, started to gradually ease its effects in 2021. The economic consequences were still felt by the market, which showed, however, impressive recovery in some areas, the Top Luxury brands more than others. The analyses regarding the 2021 market capitalization on the global fashion industry showed a good recovery for some brands even versus 2019, the French brands in particular, while the Italian brands managed to regain less ground.

Fashion has therefore aligned itself as a "new normal", a new concept of normality, also quoted by McKinsey in its analysis "The State of Fashion 2021 and 22". This set of values stems from a new way of releasing collections, from changes in the consumer buying process with strong omnichannel strategies, and from an increasingly overblown demand for digitization and sustainability across all segments, from fabric to leather.

The pandemic has unquestionably accelerated a number of processes in which the Pattern Group has anticipated and led the way, which have also brought positive results. We have, in fact, taken advantage of the crisis-related slowdown to shape a new business model, streamlining certain processes or improving the digital prototyping proposition to the customer. Concurrently, government measures offset some of the negative economic impact in 2021, particularly during the restrictions adopted in the first six months. One thing for sure is that digital channels have been the main driver of the positive trends seen in luxury brands, which have grown at rates up to 4/5 times higher than the pre-COVID-19 scenario and with increasing cost barriers to entry for new players.

The strong vaccine response promptly adopted has shown a clear recovery in China and in the USA in particular, while Europe, though on the road to recovery, has suffered a great deal more from the effects of the stoppage of tourism.

This context, which had depicted a recovery in 2022 and a strong growth in 2023 and 2024, has now been put on the sidelines, given the unpredictability of the world scenario brought by the war raging between Russia and Ukraine. While client brands continue to see an impressive growth in the medium to long term, caution prevails in the short term. 2022 will therefore be an interim year, in the hope for an end to the conflict, which could lead to a powerful growth in the following two years in both Asia, America and Europe.

More specifically, Pattern's core segment (women's dresses and outerwear) regained good volumes versus 2020, with the return of the "moments for use" that had driven purchases. S.M.T.'s knitwear segment of operation, on the other hand, continued to generate excellent growth and performance as it deals with much easier and more comfortable garments.

The decision to create an Italian Luxury Design Hub, therefore, turned out to be even more strategic to curb the negative effects of a global crisis that has delivered a strong blow to the fashion industry. The project, as announced, continued towards the end of 2021 with the acquisition of the majority stake in Idee Partners Srl and its subsidiary Petri e Lombardi Srl, companies based in Tuscany and leaders in the design and production of luxury leather bags.

Over the past two years, 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 from spring 2020 to early 2021. 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 2021, the company inaugurated the Digital Warehouse 4.0 at its Turin headquarters, a state-of-the-art facility in logistics and supply chain management, powered by renewable sources (geothermal and solar), confirming its decision to keep up strategic investments in 2020 and 2021.

2022 AND MEDIUM-TERM OUTLOOK

The fashion market will be increasingly dominated by some of the new trends emerging in the luxury business. Companies will need to be able respond to the "war" environment where flexibility, uncertainty and decision-making readiness are crucial factors. The payoff in the new strategic plan unveiled to the workforce is to "expect the unexpected" in order to better explain and give substance to "flexible" design and production strategies.

Strategically speaking, the mantra in 2022 will be to continue to seize the commercial opportunities in different segments, markets and channels, including through M&As if any arise.

As far as results are concerned, the outlook for 2022 still sees a "disrupted" market with a first half of the year, however, showing good growth and a second half of uncertainty brought by the "war" factor.

In the medium/long term, the outlook for 2023 and 2024 appears to show a fully positive picture. In general, greater attention will be attached to the quality aspects of manufacturing and the sustainability of the product and the supply chain. This also in light of the reshoring underway 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.

UPDATE ON THE COVID-19 PANDEMIC

The pandemic that broke out in early 2020 continued throughout 2021 with following waves, alleviated by the gradual introduction of vaccines.

This trend, as already explained in the consolidated half-year report, impacted on Pattern's production volumes (clothing), while recovering, but left S.M.T. (knitwear) and Idee Partners (leather accessories) untouched.

The possible metamorphosis of the pandemic into an endemic should bring a rapid lifting of the last restrictions on people movement and a full resumption of trade, at least in the second part of the current year.

Throughout 2021, all Group companies adopted in-house COVID-19 protocols and Green Pass regulations were strictly enforced.

SIGNIFICANT EVENTS IN THE PERIOD

Approval of the "5E" (Five E) Group Strategic Plan for 2021-2024

On 16 February 2021, the Company's four-year strategic plan was officially presented to the Board of Directors, in line with its mission to create and grow the "Italian Luxury Design Hub".

Starting from a rapidly-changing market scenario, the plan - hinged on the four-year period 2021-24 - aims not only to seize the current growth opportunities, but also to make the working method and the Company's cultural approach flexible through five cornerstones, each identified by a term that in English starts with an E. Hence the name "5E".

Increase in the stake in Società Manifattura Tessile Srl from 51% to 80%

On 5 March 2021, the closing for the purchase of 29% of Società Manifattura Tessile was completed.

19% was acquired directly from the founder and CEO of Società Manifattura Tessile, Stefano Casini, and a further 10% from Camer Srl, a wholly-owned subsidiary of Stefano Casini, for a total price of € 3.9 million.

A cash payment of € 2,555,000 was agreed upon for the purchase of 19%, while for the remaining 10%, the price of which was set at € 1,345,000, a payment in kind was agreed upon, through allocation to Camer S.r.l. of newly-issued Pattern ordinary shares, subscribed as part of a reserved share capital increase.

The subscription price of the newly-issued shares was set at € 3.87 per share, on the basis of the weighted average price of all stock market trading of Pattern shares on EGM Italia in the six months prior to the date of signing of the Investment Agreement (which took place on 24 February 2021).

The capital increase of € 1,345,000 approved on 5 March to service the transaction was carried out as follows: the share capital was increased by € 34,754.50; the difference of € 1,310,245.50 was posted to the share premium reserve.

During the abovementioned procedure, the Company's Bylaws were gradually amended to take account of the changes made.

Allocation of no. 12,621 new shares to the Chief Executive Officer

On 12 April 2021, the Board of Directors granted the Chief Executive Officer, Luca Sburlati, no. 12,621 new ordinary shares relating to the second tranche of the "2019-2022 Stock-Grant Plan", in accordance with the calculation methods set out in the regulation of the same Plan.

Ordinary Shareholders' Meeting of 30 April 2021

On 30 April, the Ordinary Shareholders' Meeting approved the Company's 2020 Financial Statements and resolved to distribute a dividend of € 0.028 per share, confirming the proposal made by the Board of Directors. The dividend was paid out as from 26 May 2021 (ex-dividend date on 24 May 2021 and record date on 25 May 2021).

The Shareholders' Meeting also:

- approved the amendment to the "2019-2022 Stock Grant Plan";
- appointed the Independent Auditors PricewaterhouseCoopers Spa for the three-year period 2021-2023;

- confirmed the appointment to the Board of Directors of Stefano Casini, made by co-option at the Board meeting of 5 March 2021, replacing the outgoing director Claudio Saracco.

Publication of Pattern Spa 2020 Sustainability Report

In April 2021, Pattern published the sixth Sustainability Report, for the year 2020.

Pattern has been preparing this document annually since 2015, according to the standards of the Global Reporting Initiative (GRI), the organization that has set the most advanced systems for measuring economic, environmental and social sustainability. Pattern's new 2020 Sustainability Report presents the accomplishments made versus prior years.

Pattern is also one of the very few Italian companies to have obtained an international ESG rating from CDP (Carbon Disclosure Program), achieving an outstanding "B-" result, with its inclusion in the seventh percentile of the supply companies ranking.

New Collegno warehouse for accessories and finished garments starts operations

In the first part of the year, both the automated warehouse for managing accessories and the warehouse for finished products came into full swing. Today, all of them pass through our structure for storage, quality control and shipment management.

The second half of the year saw the scheduled completion of the reorganization of the old section of the warehouse, with an increase in the area dedicated to the location of bulky accessories on the mezzanine floor. The area dedicated to the warehouse of sample accessories was also set up.

The in-house production line came into operation and the personnel who had worked at Bricherasio until mid-2021 were transferred there. This is a line dedicated to the packaging of samples, print garments and small production batches.

As for personnel, training funded by Fondimpresa was completed and, with a view to enhancing and increasing in-house skills, the required responsibilities were assigned to the most operational levels at the beginning of this year. This was made possible thanks both to increased personnel skills and to the automation that has been adopted, which allows for a higher level of management, including remotely, while the operational side becomes more independent and fluid.

Acquisition of 54% of Idee Partners Srl

On 16 November, the purchase of 54% of Idee Consulting Srl (renamed Idee Partners on 1 January 2022) was made formal. 50.9% was purchased by IDEE Holding Srl (the company that owned 96.9% of Idee Consulting), while 3.1% was purchased by the minority shareholder Alex Albini. Following the transaction, Idee Consulting is 54% owned by Pattern Spa and 46% by Idee Holding Srl.

The total price was € 4,031,434, paid as follows:

- € 3.8 million to Idee Holding;
- € 231,434 thousand to Alex Albini.

On the same date, a shareholders' agreement between Pattern and Idee Holding was made formal, which envisages, inter alia: (i) a lockup for Idee Holding Srl on the shares of Idee Partners for a period of 5 years from the stipulation date, in order to ensure the stability of the current corporate setup; (ii) the designation of a new Board of Directors of Idee Partners formed by 5 members, of whom 3 appointed by Pattern (including the Chairman of the Board of Directors), 1 appointed by Idee Holding and 1 (non-executive) appointed by mutual agreement between the parties; (iii) the confirmation of Claudio Delunas as Chief Executive Officer of the Company; and iv) the designation of a new Board of Statutory Auditors, of whom two statutory auditors and one alternate auditor appointed by Pattern and one statutory auditor (the Chairman of the Board of Statutory Auditors) and one alternate auditor appointed by Idee Holding.

BO.MA. Holding Srl and Claudio Delunas also entered into a shareholders' agreement, which envisages the right of Claudio Delunas, at each Pattern meeting called to appoint the Board of Directors, to be designated and appointed as a member of Pattern's Board of Directors by including his name in the majority list submitted by the controlling shareholder. The agreement runs for a period of 5 years from the stipulation date and upon expiration will be automatically renewed for an equal period, unless terminated by either party. The agreement may cease to be effective before its term if Claudio Delunas ceases, for any reason whatsoever, to hold the office of Chief Executive Officer of Idee Partners Srl.

GROUP CAPITAL EXPENDITURE

In 2021, Group capital expenditure amounted to € 9.6 million, of which:

- € 373 thousand for intangible fixed assets;
- € 1.3 million for tangible fixed assets;
- € 7.3 million for financial fixed assets.

Among the former, the most important items were software licenses (€ 73 thousand) and extraordinary leasehold improvements on third-party assets (€ 183 thousand).

Tangible fixed assets include expenditure for plant and machinery totaling € 1.1 million, including € 815 thousand invested in S.M.T. and almost € 260 thousand in Pattern.

As for S.M.T. in particular, which achieved the highest volume, expenditure went into technological expansion and adjustment, both in terms of quality and quantity of production.

Expenditure in financial fixed assets refers to Pattern's purchase of the 29% stake in S.M.T. (for € 3.9 million, of which € 2.6 million in cash) and of the 54% stake in Idee Partners (€ 4.0 million).

Total expenditure of € 9.6 million does not take account of the payable towards the relevant suppliers at 31 December and the cash acquired pro-quota of Idee Partners and Petri & Lombardi at the beginning of the consolidation period. For this reason, the amount above does not match the amount recorded in the statement of cash flows, which is prepared in accordance with accounting standards.

Disposals in the period were not so meaningful, amounting to € 106 thousand, of which € 84 thousand in Pattern for the disposal of machinery, equipment and trucks, almost entirely depreciated.

GROUP OPERATING AND FINANCIAL SITUATION

Income statement

The table below shows the income statement amounts, with changes recorded versus the same period of 2020.

INCOME STATEMENT OF THE PATTERN GROUP	31.12.2021	31.12.2020	% chg
(€)			
Revenue from sales	69,505,795	52,584,370	32.2%
Other revenue	519,908	1,279,351	-59.4%
Total revenue	70,025,703	53,863,721	30.0%
Change in inventory of products	2,495,576	156,150	1498.2%
Value of production	72,521,279	54,019,871	34.2%
- Purchases of raw materials	22,590,632	15,183,869	48.8%
- Change in inventory of raw materials	-307,450	330,226	-193.1%
Consumption of raw materials	22,283,182	15,514,095	43.6%
Costs for services	25,602,896	19,048,678	34.4%
Rentals and leases	1,476,263	1,470,197	0.4%
Personnel expense	15,166,325	12,405,697	22.3%
Sundry operating expense	302,688	196,420	54.1%
EBITDA	7,689,925	5,384,785	42.8%
Amortization, depreciation, provisions and write-downs	2,423,902	1,819,224	33.2%
EBIT	5,266,023	3,565,561	47.7%
Net financial expense	-125,014	-111,622	12.0%
Value adjustments on net financial assets	0	-2,140	n.a.
Profit (loss) before tax	5,141,009	3,451,799	48.9%
Current and deferred tax	1,467,453	455,655	222.1%
Profit (loss) for the period	3,673,556	2,996,144	22.6%
Group profit (loss) for the period	2,998,895	2,269,894	32.1%

Revenue from sales rose sharply by 32.2% from € 52.6 to € 69.5 million. Other income was significantly lower than last year, dropping from € 1.3 million to € 520 thousand (-59.4%), when the tax credit for listing expenses of € 500 thousand was recognized.

Inventory of semi-finished and finished products rose considerably, from € 156 thousand to € 2.5 million, due to a number of delays in deliveries, which in turn were attributable to delays in the delivery of raw materials and a slowdown in the production activities of external packaging facilities as a result of the pandemic.

Following this latter result, the value of production rose more than the figure recorded for revenue from sales, since it rose from € 54 million in 2020 to € 72.5 million at end 2021 (+34.2%).

Operating costs increased less overall, resulting in an EBITDA increase of 42.8%, from € 5.4 to € 7.7 million. The increase is 57.4% taking account of the tax credit for listing expenses. As a percentage of revenue, it increased to 11% from 10% in 2020 (9.2% without the tax credit).

In detail, looking at the trend in operating costs:

- the consumption of raw materials rose sharply, up by 43.6% from € 15.5 to € 22.3 million, due to the reduction in contribution margins recorded by both Pattern and S.M.T. as a result of the greater weight of this cost component;
- service costs increased by 34.4%, from € 19 to € 25.6 million, in line with the increased value of production;
- payroll costs rose by 22.3%, due mainly to the restrictions adopted last year, when overall savings of € 2 million were achieved, versus € 470 thousand this year, when the company made moderate use of redundancy funds in the first half of the year.

Expense for amortization, depreciation, provisions and write-downs increased by 33.2% from € 1.8 to € 2.4 million. This item was impacted by the amortization of goodwill recorded in intangible fixed assets, totaling € 718 thousand. Last year, the same item amounted to € 418 thousand.

Due to the latter performance, EBIT improved by 47.7%, increasing from € 3.6 to € 5.3 million.

Net financial expense increased by 12%, from € 112 to € 125 thousand. This change was affected by the loss on exchange rate differences of € 29 thousand, accrued in Pattern.

Pre-tax profit improved by 48.9% from € 3.5 to € 5.1 million, while net profit increased by only 22.6%, following the return of the tax rate to pre-2020 levels, in which part of gross profit was made up of non-taxable income and a number of tax breaks had been granted.

The increase is 47.2% when considering the tax credit for listing expenses recorded in 2020.

Net profit as a percentage of revenue came to 5.2% versus 5.6% in 2020 (4.7% net of the tax credit for listing expenses).

Group net profit recorded a higher increase of 32.1%, from € 2.3 to € 3 million, thanks to the larger consolidation scope of Società Manifattura Tessile, from 51% to 80%.

The tables below show the breakdown of revenue and EBITDA by business area, with the relating changes versus the prior year.

Value of production by business area	31.12.2021	31.12.2020	% chg
Clothing	44,305,297	35,183,820	25.9%
Knitwear	26,658,800	18,836,051	41.5%

Leather Goods	1,557,183	Not present	n.a.
Total value of production	72,521,279	54,019,871	34.2%

Knitwear is the segment that recorded the highest increase, although clothing recovered strongly too. No assessment can be made of the leather area, as it was not part of the Group last year and has been consolidated for only one month this year.

EBITDA by Business Area	31.12.2021	31.12.2020	% chg
Clothing	2,288,399	2,628,941	-13.0%
Knitwear	5,208,484	2,755,844	89.0%
Leather Goods	193,042	Not present	n.a.
Total EBITDA	7,689,925	5,384,785	42.8%

Again, the best performance was by knitwear with an 89% increase in EBITDA. Clothing (Pattern) was down by 13%, but mention must be made again that EBITDA in 2020 had benefited from the tax credit for listing expenses of € 500 thousand.

Revenue from sales by geographical area of the Pattern Group	31.12.2021	31.12.2020
Revenue Italy	40.8%	31.4%
Revenue EU countries	7.8%	67.5%
Revenue Extra-EU countries	51.4%	1.1%
Total	100.0%	100.0%

The proportion of revenue from Italian customers rose from 31.4% to 40.8%, bearing in mind that in some cases these are subsidiaries of foreign multinationals. As seen in the first six months, the share of revenue from EU countries fell - from 67.5% to 7.8% - due to Brexit, which has shifted the area of sales to the UK from EU countries to non-EU countries. The share of the latter concurrently increased from 1.1% to 51.4%.

The table below shows the trend of the key operating ratios. Due to the changed consolidation scope and the consolidation of the income statement for the month of December only for Idee Partners and Petri & Lombardi, the return on equity and net capital employed ratios have not been calculated.

OPERATING AND PROFITABILITY RATIOS OF THE PATTERN GROUP	31.12.2021	31.12.2020
(Percentage or absolute amounts)		
Turnover / Total revenue	32.6%	33.0%
EBITDA / Total revenue	11.0%	10.0%
EBITDA / Total revenue (net of tax credit for listing)	11.0%	9.2%
Net profit / Total revenue	5.2%	5.6%
Profit / Total revenue (net of tax credit for listing)	5.2%	4.7%
Return ratio - Cash-flow / Net revenue	10.1%	10.7%
Free Cash-flow / EBITDA	52.0%	51.4%
Value added per capita	55,747	63,105
Payroll costs per capita	36,991	44,010

Statement of Financial Position

The Group's financial performance versus the prior year is affected by the following elements:

- the financial investments made to increase the stake in S.M.T. and the purchase of the majority stake in Idee Partners;
- the expansion of the consolidation area, which included at end 2021 Idee Partners and Petri & Lombardi;
- the sharp increase in working capital in Pattern and S.M.T.;
- the continued positive net financial position and, despite the above points, high level of cash funds.

RECLASSIFIED STATEMENT OF FINANCIAL POSITION OF THE PATTERN GROUP	31.12.2021	31.12.2020	% chg
(€)			
Intangible fixed assets	11,357,607	5,301,429	114.2%
Property, plant and equipment	6,227,176	5,354,105	16.3%
Financial fixed assets	281,003	194,234	44.7%
Total fixed assets	17.865. 867	10,849,768	64.7%
Inventory	8,289,580	4,288,676	93.3%
Receivables from customers	15,323,201	8,682,850	76.5%

Other receivables	5,827,980	2,059,491	183.0%
Accrued income and prepaid expenses	459,091	529,684	-13.3%
Working capital	29,899,852	15,560,701	92.1%
Payables to suppliers	-17,669,125	-9,664,036	82.8%
Other payables	-4,584,035	-2,512,753	82.4%
Accrued expenses and deferred income	-617,941	-155,091	298.4%
Net working capital	7,028,751	3,228,821	117.7%
Provisions for risks and post-employment benefits	-2,857,431	-1,923,253	48.6%
Net capital employed	22,037,106	12,155,336	81.3%
Equity	25,123,663	20,931,499	20.0%
- of which Group	22,922,861	18,932,242	21.1%
Financial debt less than 12 months	4,256,718	2,096,254	103.1%
Financial debt more than 12 months	15,450,910	12,746,586	21.2%
Cash funds	-22,794,185	-23,619,003	-3.5%
Net financial position	-3,086,557	-8,776,163	-64.8%
Equity and net financial position	22,037,106	12,155,336	81.3%

Net capital employed at 31 December 2021 amounted to € 22 million, up by 81.3% versus € 12.2 million in 2020.

Fixed assets increased by 64.7% from € 10.8 to € 17.9 million. The largest increase was recorded in intangible fixed assets, which include goodwill from the consolidation of S.M.T. and Idee Partners. The latter item, in fact, increased by 136% from € 4 to € 9.4 million.

Net working capital increased by 117.7% from € 3.2 to € 7 million.

The most significant increase explaining this growth is in tax receivables, which rose from € 1.6 to € 5.2 million (+226%). The increase is due mainly to the strong increase in VAT receivables, which rose from € 725 thousand at end 2020 to € 3.8 million in 2021 (+424%). The item is accrued across all Group companies, although the amount accrued in Pattern is significantly high reaching € 2.4 million. Out of the total € 3.8 million in VAT receivables, € 2.2 million were paid to suppliers, with a resulting negative impact on the net financial position. The remainder of the tax receivables are attributable to receivables accrued based on laws facilitating technological investments, which also grew significantly in 2021.

This increase is explained by the increase in purchases recorded in 2021 as a result of the growth in revenue, which resulted in the depletion of the VAT ceiling much earlier than the end of the year.

Other items also showed strong increases.

- Inventory totaled € 8.3 million, virtually doubling versus € 4.3 million in the prior year.
- Receivables from customers rose from € 8.7 to € 15.3 million (+76.5%).

- Payables to suppliers rose from € 9.7 to € 17.7 million (+82.8%).

The increase in these amounts is due partly to the changed consolidation scope, but to a greater extent to the increase in volumes in Pattern and SMT and their concentration towards the end of the year.

Provisions for risks and post-employment benefits increased by 48.6% from € 1.9 to € 2.9 million, due primarily to the consolidation of Idee Partners and Petri & Lombardi.

Equity increased by 20% from € 20.9 to € 25.1 million. Group equity rose the most, by 21.1% from € 18.9 to € 22.9 million, due to the larger consolidation scope of S.M.T. from 51 to 80%.

As a result of the sharp increase in capital employed, only partly covered by the increase in equity, the net financial position declined by 64.8% from € 8.8 to € 3.1 million. The level of cash funds remains rather high, amounting to € 22.8 million at end 2021 versus € 23.6 million at end 2020 (-3.5%).

The table below shows the trend of the statement of cash flows.

STATEMENT OF CASH FLOWS OF THE PATTERN GROUP	31.12.2021	31.12.2020	% chg
(€)			
Cash flow from operations	2,838,057	5,110,862	-44.5%
Cash flow from investing activities	-7,720,070	-5,228,731	47.6%
Cash flow from loan capital	1,258,383	7,691,121	-83.6%
Cash flow from equity	-514,116	-391,769	31.2%
Increase (decrease) in cash funds	-4,137,746	7,181,483	-157.6%
Cash funds, beginning of year	26,931,931	16,437,520	63.8%
Cash funds, end of year	22,794,185	23,619,003	-3.5%

The cash flow from operations, due mostly to the use of resources from the changes in net working capital, was insufficient to cover the volume of expenditure made and the limited distribution of dividends, generating a financial requirement of € 5.4 million.

Net of repayments in the year, the Group resorted partly to debt capital for approximately € 1.3 million, and partly to available cash for € 4.1 million.

The table below shows the change in net financial position during the year.

CHANGE IN NET FINANCIAL POSITION OF THE PATTERN GROUP (amounts in €)	31.12.2021	31.12.2020	% chg
Opening Group NFP (A)	8,776,163	12,385,573	-29.1%
NFP of newly-consolidated companies, net of cash funds acquired at the beginning of the year	-293,477	-3,099,772	-90.5%
Cash flow before changes in NWC	8,938,373	6,644,556	34.5%
Change in net working capital	-4,580,723	1,285,633	-456.3%
Other adjustments	-1,519,593	-2,819,327	-46.1%
Cash flow from operations (B)	2,838,057	5,110,862	-44.5%
Cash flow from investing activities (C)	-7,720,070	-5,228,731	47.6%
Cash flow from operations (D=B+C)	-4,882,013	-117,869	n.a.
Cash flow from changes in Equity (E)	-514,116	-391,769	31.2%
Reduction (Increase) in debt (G=D+E)	-5,396,129	-509,638	958.8%
Closing Group NFP (A-G)	3,086,557	8,776,163	-64.8%

The initial net financial position is compounded by the net financial position of the subsidiaries, which came to a negative figure of just under € 300 thousand. As a result of this movement, the net financial position generated during the year stood at € 5.5 million.

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

The first shows:

- a further improvement in capital assets, achieved through equity strengthening and the new medium-term loans concluded;
- a reduction in the treasury margin from € 20.5 to € 17.3 million due to the increase in working capital.

FINANCIAL STRUCTURE OF THE PATTERN GROUP	31.12.2021	31.12.2020
(€)		
RATIO BETWEEN SOURCES AND LOANS		

Equity	25,123,663	20,931,499
Consolidated payables	15,450,910	12,746,586
Consolidated liabilities	2,857,431	1,923,253
Equity and medium-term liabilities (a)	43,432,004	35,601,338
Fixed assets (b)	17,865,786	10,849,768
Expanded capital assets (c=a-b)	25,566,218	24,751,570
Inventory	8,289,580	4,288,676
Current assets		
- receivables	21,151,181	10,742,341
- other assets	459,091	529,684
- financial assets	0	0
Total (d)	21,610,272	11,272,025
Current liabilities		
- net short-term financial payables	-18,537,467	-21,522,749
- current liabilities	22,253,160	12,176,789
- other liabilities	617,941	155,091
Total (e)	4,333,634	-9,190,869
Treasury margin (f=d-e)	17,276,638	20,462,894

The table below shows a number of indicators relating to the Group's liquidity position and the duration of the financial cycle. The former are in deterioration owing to the points discussed earlier regarding growth in capital employed. The duration of the working capital cycle increased but still remains extremely short.

ANALYSIS OF THE SHORT-TERM FINANCIAL POSITION OF THE PATTERN GROUP	31.12.2021	31.12.2020
(Absolute or percentage ratios)		
Liquidity position ratio - (Liquidity / Total current liabilities)	0.9	1.7

Available liquidity ratio - (Current assets - inventory / Current liabilities)	1.6	2.4
Short-term liquidity ratio - (Current assets / Current liabilities)	1.9	2.7
Working capital cycle (no. days)	22	-1
- Days Sales of Inventory	43	29
- Days Sales Outstanding	79	59
- Days Payable Outstanding	100	90

OPERATING AND FINANCIAL FIGURES OF PATTERN SPA

Income statement

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

INCOME STATEMENT OF PATTERN SPA	31.12.2021	31.12.2020	% chg
(€)			
Revenue from sales	43,145,451	34,224,487	26.1%
Other revenue	122,323	698,837	-82.5%
Total revenue	43,267,774	34,923,324	23.9%
Change in inventory of products	1,125,600	261,390	330.6%
Value of production	44,393,374	35,184,714	26.2%
- Purchases of raw materials	15,348,335	11,068,792	38.7%
- Change in inventory of raw materials	28,695	139,447	-79.4%
Consumption of raw materials	15,377,030	11,208,239	37.2%
Costs for services	16,522,641	12,804,240	29.0%
Rentals and leases	795,040	713,288	11.5%
Personnel expense	9,279,326	7,775,262	19.3%
Sundry operating expense	182,884	139,235	31.3%
EBITDA	2,236,453	2,544,450	-12.1%
Amortization, depreciation, provisions and write-downs	572,971	421,828	35.8%
EBIT	1,663,482	2,122,622	-21.6%
Net financial income (expense)	435,578	6,068	7078.3%
Value adjustments on net financial assets	0	0	n.a.
Profit (loss) before tax	2,099,060	2,128,690	-1.4%

Current and deferred tax	353,089	177,928	98.4%
Profit (loss) for the period	1,745,971	1,950,762	-10.5%

Total revenue amounted to € 43.3 million, recording a strong recovery especially in the second half of the year versus € 34.9 million in the prior year (+23.9%).

The value of production rose even more, by 26.2%, from € 35.2 to € 44.4 million, due to the increase in stocks of semi-finished and finished products, from € 261 thousand to € 1.1 million (+331%). The reasons for this increase have already been discussed with the comments on consolidated figures.

Overall, operating costs rose more sharply due to the increase in the consumption of raw materials and industrial production costs, with a resulting reduction in the contribution margin.

Specifically, raw material costs rose from € 11.2 to € 15.4 million (+37.2%) and service costs from € 12.8 to € 16.5 million (+29%). The latter increased also as a result of the costs incurred for the implementation of the extraordinary transactions concluded during the year.

The reduction in the contribution margin should be interpreted correctly. Significantly advantageous price conditions had been secured last year in order to partly offset the sharp drop in volumes. 2021 returned to previous levels, while volumes still remain approximately 20% away from 2019 levels.

Other costs showed increases that were less than proportional to revenue. Specifically, personnel expense increased by 19.3%. The increase was moderate, thanks to partial resort to the redundancy fund in the first six months, resulting in overall savings of € 469 thousand.

As a result of the trend in operating costs, EBITDA decreased by 12.1% versus the prior year, from € 2.5 to € 2.2 million. As a percentage of total revenue (see table with operating indicators), it fell from 7.3% to 5.2%. However, mention should be made of the recognition in 2020 of the tax credit for listing expenses of € 500 thousand. Net of the latter amount, EBITDA increased by 9.4% in 2021, with a percentage on total revenue close to last year's (5.2% versus 5.9% in 2020).

Amortization, depreciation, provisions and write-downs totaled € 573 thousand versus € 422 thousand in 2020 (+35.8%). The increase is attributable to the start of operations of the new automated warehouse for finished garments.

As a result, EBIT fell by 21.6% from € 2.1 to € 1.7 million.

Net financial income recorded a strong increase thanks to the dividends received from SMT amounting to € 480 thousand. Financial payables rose due to increased medium-term debt (from € 51 to € 61 thousand), while foreign exchange losses amounted to € 29 thousand, versus foreign exchange gains of € 8 thousand recorded in the prior year.

Profit before tax, amounting to € 2.1 million, was in line with the prior year (-1.4%), while net profit declined by 10.5% from just under € 2 to € 1.7 million. The greater decrease is attributable to the higher tax burden for the year versus the prior year, which had recorded non-taxable government grants in addition to lower tax from prior years. Net profit as a percentage of total revenue decreased from 5.6% to 4.0%.

Net of the tax credit for research expenses recorded in 2020, the increase is 20.3% from € 1.5 to € 1.7 million, with the percentage of revenue in line with the prior year (4.0% versus 4.2% in 2020).

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	31.12.2021	31.12.2020
(Percentage or absolute amounts)		
Turnover / Total revenue	26.6%	29.5%
EBITDA / Total revenue	5.2%	7.3%
EBITDA / Total revenue (net of tax credit for listing)	5.2%	5.9%
Net profit / Total revenue	4.0%	5.6%
Net profit / Total revenue (net of tax credit for listing)	4.0%	4.2%
Return on equity ratio - Roe (Net profit / Equity)	9.2%	11.5%
Return on loans ratio - Roa (Net Profit / Assets + Leased assets)	4.1%	5.4%
Operating return on net capital employed ratio - Roi (Operating profit / Net invested capital)	11.0%	29.0%
Return ratio - Cash-flow / Net revenue	6.5%	7.9%
Value added per capita	65,804	59,652
Payroll costs per capita	53,025	44,944
Cost of bank debt	0.5%	0.6%

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	31.12.2021	31.12.2020	% chg
(€)			
- Intangible fixed assets	718,173	650,042	10.5%
- Property, plant and equipment	2,701,933	2,663,956	1.4%
- Financial fixed assets	13,637,470	5,706,266	139.0%
Total fixed assets	17,057,576	9,020,264	89.1%

Inventory	4,653,803	3,556,896	30.8%
Receivables from customers	7,672,126	5,045,077	52.1%
Other receivables	2,792,495	1,078,640	158.9%
Accrued income and prepaid expenses	303,467	380,164	-20.2%
Working capital	15,421,891	10,060,777	53.3%
Payables to suppliers	-8,587,736	-6,692,290	28.3%
Other payables	-1,817,319	-1,484,103	22.5%
Accrued expenses and deferred income	-224,446	-31,278	617.6%
Net working capital	4,792,390	1,853,106	158.6%
Provisions for risks and post-employment benefits	-1,227,160	-1,127,495	8.8%
Net capital employed	20,622,806	9,745,875	111.6%
Equity	21,219,763	18,477,799	14.8%
- Financial debt less than 12 months	2,843,335	1,587,097	79.2%
- Financial debt more than 12 months	10,324,630	9,647,451	7.0%
- Cash funds	-13,764,922	-19,966,472	-31.1%
Net financial position	-596,957	-8,731,924	-93.2%
Equity and net financial position	20,622,806	9,745,875	111.6%

Capital employed doubled again as it did in 2020 from € 9.7 to € 20.6 million (+111.6%).

Net working capital increased even more significantly by 158.6%. This increase is the result of:

- the growth in inventory from € 3.6 to € 4.7 million (+30.8%);
- the increase in trade receivables from € 5 to € 7.7 million (+52.1%), only partly offset by an increase in trade payables from € 6.7 to € 8.6 million (+28.3%);
- the significant VAT credit at the end of the year, amounting to € 2.4 million versus € 366 thousand recorded in the prior year.

The change in inventory and customer receivables reflects the high volume of production between the end of the year and the beginning of the following year. The increase in the VAT credit, instead, stems from the reduced ceiling generated in 2020 against the increase in volumes recorded in 2021.

The increase in capital employed, especially in working capital, despite an increase in equity of 14.8%, from € 18.5 to € 21.2 million, led to a deterioration of the net financial position by € 8.1 million (-93.2%), though still remaining positive and amounting to just under € 600 thousand.

In this context, the level of cash funds remains high, amounting to € 13.8 million, though down significantly from almost € 20 million at end 2020 (-31.1%).

CHANGE IN NET FINANCIAL POSITION OF PATTERN SPA (amounts in €)	31.12.2021	31.12.2020	% chg
Opening NFP (A)	8,731,924	12,384,725	-29.5%
- Profit (loss) for the year before income tax, interest, dividends and gains/losses from disposal	1,634,688	2,129,792	-23.2%
- Adjustments for non-monetary items	1,217,497	978,818	24.4%
- Cash flow before changes in NWC	2,852,185	3,108,610	-8.2%
- Change in net working capital	-3,393,976	1,312,970	-358.5%
- Cash flow after changes in NWC	-541,791	4,421,580	-112.3%
- Other adjustments	-121,373	-1,558,284	-92.2%
Cash flow from operations (B)	-663,164	2,863,296	-123.2%
Cash flow from investing activities (C)	-7,077,687	-5,830,328	21.4%
Cash flow from industrial operations (D=B+C)	-7,740,851	-2,967,032	160.9%
Cash flow from changes in Equity (E)	-394,116	-685,769	-42.5%
Reduction (Increase) in NFP (G=D+E)	-8,134,967	-3,652,801	122.7%
Closing NFP (A-G)	596,957	8,731,924	-93.2%

The table showing changes in the net financial position during the year further underscores the impact of the change in working capital, which resulted in a net cash outflow of € 663 thousand versus a net income of € 2.9 million recorded in the prior year.

The high level of expenditure during the period, amounting to € 7.1 million, combined with the distribution of dividends totaling almost € 400 thousand, resulted in a reduction of € 8.1 million in the net financial position and in the use of cash generated by operations.

FINANCIAL STRUCTURE OF PATTERN SPA	31.12.2021	31.12.2020
(€)		
RATIO BETWEEN SOURCES AND LOANS		

Equity	21,219,764	18,477,799
Consolidated payables	10,324,630	9,647,451
Consolidated liabilities	1,227,160	1,127,495
Equity and medium-term liabilities (b)	32,771,555	29,252,745
Fixed assets	17,057,577	9,020,264
Expanded capital assets	15,713,978	20,232,481
Inventory	4,653,803	3,556,896
Current assets		
- receivables	10,464,621	6,123,717
- other assets	303,467	380,164
- financial assets	0	0
Total (d)	10,768,088	6,503,881
Current liabilities		
- net short-term financial payables	-10,921,588	-18,379,375
- current liabilities	10,405,055	8,176,393
- other liabilities	224,446	31,278
Total (e)	-292,087	-10,171,704
Treasury margin	11,060,175	16,675,585

The above financial performance of the year led to a deterioration in capital assets and the treasury margin, which nevertheless remain at largely positive levels.

The ratios for the liquidity position shown in the table below followed the same deteriorating trend, while the duration of the working capital cycle lengthened though remaining subdued.

ANALYSIS OF THE SHORT-TERM FINANCIAL POSITION OF PATTERN SPA	31.12.2021	31.12.2020
(Absolute or percentage ratios)		
Liquidity position ratio - (Liquidity / Total current liabilities)	1.0	2.0

Available liquidity ratio - (Current assets - inventory / Current liabilities)	1.8	2.7
Short-term liquidity ratio - (Current assets / Current liabilities)	2.2	3.1
Working capital cycle (no. days)	35	-2
- days stock	39	37
- days customers	64	53
- days suppliers	68	92

OPERATING AND FINANCIAL FORECASTS FOR THE CURRENT YEAR

Expectations for 2022 point to further growth in the first half of the year. The situation should become more propitious in the second half of the year, on the assumption that the war context in Europe does not further deteriorate.

Any pandemic resurgence in China, where a large and growing share of the luxury market is concentrated, could hinder purchases there, as well as the supply chain and logistics. This should however have minor impacts on Luxury, while it could have greater effects on the average costs of raw materials, leading to a high inflationary rate, which is already happening, and to a stronger reshoring on Europe.

Pattern can therefore be expected to grow further in 2022, all exogenous conditions being equal.

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, Pattern will need to assess the inflationary pressures and the resulting pressure on its sales prices.

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". The industrial combination strategy launched firstly by our Group in 2017, followed by other mainly financial entities, with the aim of seeking partnerships with other players in order to better counter the crisis, proved to be the successful choice. Size allows for investment, innovation and sustainability.

As it did in the last few years, 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.

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, Società Manifattura Tessile Srl, Idee Partners Srl and Petri & Lombardi Srl.

The first three are under the direction and coordination of Pattern Spa, while Petri & Lombardi Srl is under the direction and coordination of Idee Partners Srl.

Pattern Project Srl

Assets	31.12.2021	31.12.2020
B) Fixed assets	206,979	227,451
C) Current assets	67,103	60,304
D) Accrued income and prepaid expenses	0	0
Total Assets	274,082	287,755
Liabilities and Equity	31.12.2021	31.12.2020
A) Equity	239,685	283,054
B) Provisions for risks and charges	0	0
C) Post-employment benefits	0	0
D) Payables	34,397	4,701
E) Accrued expenses and deferred income	0	0
Total Liabilities and Equity	274,082	287,755

Income Statement	31.12.2021	31.12.2020
Value of production	60,000	60,106
Costs of production	58,358	26,657
Difference between value and costs of production	1,642	33,449
Net financial income/expense	-11	-25
Profit (loss) before tax	1,631	33,424
Tax	0	7,681
Net profit (loss)	1,631	25,743

Receivables and payables of Pattern Spa vs Pattern Project Srl	31.12.2021	31.12.2020
Receivables	0	0
Payables	46,980	56,200
Income and expense of Pattern Spa vs Pattern Project Srl	31.12.2021	31.12.2020
Income	1,000	1,000
Expense	60,000	60,000
- Royalties	60,000	60,000

Società Manifattura Tessile Srl

Assets	31.12.2021	31.12.2020
B) Fixed assets	3,579,756	3,511,522
C) Current assets	14,983,075	9,015,520
D) Accrued income and prepaid expenses	98,250	149,520

Total Assets	18,661,081	12,676,562
Liabilities and Equity	31.12.2021	31.12.2020
A) Equity	6,537,699	4,080,115
B) Provisions for risks and charges	0	0
C) Post-employment benefits	964,156	795,758
D) Payables	10,793,283	7,676,876
E) Accrued expenses and deferred income	365,943	123,813
Total Liabilities and Equity	18,661,081	12,676,562

Income Statement	31.12.2021	31.12.2020
Value of production	26,775,710	18,866,621
Costs of production	22,580,170	17,039,628
Difference between value and costs of production	4,195,540	1,826,993
Net financial income/expense	-34,139	-74,805
Profit (loss) before tax	4,161,401	1,752,188
Tax	1,103,817	270,046
Net profit (loss)	3,057,584	1,482,142

Receivables and payables of Pattern Spa vs. Società Manifattura Tessile Srl	31.12.2021	31.12.2020
Receivables	64,385	8,457
Payables	28,840	7,232
Income and expense of Pattern Spa vs Società Manifattura Tessile Srl	31.12.2021	31.12.2020
Income	87,078	6,970
Expense	116,911	23,600

Idee Partners Srl

Assets	31.12.2021	31.12.2020
B) Fixed assets	1,514,926	793,892
C) Current assets	7,287,640	6,056,815
D) Accrued income and prepaid expenses	24,039	124,761
Total Assets	8,826,605	6,975,468
Liabilities and Equity	31.12.2021	31.12.2020
A) Equity	1,399,775	1,546,040
B) Provisions for risks and charges	5,979	0
C) Post-employment benefits	481,978	402,395
D) Payables	6,934,748	5,024,822
E) Accrued expenses and deferred income	4,125	2,211
Total Liabilities and Equity	8,826,605	6,975,468

Income Statement	31.12.2021	31.12.2020
Value of production	11,432,234	9,110,633

Costs of production	11,495,559	8,839,334
Difference between value and costs of production	-63,325	271,299
Net financial income/expense	-44,513	-31,893
Profit (loss) before tax	-107,838	239,406
Tax	34,160	19,014
Net profit (loss)	-141,998	220,392

Petri & Lombardi Srl

Assets	31.12.2021	31.12.2020
B) Fixed assets	709,216	735,125
C) Current assets	1,245,694	1,265,010
D) Accrued income and prepaid expenses	33,335	56,426
Total Assets	1,988,245	2,056,561
Liabilities and Equity	31.12.2021	31.12.2020
A) Equity	929,409	1,137,223
B) Provisions for risks and charges	0	0
C) Post-employment benefits	178,158	181,049
D) Payables	857,251	708,215
E) Accrued expenses and deferred income	23,427	30,074
Total Liabilities and Equity	1,988,245	2,056,561

Income Statement	31.12.2021	31.12.2020
Value of production	2,295,048	3,699,969
Costs of production	2,168,269	2,710,072
Difference between value and costs of production	126,779	989,897
Net financial income/expense	-4,338	-3,854
Profit (loss) before tax	122,441	986,043
Tax	7,700	271,377
Net profit (loss)	114,741	714,666

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 companies 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 Group's performance.

The ongoing pandemic has increased certain risk profiles, which are adequately covered. Under constant scrutiny are also the economic consequences of the current conflict between Russia and Ukraine.

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 cash funds, 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;
- expenditure is covered mainly by medium-term bank loans, in order to correlate sources with the use of capital.

Interest rate risk

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

This is a narrow risk however, since debt consists of medium-term loans, mainly at fixed rates or with related IRS hedging contracts.

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 is in place for Idee Partners customers, which are more diversified given the dynamic nature of the segment and the resulting higher risk profile.

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 risksRisks associated with dealings with external laboratories

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, however, 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.

Risks associated with the availability and supply of raw materials

As for the case of production where the purchase of raw materials is requested by the customer, the Company bears no risk, neither with regard to the certainty and timing of supply, nor with regard to 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.

Risks associated with recruiting and retaining expert personnel

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.

Cyber risks

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

The expenditure made in this regard and the activities carried out are explained in the section on information systems.

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 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.

For such reasons, in addition to seeking new customers with the above profile, the Group has worked to diversify its business areas, landing firstly in 2020 in knitwear and from the end of 2021 in the leather accessories segment. This has allowed it to strongly reduce the market risk in the last two years of the pandemic crisis, and even more so will be the right answer for diversifying such risk in the medium term.

ENVIRONMENTAL IMPACT OF OPERATIONS

In line with the market's growing attention to the environmental impacts generated by fashion production processes, Pattern continued to pursue in 2021 the commitment enshrined in the "From red to green carpet" project.

Through the reporting of its greenhouse gas emissions, using solid scientific and internationally recognized protocols and considering the entire value chain, the goal of making the company "Carbon Neutral" by 2023 will be achieved through an ambitious strategy of measurement, reduction and offsetting. The accurate measurement of emissions is the starting point to begin making "disclosure and engagement" towards stakeholders, giving a transparent disclosure of how the issue of climate change is dealt with and proving the sustainability of one's business model over time.

For this reason, all Pattern Group companies have measured their 2021 impacts according to the scope 1, scope 2 and scope 3 criteria in the GHG Protocol and set tangible reduction targets that meet the requirements of the Science Based Target Initiative commitment.

Likewise, Pattern continues to be measured by CDP - Carbon Disclosure Project and, despite being compared to much larger textile companies, it shows an ESG score of C, proof of its ongoing commitment to improving its governance on environmental and social topics.

All the information related to environmental management and the many new features appear on the following webpages:

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

Additionally, in compliance with the signing of the UN "Fashion for Global Climate Action" initiative, developed according to the international environmental treaty produced by the Conference on Environment and Development-UNFCCC, and the recent endorsement of the UN Global Compact, the Group's sustainability strategy has been shaped according to the 17 Sustainable Development Goals of the UN 2030 Agenda.

With a view to consolidating the Corporate Responsibility Plan and in response to increasing demands from the European Commission involving the textile industry, the next targets will address the challenges of water consumption in the supply chain and the extension of environmental practices throughout the chain, in order to promptly comply with EU directives on mandatory corporate due diligence on human rights and the environment and the implementing legislation on Extended Producer Responsibility (EPR).

EMPLOYEES AND INFORMATION SYSTEMS

Employees

In 2021, the Group saw a significant increase in Work Units versus the prior year, attributable to the acquisition of IDEE Partners and the subsidiary Petri & Lombardi. Employees amounted to 410 at 31/12/2021, including 299 women and 111 men.

Company	Headcount at 31.12.2021			Headcount at 31.12.2020		
	Women	Men	TOT	Women	Men	TOT
PATTERN SPA - COLLEGNO	80	36	116	78	32	110
PATTERN SPA - SPELLO	49	10	59	53	10	63
SOCIETA' MANIFATTURA TESSILE SRL	95	33	128	81	24	105
IDEE PARTNERS SRL	54	26	80	0	0	0
PETRI & LOMBARDI SRL	21	6	27	0	0	0
Total employees	299	111	410	212	66	278

The pandemic context continued into 2021, resulting in a timely and stringent management of personnel in terms of both health and cost management, while maintaining a steady headcount with no changes or staff reduction procedures.

The adversity brought by the pandemic impacted on the different sites in various ways. The Collegno site benefited from the COVID-19 ordinary redundancy fund (CIGO), with very low numbers and at the beginning of the year only; the Spello site benefited from the Covid-19 redundancy fund for the whole of 2021. Signs of improvement were seen as early as the second half of the year when the CIGO was used for a small number of hours.

SMT did not use COVID-19 CIGO as it had increased production volumes, resulting in a net increase of 23 units.

In terms of health, protocols at all sites were consistently updated with government regulations, and no abnormal situations of COVID cases in the company premises occurred.

Remote working was used to reduce the likelihood of cases and to give mothers and fathers the opportunity to manage their household in case of a contagion or quarantine of relatives.

The acquisition of Idee and Petri & Lombardi triggered the integration activities in accordance with the ethical and conduct principles and values of the Group by sharing the Codes with all the workforce. Additionally, the analysis and mapping of the structure and organization was carried out in order to make the staff remuneration policy consistent.

All aspects related to Health and Safety were also checked to ensure their compliance with the Group's measures as well as with current legislation, and a number of adjustments were started.

Training programs were delivered during the year, mainly in distance and synchronous mode, and sometimes in-person, on technical and transversal topics, as well as for in-depth language learning.

The training was financed mainly by the Fondimpresa interprofessional fund, involving all the offices with the attendance of approximately 80 people net of the compulsory training delivered to comply with current safety regulations.

With regard to the digitization of the HR process, a new attendance management system was implemented. The system provides access to employees with full transparency of their positions and autonomous management of the reasons for absence. Implementation involved Pattern's Collegno and Spello and SMT sites and in 2022 also IDEE Partners.

The SA8000 model is implemented and constantly monitored by dedicated resources for PATTERN Collegno Spello and SMT offices. The Social team conducts half-year meetings to exchange views and develop plans for ongoing improvement in social performance.

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.

Training and support activities continued, albeit mainly remotely, for students in the local area (IED Course in Management and Organizational Logic) and with national universities: Alta Scuola Politecnica Turin Polytechnic and Milan Polytechnic). Funding for a PHD with the Milan Polytechnic is ongoing and a Master's degree with SDA Bocconi was funded.

During the current year, the personnel management processes adopted so far by the Group will be extended to Idee Partners and Petri & Lombardi.

Information systems

The year 2021 saw a continuation of the improvement path in the area of cybersecurity.

Specifically, the Firewall redundancy project was completed in all the Group's sites, which now have dual equipment configured in high availability.

In Collegno, following the setup of a DPC premise in the new building of Via Tunisia (a closed room, equipped with air conditioning and fire prevention system), the two nodes (redundant) of the server infrastructure hosting all the software and data used in the company were separated and distributed in the two DPC premises (located in separate buildings, Via Italia and Via Tunisia) following the indications envisaged by the best practices in the field of IT security; following the same method, the devices containing the daily backups of company data were equally

distributed in separate rooms in the two buildings: the aim is to reduce the risks of downtime deriving from damaging events that might affect one of the DPC rooms.

Additionally, an automatic process was started up, which exports a copy of the data backup every day from Collegno to Spello, while a copy of the data backup from SMT is exported every day to the cloud. Following renewal of the infrastructure of the Spello location planned for 2022, a similar process will be developed for the backups of Spello, which will be exported to Collegno (cross backups).

Lastly, an infrastructure monitoring system was also adopted for Spello and Correggio, which had no such system up to then.

From an application point of view, the use of the Audit Manager software, adopted by the company in 2020 to plan, execute and finalize audits in the SA8000 and Sustainable manufacturing fields, was extended to product quality audits at the Collegno and Spello sites: all quality controls on finished garments produced internally or in the laboratory are now managed with the aid of this tool, whether they are chain controls, AQL (sample controls) or final 100% controls; the reports produced are automatically saved in a special sharepoint library included in the company Intranet to be available to all interested entities.

The first half of 2021 saw completion of the new finished garments warehouse at Collegno: the WMS system already adopted in 2020 has thus been interfaced on the one hand with the two new "Modula" vertical warehouses introduced for the management of production accessories and, on the other, with the RFID portals set up in order to automatically count and check the finished garments entering and leaving the warehouse. All flows are managed from the ERP management system and totally integrated with it.

With a view to digitizing processes and integrating the company's sites, a new attendance management software, "*Presenze INAZ*", was introduced and the Workflow module was started up at Spello and Collegno (with the intent of continuing activation at the other sites); this module, which is fully integrated with the Attendance system, enables employees to request holidays and leaves of absence and justify any anomalies in clocking in and out with subsequent approval by direct managers.

Lastly, as for product development application software, the first Lectra station was introduced at SMT for the creation of models with a plotter for prints, while Spello saw the launch of a project on release updates for all CAD stations used.

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 created by Pattern, 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 for investments in research and development, environmental transition, technological innovation 4.0 and other innovative activities" (Article 1, paragraphs 198-209, Law 160/2019).

The 2021 Consolidated Income Statement includes, under other revenue, the benefit from reporting expenses incurred in 2020.

The Independent Auditors were tasked with certifying the costs incurred. 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 28 September 2021.

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.

FINANCIAL DERIVATIVES

Pursuant to Article 2428, paragraph 2, point 6-bis, of the Italian Civil Code, mention should be made that - at 31 December 2021 - the Group has a number of 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 € 7.7 million, with an overall mark-to-market at Group level of € -4,744.

BRANCH OFFICES

Pattern Spa has no branch offices, but has four local units. One in Turin, for the sale to the general public of Esemplare branded garments; one in Spello/Perugia, for womenswear; one in Milan, where an Esemplare showroom was opened; the last in Santeramo in Colle/Bari.

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, 28 March 2022

for **THE BOARD OF DIRECTORS**

The Chairman of the Board of Directors

Francesco Martorella

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 € 1,426,292.90 subscribed and paid up
listed with the Turin Company Register no. 10072750010 tax code
R.E.A. no. 1103664

PATTERN SPA
CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2021

STATEMENT OF FINANCIAL POSITION - ASSETS

	31/12/2021	31/12/2020
A) SHARE CAPITAL PROCEEDS TO BE RECEIVED		
B) FIXED ASSETS		
I. Intangible fixed assets		
1) Start-up and expansion costs	23,056	28,200
2) Development costs intellectual property	121,282	273,725
4) Concessions, licenses, trademarks and similar rights	321,865	324,782
5) Goodwill	9,364,213	3,961,570
7) Fixed assets under construction and advances	-	21,580
7) Other	1,527,191	691,572
<i>Total intangible fixed assets</i>	<u>11,357,607</u>	<u>5,301,429</u>
II. Property, plant and equipment		
1) Land and buildings	778,002	555,000
2) Plant and machinery	4,674,789	2,942,560
3) Industrial and commercial equipment	53,976	96,845
4) Other assets	689,019	517,374
5) Fixed assets under construction and advances	31,390	1,242,326
<i>Total property, plant and equipment</i>	<u>6,227,176</u>	<u>5,354,105</u>
III. Financial fixed assets		
1) Investments in		
a) subsidiaries	-	-
b) associates	-	-
c) parent companies	-	-
d-bis) other companies	-	-
Total investments	-	-
2) Receivables		
a) from subsidiaries	-	-
(due within one year)	-	-
d-bis) from others		
(due within one year)	25,000	3,000
(due beyond one year)	251,524	191,234
Total receivables	<u>276,524</u>	<u>194,234</u>
3) Other securities		
4) Financial derivative assets	<u>4,479</u>	-
<i>Total financial fixed assets</i>	<u>281,003</u>	<u>194,234</u>
Total fixed assets	17,865,786	10,849,768
C) CURRENT ASSETS		
I. Inventory		
1) Raw and ancillary materials and consumables	2,928,249	2,179,184
2) Work in progress and semi-finished products	3,809,730	1,640,431
3) Contract work in progress	-	-
4) Finished products and goods	1,551,601	469,061
5) Advances	-	-

<i>Total inventory</i>		8,289,580	4,288,676
II. Receivables			
1) from customers	15,323,201	8,682,850	
<i>(due within one year)</i>	15,323,201	8,682,850	
5-bis) Tax receivables	5,152,736	1,579,793	
<i>(due within one year)</i>	4,653,856	1,404,942	
<i>(due beyond one year)</i>	498,880	174,851	
5-ter) Prepaid tax	212,306	219,838	
5-quater) from others	462,938	259,860	
<i>(due within one year)</i>	242,072	259,860	
<i>(due beyond one year)</i>	220,866	-	
<i>Total receivables</i>		21,151,181	10,742,341
III. Current financial assets			
6) Other securities	-	-	
<i>Total financial assets</i>		-	-
IV. Cash funds			
1) Bank and postal deposits	22,776,524	23,594,859	
2) Cheques	-	11,566	
3) Cash and valuables on hand	17,661	12,578	
<i>Total cash funds</i>		22,794,185	23,619,003
Total current assets		52,234,946	38,650,020
D) ACCRUED INCOME AND PREPAID EXPENSES		459,091	529,684
TOTAL ASSETS		70,559,823	50,029,472

STATEMENT OF FINANCIAL POSITION - LIABILITIES

	31/12/2021	31/12/2020
A) EQUITY		
I. Share capital	1,407,555	1,371,538
II. Share premium reserve	9,548,706	8,238,460
IV. Legal reserve	281,259	272,308
VI. Other reserves	8,691,189	6,825,623
- consolidation reserve	153,615	153,615
- extraordinary reserve	8,106,244	6,558,257
- merger surplus reserve	101,764	101,764
- other	329,566	11,987
VII. Reserve for hedges of expected cash flows	- (4,743)	- (45,581)
VIII. Profit (loss) carried forward	-	-
IX. Profit (loss) for the year	2,998,895	2,269,894
Total equity attributable to the owners of the parent	22,922,861	18,932,242
Share capital and reserves attributable to non-controlling interests	1,526,141	1,273,007
Profit (loss) attributable to non-controlling interests	674,661	726,250
Total equity attributable to non-controlling interests	2,200,802	1,999,257
Total consolidated equity	25,123,663	20,931,499
B) PROVISIONS FOR RISKS AND CHARGES		
1) for pensions	3,273	2,830
3) financial derivative liabilities	9,223	45,581
4) other	39,415	33,329
Total provisions for risks and charges	51,911	81,740
C) POST-EMPLOYMENT BENEFITS	2,805,520	1,841,513
D) PAYABLES		
4) Payables to banks	19,104,957	14,442,840
(due within one year)	4,103,940	2,096,254
(due beyond one year)	15,001,017	12,346,586
5) Payables to other lenders	602,671	400,000
(due beyond one year)	152,778	-
(due beyond one year)	449,893	400,000
6) Advances	13,168	10,363
(due within one year)	13,168	10,363
7) Payables to suppliers	17,669,125	9,664,036
(due within one year)	17,669,125	9,654,869
(due beyond one year)	0	9,167
12) Tax payables	1,533,540	589,855
(due within one year)	1,533,540	579,588
(due beyond one year)	0	10,267
13) Payables to welfare and social security entities	1,032,104	705,807
(due within one year)	1,032,104	705,807

14) Other payables (due within one year)	2,005,223	1,206,728
	2,005,223	1,206,728
Total payables	41,960,788	27,019,629
E) ACCRUED EXPENSES AND DEFERRED INCOME	617,941	155,091
TOTAL LIABILITIES	70,559,823	50,029,472

INCOME STATEMENT

	31/12/2021	31/12/2020
A) VALUE OF PRODUCTION		
1) Revenue from sales and services	69,505,795	52,584,370
2) change in inventory of work in progress, semi-finished and finished products	2,495,576	156,150
4) Increase in own work capitalized	-	-
5) other revenue and income	519,908	1,279,351
- operating grants	196,282	744,475
- other revenue and income	323,626	534,876
Total value of production (A)	72,521,279	54,019,871
B) COSTS OF PRODUCTION		
6) raw and anc. materials, consum. and goods	22,590,632	15,183,869
7) for services	25,602,896	19,048,678
8) for rentals and leases	1,476,263	1,470,197
9) for personnel	15,166,325	12,405,697
a) wages and salaries	10,800,475	8,922,332
b) social security expense	3,314,928	2,707,599
c) post-employment benefits	934,267	708,131
e) other costs	116,655	67,635
10) amortization, depreciation and write-downs	2,423,902	1,819,224
a) amortization of intangible fixed assets	1,161,594	842,346
b) depreciation of tangible fixed assets	1,077,831	946,941
d) write-down of receivables under current assets and cash funds	184,477	29,937
11) Changes in inventory of raw and ancillary materials, consumables and goods	(307,450)	330,226
14) sundry operating expense	302,688	196,420
Total costs of production (B)	67,255,256	50,454,310
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A-B)	5,266,023	3,565,561
C) FINANCIAL INCOME AND EXPENSE		
15) income from investments	-	1
- other income from investm.	-	1

16) other financial income				
d) financial income other than above:		2,145		3,449
	2,145		3,449	
		2,145		3,449
17) interest and other financial expense		97,887		123,933
	97,887		123,933	
		97,887		123,933
17 bis) exchange gains (losses)		(29,272)		8,861
Total fin. income and expense (15+16-17+17bis)		(125,014)		(111,622)
D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS				
19) write-downs		-		2,140
a) of investments	-		2,140	
Total adjustments (18-19)		-		(2,140)
<u>PROFIT (LOSS) BEFORE TAX (A-B+C+D)</u>		5,141,009		3,451,799
20) income tax for the year		1,467,453		455,655
- current	1,459,921		541,903	
- of prior years	-		(183,973)	
- deferred and (prepaid)	7,532		97,725	
21) CONSOLIDATED PROFIT (LOSS) FOR THE YEAR		3,673,556		2,996,144
of which PROFIT (LOSS) ATTRIBUTABLE TO THE OWNERS OF THE PARENT		2,998,895		2,269,894
of which PROFIT (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		674,661		726,250

STATEMENT OF CASH FLOWS

	31.12.2021	31.12.2020
A. CASH FLOWS FROM OPERATIONS		
Profit (loss) for the year	3,673,556	2,996,144
Income tax	1,467,453	447,974
Interest expense/(interest income)	95,731	120,459
(Dividends)	0	0
(Gains)/losses from disposal of assets	2,217	24,384
1. Profit (loss) for the year before income tax, interest, dividends and gains/losses from disposal	5,238,957	3,588,961
<i>Adjustments for non-monetary items that did not have a balancing item in the net working capital</i>		
Allocations to provisions	1,087,187	857,953
Amortization and depreciation	2,240,274	1,789,287
Impairment losses	326,846	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	45,109	408,355
2. Cash flow before changes in NWC	8,938,373	6,644,556
<i>Changes in net working capital</i>		
Decrease (Increase) in inventory	(2,868,794)	680,992
Decrease (Increase) in receivables from customers	(4,331,126)	2,784,992
Increase (Decrease) in payables to suppliers	4,918,327	(3,399,787)
Decrease (Increase) in accrued income and prepaid expenses	101,046	238,513
Increase (Decrease) in accrued expenses and deferred income	440,550	126,099
Other changes in net working capital	(2,840,726)	854,824
3. Cash flow after changes in NWC	4,357,650	7,930,189
<i>Other adjustments</i>		
Interest received/(paid)	(91,501)	(116,565)
(Income tax paid)	(397,794)	(1,175,748)
Dividends received	0	0
(Utilization of provisions)	(1,030,298)	(1,527,014)
Cash flow from operations (A)	2,838,057	5,110,862
B. CASH FLOW FROM INVESTING ACTIVITIES		
<i>Property, plant and equipment</i>		

(Purchases)	(810,048)	(1,392,760)
Proceeds from disposal of assets	10,755	57,562
<i>Intangible fixed assets</i>		
(Purchases)	(301,083)	(165,796)
Proceeds from disposal of assets		
<i>Financial fixed assets</i>		
(Purchases)	(36,260)	(43,565)
Proceeds from disposal of assets	3,000	31,367
<i>Current financial assets</i>		
(Purchases)		
Proceeds from disposal of assets		
<i>Change in cash pooling</i>		
<i>Other financial expense</i>		
<i>Acquisition or sale of subsidiaries or business units</i>	(6,586,434)	(3,715,539)
<i>Cash flow from investing activities (B)</i>	(7,720,070)	(5,228,731)
C. CASH FLOW FROM FINANCING ACTIVITIES		
<i>Loan capital</i>		
Increase (decrease) in short-term bank payables	27,635	(993,836)
New loans	3,501,372	11,539,588
Other loans	0	0
Repayment of loans	(2,270,624)	(2,854,631)
<i>Equity</i>		
Capital increase against payment	0	294,000
Dividends (interim dividends) paid	(514,116)	(685,769)
<i>Cash flow from financing activities (C)</i>	744,267	7,299,352
Change in the consolidation scope (D)	0	0
Effect of exchange rate fluctuations (E)	0	0
Increase (decrease) in cash funds (A+B+C+D+E)	(4,137,746)	7,181,483
<i>Opening cash funds</i>	23,619,003	16,073,900
<i>Cash funds acquired - change in the consolidation scope</i>	3,312,928	363,620
<i>Adjusted opening cash funds</i>	26,931,931	16,437,520
<i>Closing cash funds</i>	22,794,185	23,619,003

INFORMATION ON THE PURCHASE OF INVESTMENTS IN SUBSIDIARIES

With regard to the consolidation of the control of the investee S.M.T S.r.l. following acquisition of a further 29% stake in the investee and the acquisition of the 54% stake in the subsidiary Idee Partners S.r.l. - as well as the following acquisition of the indirect control of 32.40% in Petri & Lombardi S.r.l., 60% controlled by Idee Partners S.r.l. - the information required by OIC no. 17, § 36 is provided at the bottom of this Statement of Cash Flows.

Mention should be made that when preparing the Consolidated Statement of Cash Flows, the cash flows of the newly-consolidated companies Idee Partners S.r.l. and Petri & Lombardi S.r.l. were assumed at 30 November 2021, the date of acquisition of control, in compliance with OIC no. 17, § 19.

Specifically, mention should be made of the following:

<u>Total consideration paid for the acquisition of the 29% stake in SMT</u>	3,900,000
- of which paid in cash funds	2,555,000
 <u>Total consideration paid for the acquisition of IDEE PARTNERS (60%)</u>	 4,031,434
- of which paid in cash funds	4,031,434
<u>Amount of cash funds acquired through the transaction</u>	3,312,928
of which Idee Partners Srl	3,115,089
of which Petri & Lombardi Srl	197,839

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 31/12/2021****FOREWORD**

These consolidated financial statements for the year ended 31 December 2021 of Pattern S.p.A. (hereinafter also the "Parent Company"), Pattern Project S.r.l., SMT S.r.l., Idee Partners S.r.l. and Petri & Lombardi S.r.l. (hereinafter also the "Subsidiaries"), collectively the "Group", have been prepared in accordance with the provisions of Article 18 of the EGM Issuer Regulation in effect since 25 October 2021, in compliance 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**).

CONSOLIDATION SCOPE

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, 2, Legislative Decree 127/91):

Name	Registered office	Share capital at 31.12.2021	Equity at 31.12.2021	Profit (loss) for the year at 31.12.2021	Stake held directly by the Parent Company (%)	Stake held indirectly by the Parent Company (%)
PATTERN PROJECT SRL	Italy	20,000	239,685	1,631	100	/
SMT SRL	Italy	1,000,000	6,537,699	3,057,584	80	/
IDEE PARTNERS SRL	Italy	100,000	1,399,775	-141,998	54	/
PETRI & LOMBARDI SRL	Italy	100,000	929,409	114,741	/	32.4

The full consolidation scope includes the financial statements at 31 December 2021 of Pattern S.p.A., the wholly-owned subsidiary Pattern Project S.r.l., the 80%-owned subsidiary SMT S.r.l., Società Manifattura Tessile S.r.l., the 54%-owned subsidiary Idee Partners S.r.l., and the 32.40%-owned subsidiary Petri & Lombardi S.r.l..

The consolidation scope at 31 December 2021 changed from 31 December 2020 following the inclusion of Idee Partners S.r.l., after the acquisition, by deed signed on 16 November 2021, of the 54% controlling stake, as well as the inclusion of Petri & Lombardi S.r.l., a 32.40%-owned subsidiary of Pattern S.p.A..

On 5 March 2021, the transaction for the acquisition of a further 29% stake in the share capital of S.M.T. S.r.l., already 51% controlled by Pattern S.p.A. since 31 March 2020, was also completed.

Following these transactions, Pattern S.p.A.:

- increased its stake in S.M.T. S.r.l. to reach 80%. Specifically, the transaction was carried out through the sale of a 19% stake in the share capital of S.M.T. S.r.l. by Stefano Casini to Pattern S.p.A., at the agreed price of € 2,555,000, and the transfer of a 10% stake in the share capital of S.M.T. S.r.l. by CAMER S.r.l. to Pattern S.p.A. for a total of € 1,345,000, with a consequent increase in the share capital of Pattern S.p.A. and the allocation of newly-issued ordinary shares to CAMER S.r.l..

Mention should be made that the increase in the stake of the consolidated company S.M.T. S.r.l. was accounted for in the consolidated financial statements in compliance with the provisions of OIC no. 17, § 80.

- controls 54% of Idee Partners S.r.l. and, indirectly the 32.40% of Petri & Lombardi S.r.l. (60% controlled by Idee Partners S.r.l.).

Pursuant to Article 26 of Legislative Decree 127/91, the companies that operate in the luxury leather goods segment have been included in the consolidation scope 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 carried out from 30 November 2021 as envisaged in paragraph 52 of OIC 17, in view of the fact that the acquisition took place in November of the year under review.

Below are the assets and liabilities of the newly-consolidated companies Idee Partners S.r.l. and Petri & Lombardi S.r.l., incorporated in the Pattern Group's consolidated financial statements as from 30.11.2021, pursuant to § 52 of OIC no. 17.

IDEE PARTNERS SRL	
STATEMENT OF FINANCIAL POSITION - ASSETS	
	30/11/2021
A) SHARE CAPITAL PROCEEDS TO BE RECEIVED	
B) FIXED ASSETS	
I. Intangible fixed assets	
1) Start-up and expansion costs	8,183
2) Development costs intellectual property	-
3) Industrial patent rights and rights of use of	16,695
4) Concessions, licenses, trademarks and similar rights	-
5) Goodwill	-
7) Fixed assets under construction and advances	-
7) Other	423,551
<i>Total intangible fixed assets</i>	448,429
II. Property, plant and equipment	
1) Land and buildings	-
2) Plant and machinery	196,690
3) Industrial and commercial equipment	74
4) Other assets	52,649
5) Fixed assets under construction and advances	0
<i>Total property, plant and equipment</i>	249,413
III. Financial fixed assets	
1) Investments in	
a) subsidiaries	828,000
b) associates	-
c) parent companies	-
d-bis) other companies	-
Total investments	828,000
2) Receivables	
a) from subsidiaries	-
(due within one year)	-
d-bis) from others	-
(due within one year)	-
(due beyond one year)	-
Total receivables	-
3) Other securities	-
4) Financial derivative assets	-
<i>Total financial fixed assets</i>	828,000
Total fixed assets	1,525,842
C) CURRENT ASSETS	
I. Inventory	
1) Raw and ancillary materials and consumables	372,188
2) Work in progress and semi-finished products	401,390
3) Contract work in progress	-
4) Finished products and goods	194,426
5) Advances	-

<i>Total inventory</i>		968,004
II. Receivables		
1) from customers	1,969,142	
<i>(due within one year)</i>	1,969,142	
5-bis) Tax receivables	857,664	
<i>(due within one year)</i>	631,625	
<i>(due beyond one year)</i>	226,039	
5-ter) Prepaid tax	-	
5-quater) from others	224,434	
<i>(due within one year)</i>	3,568	
<i>(due beyond one year)</i>	220,866	
<i>Total receivables</i>		3,051,240
III. Current financial assets		
6) Other securities	-	
<i>Total financial assets</i>		-
IV. Cash funds		
1) Bank and postal deposits	3,114,208	
2) Cheques	-	
3) Cash and valuables on hand	881	
<i>Total cash funds</i>		3,115,089
Total current assets		7,134,333
D) ACCRUED INCOME AND PREPAID EXPENSES		8,056
TOTAL ASSETS		8,668,231
STATEMENT OF FINANCIAL POSITION - LIABILITIES		
30/11/2021		
A) EQUITY		
I. Share capital		100,000
II. Share premium reserve		-
IV. Legal reserve		20,000
VI. Other reserves		272,905
- consolidation reserve	-	
- extraordinary reserve	220,392	
- merger surplus reserve	52,515	
- other	(1)	
VII. Reserve for hedges of expected cash flows	-	-
VIII. Profit (loss) carried forward		1,153,136
IX. Profit (loss) for the year		(198,450)
Total equity attributable to the owners of the parent		1,347,591
Share capital and reserves attributable to non-controlling interests		-
Profit (loss) attributable to non-controlling interests		-
Total equity attributable to non-controlling interests		-
Total consolidated equity		1,347,591
B) PROVISIONS FOR RISKS AND CHARGES		
1) for pensions	-	

3) financial derivative liabilities	-	
4) other	-	
Total provisions for risks and charges		-
C) POST-EMPLOYMENT BENEFITS		473,989
D) PAYABLES		
4) Payables to banks	3,462,360	
<i>(due within one year)</i>	531,461	
<i>(due beyond one year)</i>	2,930,899	
5) Payables to other lenders	7,302	
<i>(due beyond one year)</i>	7,302	
<i>(due beyond one year)</i>	0	
6) Advances	36,399	
<i>(due within one year)</i>	36,399	
7) Payables to suppliers	2,287,121	
<i>(due within one year)</i>	2,287,121	
<i>(due beyond one year)</i>	0	
9) payables to subsidiaries	86,310	
12) Tax payables	75,059	
<i>(due within one year)</i>	75,059	
<i>(due beyond one year)</i>	0	
13) Payables to welfare and social security entities	92,183	
<i>(due within one year)</i>	92,183	
14) Other payables	799,917	
<i>(due within one year)</i>	799,917	
Total payables		6,846,651
E) ACCRUED EXPENSES AND DEFERRED INCOME		-
TOTAL LIABILITIES		8,668,231

PETRI & LOMBARDI SRL
STATEMENT OF FINANCIAL POSITION - ASSETS
30/11/2021
A) SHARE CAPITAL PROCEEDS TO BE RECEIVED
B) FIXED ASSETS
I. Intangible fixed assets

1) Start-up and expansion costs

-

2) Development costs

-

intellectual property

3) Industrial patent rights and rights of use of

4,334

4) Concessions, licenses, trademarks and similar rights

-

5) Goodwill

-

7) Fixed assets under construction and advances

-

7) Other	208,066	
<i>Total intangible fixed assets</i>		<u>212,400</u>
II. Property, plant and equipment		
1) Land and buildings	198,588	
2) Plant and machinery	211,569	
3) Industrial and commercial equipment	3,391	
4) Other assets	38,754	
5) Fixed assets under construction and advances	0	
<i>Total property, plant and equipment</i>		<u>452,303</u>
III. Financial fixed assets		
1) Investments in		
a) subsidiaries	-	
b) associates	-	
c) parent companies	-	
d-bis) other companies		
Total investments		-
2) Receivables		
a) from subsidiaries	-	
<i>(due within one year)</i>	-	
d-bis) from others		
<i>(due within one year)</i>	201,800	
<i>(due beyond one year)</i>	-	
Total receivables		201,800
3) Other securities		
4) Financial derivative assets		-
<i>Total financial fixed assets</i>		<u>201,800</u>
Total fixed assets		866,503
C) CURRENT ASSETS		
I. Inventory		
1) Raw and ancillary materials and consumables	-	
2) Work in progress and semi-finished products	-	
3) Contract work in progress	-	
4) Finished products and goods	229,872	
5) Advances	-	
<i>Total inventory</i>		<u>229,872</u>
II. Receivables		
1) from customers	189,135	
<i>(due within one year)</i>	189,135	
5-bis) Tax receivables	219,772	
<i>(due within one year)</i>	219,772	
<i>(due beyond one year)</i>	0	
5-ter) Prepaid tax	-	

5-quater) from others	85,073	
(due within one year)	85,073	
(due beyond one year)	0	
<i>Total receivables</i>		493,981
III. Current financial assets		
6) Other securities	-	
<i>Total financial assets</i>		-
IV. Cash funds		
1) Bank and postal deposits	197,721	
2) Cheques	-	
3) Cash and valuables on hand	118	
<i>Total cash funds</i>		197,839
Total current assets		921,692
D) ACCRUED INCOME AND PREPAID EXPENSES		23,827
TOTAL ASSETS		1,812,022
STATEMENT OF FINANCIAL POSITION - LIABILITIES		
30/11/2021		
A) EQUITY		
I. Share capital		100,000
II. Share premium reserve		-
IV. Legal reserve		35,733
VI. Other reserves		678,934
- consolidation reserve	-	
- extraordinary reserve	678,933	
- merger surplus reserve	-	
- other	1	
VII. Reserve for hedges of expected cash flows	-	-
VIII. Profit (loss) carried forward		-
IX. Profit (loss) for the year		59,747
Total equity attributable to the owners of the parent		874,414
Share capital and reserves attributable to non-controlling interests		-
Profit (loss) attributable to non-controlling interests		-

Total equity attributable to non-controlling interests	-
Total consolidated equity	874,414
B) PROVISIONS FOR RISKS AND CHARGES	
1) for pensions	-
3) financial derivative liabilities	-
4) other	-
Total provisions for risks and charges	-
C) POST-EMPLOYMENT BENEFITS	175,582
D) PAYABLES	
4) Payables to banks	136,743
<i>(due within one year)</i>	7,420
<i>(due beyond one year)</i>	129,323
5) Payables to other lenders	0
<i>(due beyond one year)</i>	0
<i>(due beyond one year)</i>	0
6) Advances	151,319
<i>(due within one year)</i>	151,319
7) Payables to suppliers	331,762
<i>(due within one year)</i>	331,762
<i>(due beyond one year)</i>	0
12) Tax payables	23,843
<i>(due within one year)</i>	23,843
<i>(due beyond one year)</i>	0
13) Payables to welfare and social security entities	29,820
<i>(due within one year)</i>	29,820
14) Other payables	69,038
<i>(due within one year)</i>	69,038
Total payables	742,526
E) ACCRUED EXPENSES AND DEFERRED INCOME	19,500
TOTAL LIABILITIES	1,812,022

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 consolidation scope 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 lower amount of the portion of equity of the investee Idee Partners S.r.l. vis-à-vis the acquisition cost is allocated to "Goodwill", which also includes the lower amount of the portion of equity held in the indirect subsidiary Petri & Lombardi S.r.l., vis-à-vis the acquisition cost relating to the Parent Company, calculated using the so-called "*simultaneous full consolidation procedure*".

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 Consolidated 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. and the subsidiary S.M.T. S.r.l.: dividends collected during the year by the Parent Company and distributed by the subsidiaries Pattern Project S.r.l. and S.M.T S.r.l. are reversed upon consolidation.

As anticipated in the foreword to these Notes, the consolidation of the investments held in Idee Partners S.r.l. and Petri & Lombardi S.r.l. took place as from 30 November 2021; therefore, in the preparation of the Consolidated Income Statement, the income movements of the two subsidiaries for the month of December only were considered, as provided for by OIC no. 17, § 19.

Lastly, the financial statements of the companies included in the consolidation scope 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 2021 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 Euro; the decision was taken not to take advantage of the option of drawing them up in Euro 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 2020; with regard to the comparability of the items, as mentioned in the foreword to these Notes, in the prior year, the consolidation scope did not include the subsidiary Idee Partners S.r.l., and then Petri & Lombardi S.r.l., acquired on 16 November 2021. Additionally, with regard to the subsidiary S.M.T. S.r.l., in the year under review the controlling interest increased by a further 29% from the 51% held in the prior year.
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 3 February 2022. 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 2021 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 depreciation.

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 S.M.T. 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;
- the positive consolidation difference of the subsidiary Idee Partners S.r.l., resulting from the difference between the book value recorded in the Parent Company's financial statements of the investment written off and the amount of the corresponding portion of the subsidiary's booked equity, including the lower amount of the portion of equity held by the Parent Company in the indirect subsidiary Petri & Lombardi S.r.l., vis-à-vis its acquisition cost.

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 year in which they were incurred.

Routine maintenance costs are recognized in the income statement in the year 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 1, 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. Depreciation and amortization 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 year 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.

Inventory of 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.

Inventory of 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.

Inventory of 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 funds

Cash funds 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 years 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 B.III.4 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.1) 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 30.11.2021 of both the direct subsidiary Idee Partners S.r.l. and the indirect subsidiary Petri & Lombardi S.r.l., included in the consolidation scope, as already mentioned, is separately indicated as of such date.

	Start-up and expansion costs	Development costs	Concessions, licenses, trademarks and similar rights	Goodwill	Intangible fixed assets under construction and advances	Other intangible fixed assets	Total intangible fixed assets
Net amount at 31.12.20 Consolidated	28,200	273,725	324,782	3,961,570	21,580	691,572	5,301,429
Net amount at 30.11.21 Idee Partners Srl	8,183	0	16,695	0	0	423,551	448,429
Net amount at 30.11.21 Petri & Lombardi Srl	0	0	4,334	0	0	208,796	213,130
Total Net Amount	36,383	273,725	345,811	3,961,570	21,580	1,323,919	5,962,988
Acquisitions	0	0	58,873	0	0	183,395	242,268
Other increases	0	0	0	6,184,312	0	0	6,184,312
Disposals	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	163,230	163,230
Amortization	(8,752)	(152,443)	(75,379)	(781,669)	0	(143,353)	(1,161,596)
Other changes	(4,575)	0	(7,440)	0	(21,580)	0	(33,595)
Net amount at 31.12.21 Consolidated	23,056	121,282	321,865	9,364,213	0	1,527,191	11,357,607

The increases in Intangible Fixed Assets recorded during the year refer almost entirely to expenditure made by the Parent Company - in particular in "Concessions, licenses, trademarks and similar rights", where purchases of new software licenses and related consultancy services were recorded, in addition to "Other intangible fixed assets", where leasehold improvements were recorded - and by the subsidiary S.M.T. S.r.l. - referring mainly to improvements to the property in Correggio - and the increase in goodwill for a total amount of approximately € 6.2 million arising from the consolidation of the subsidiaries. Mention should be made that this latter increase is attributable for approximately € 2.7 million to the consolidation of the additional 29% stake of the subsidiary SMT S.r.l. and for approximately € 3.5 million to the consolidation of the newly-consolidated Idee Partners S.r.l. and Petri & Lombardi S.r.l..

The 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
Expansion costs	58,280	23,056
Total	58,280	23,056

B.1.2) Development costs

The breakdown of the item is shown below:

Nature of asset	Gross amount	Net amount
Development costs	1,012,213	121,282
Total	1,012,213	121,282

The applied research and development activities that had started in prior years 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.1.4) Concessions, licenses, trademarks and similar rights

The breakdown of the item is shown below:

Nature of asset	Gross amount	Net amount
Trademarks and brands	393,226	223,195
Software licenses	289,225	98,670
Total	682,451	321,865

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.1.5) Goodwill

The breakdown of the item is shown below:

Nature of asset	Gross amount	Net amount
Goodwill	10,693,885	9,364,213
Total	10,693,885	9,364,213

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, amounting to approximately € 301 thousand, 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., amounting to approximately € 33 thousand, 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, amounting to approximately € 6.9 million

- arising from the comparison 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.

- goodwill related to the recognition of the positive consolidation difference of the subsidiary Idee Partners S.r.l. - including the positive difference attributable to the indirect subsidiary Petri & Lombardi S.r.l. - amounting to approximately € 3.5 million, amortized over 10 years. In the specific regard, in the year under review, this goodwill was amortized for the month of December only, since the consolidation of the two companies takes effect as from 30 November 2021 (date of acquisition of control).

This positive difference - arising from the comparison between the book value of the investments written off and the corresponding amount of the portion of equity of the consolidated companies - is justified by the earnings capacity of the acquired businesses.

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	2,386,560	1,508,485
Other costs with long-term useful life	177,741	18,706
Total	2,564,301	1,527,191

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%;
- general plant (B.II.2): estimated useful life 8 years, depreciation rate 12.50%;
- specific plant (B.II.2): estimated useful life 6 years, depreciation rate 15%;
- 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%;
- internal means of transport (B.II.4): estimated useful life 13.33 years, depreciation rate 7.5%;
- 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 tangible fixed assets at 30.11.2021 of

both the direct subsidiary Idee Partners S.r.l. and the indirect subsidiary Petri & Lombardi S.r.l., included in the consolidation scope, as already mentioned, is separately indicated as of such date.

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible fixed assets	PPE under construction and advances	Total property, plant and equipment
Net amount at 31.12.20 Consolidated	555,000	2,942,560	96,845	517,374	1,242,326	5,354,105
Net amount at 30.11.21 Idee Partners Srl	0	196,690	74	52,649	0	249,413
Net amount at 30.11.21 Petri & Lombardi Srl	198,588	211,569	3,391	38,754	0	452,302
Total Net Amount	753,588	3,350,819	100,310	608,777	1,242,326	6,055,820
Acquisitions	39,372	1,073,253	5,160	273,189	86,990	1,477,964
Other increases	0	0	0	0	0	0
Disposals	0	(309)	0	(28,226)	0	(28,535)
Reclassifications	0	1,097,874	0	(190)	(1,297,926)	(200,242)
Depreciation	(14,958)	(846,848)	(51,494)	(164,531)	0	(1,077,831)
Other changes	0	0	0	0	0	0
Net amount at 31.12.21 Consolidated	778,002	4,674,789	53,976	689,019	31,390	6,227,176

The most significant increases in Tangible Fixed Assets regarded expenditure made by the Parent Company, relating primarily to the new finished garments warehouse and the new laboratory in Collegno, as well as expenditure made by the subsidiary S.M.T. S.r.l., with particular regard to the purchase of plant and laboratory machinery, as a result of the technological upgrading process being carried out by the subsidiary.

B.II.1) Land and buildings

The breakdown of the item is shown below:

Nature of asset	Gross amount	Net amount
Land	148,978	148,978
Buildings	678,565	629,025
Total	827,542	778,002

B.II.2) Plant and machinery

The breakdown of the item is shown below:

Nature of asset	Gross amount	Net amount
General plant	2,498,183	1,632,886
Photovoltaic systems	60,000	43,800
Machinery	6,487,211	2,998,103
Total	9,045,394	4,674,789

B.II.3) Industrial equipment

The breakdown of the item is shown below:

Nature of asset	Gross amount	Net amount
Industrial and commercial equipment	455,059	53,976
Total	455,059	53,976

B.II.4) Other assets

The breakdown of the item is shown below:

Nature of asset	Gross amount	Net amount
Furniture and ordinary office equipment	491,165	173,721
Electronic office machinery	837,282	221,956
Trucks	201,709	103,498
Motor vehicles	95,585	30,376
Internal means of transport	11,435	4,817
Furniture	351,746	154,651
Total	1,988,922	689,019

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 € 2,016,688.

	Parent company PATTERN Spa (A)	Subsidiary SMT Srl (B)	Subsidiary IDEE PARTNERS Srl (C)	Subsidiary PETRI & LOMBARDI Srl (D)	Total Consolidated (A + B + C + D)
Total amount of leased financial assets at year end	2,632,461	620,005	62,137	380,360	3,694,963
Depreciation that would have been charged in the year	89,519	183,238	15,534	66,563	354,854
Value adjustments and write-backs that would have been posted in the year	0	0	0	0	0
Present amount of instalments of fees not yet due at year end	1,504,745	256,818	25,834	229,291	2,016,688
Financial expense for the year based on the effective interest rate	54,979	14,753	1,036	3,949	74,717

B.III) Financial fixed assets

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 receivables at 30.11.2021 of both the direct subsidiary Idee Partners S.r.l. and the indirect subsidiary Petri & Lombardi S.r.l., included in the consolidation scope, as already mentioned, is separately indicated as of such date.

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):

	Long-term receivables from others
Amount at 31.12.20 Consolidated	194,234
Amount at 30.11.21 Idee Partners Srl	0
Amount at 30.11.21 Petri & Lombardi Srl	201,800
Total Amount	396,034
Change in the year	-119,510
Amount at 31.12.21 Consolidated	276,524
Portion due within one year	25,000
Portion due beyond one year	251,524
Of which with residual maturity of over 5 years	0

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

- portion due beyond one year: Zurich insurance policy taken out by the subsidiary Petri & Lombardi S.r.l., fully repaid the following year;
- portion due beyond one year:
 - financial receivables of the subsidiary S.M.T. S.r.l. for the amount of € 149,100 related to the investment in a savings plan from 2015 with Unicredit, in addition to € 10,000 for a policy taken out with Zurich in 2018 to guarantee a loan repaid in advance during the year, still outstanding as it has not expired and is not bound to the loan; security deposits of € 29,358 for utilities and for the existing lease on the property in Correggio of the subsidiary SMT S.r.l.;
 - financial receivables in the form of a Reale Mutua insurance policy relating to a savings plan of the subsidiary Petri & Lombardi S.r.l. for the amount of € 51,800 as well as security deposits for utilities for € 1,800;
 - security deposits for € 36,266 relating to outstanding leases concluded by the Parent Company for the Milan showroom and the warehouse in Collegno, as well as security deposits for utilities.

In detail:

Description	Book value
Security deposits	67,424
Financial receivables	209,100
Total	276,524

Amount of financial fixed assets

Pursuant to Article 38, paragraph 1, letter o-quater, 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 long-term receivables:

Description	Book value	Fair Value
Long-term receivables from others	276,524	276,524

B.III.4) Financial derivative assets

The table below shows details of movements in financial derivative assets:

	Current-year amount
Opening balance	0
Recognition of fair value derivatives	2,770
Closing balance	2,770

This amount represents the positive fair value at 31.12 of an Intesa Sanpaolo IRS derivative contract, concluded in the prior year by the Parent Company.

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 and its subsidiaries, 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 € 8,289,580 (€ 4,288,676 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 € 1,741,681, broken down as follows:

- € 617,978 as a reduction in the value of raw materials inventory;
- € 1,123,703 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 net amount of each item of inventory at 30.11.2021 of both the direct subsidiary Idee Partners S.r.l. and the indirect subsidiary Petri & Lombardi S.r.l., included in the consolidation scope, as already mentioned, is separately indicated as of such date.

	Raw and ancillary materials and consumables	Work in progress and semi-finished products	Finished products and goods	Total inventory
Amount at 31.12.20 Consolidated	2,179,184	1,640,431	469,061	4,288,676
Amount at 30.11.21 Idee Partners Srl	372,188	401,390	194,426	968,004
Amount at 30.11.21 Petri & Lombardi Srl	69,426	114,000	46,446	229,872
Total Amount	2,620,798	2,155,821	709,933	5,486,552
Change in the year	307,451	1,653,909	841,668	2,803,028
Amount at 31.12.21 Consolidated	2,928,249	3,809,730	1,551,601	8,289,580

The increase in inventory is attributable to the overall increase in volumes to be produced in the period, to the postponement to end 2021 and beginning of 2022 of a number of deliveries of important orders.

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	Change	Prior-year amount
Raw materials in stock	3,493,415	601,312	2,892,103
Provision for inventory write-down of raw material	(617,978)	122,197	(740,175)
Raw materials in transit	52,812	25,556	27,256
Total	2,928,249	749,065	2,179,184

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

Work in progress and semi-finished products	Current-year amount	Change	Prior-year amount
Work in progress	3,809,730	2,169,299	1,640,431
Provision for inventory write-down of work in progress	0	0	0
Total	3,809,730	2,169,299	1,640,431

C.I.4) Finished products and goods

Finished products and goods	Current-year amount	Change	Prior-year amount
Finished products	2,672,192	1,416,379	1,255,813
Provision for inventory write-down of finished products	(1,123,703)	(336,711)	(786,992)
Finished products in transit	3,112	2,872	240
Total	1,551,601	1,082,540	469,061

C.II) Receivables

Receivables under current assets amounted to € 21,151,181 (€ 10,742,341 at 31 December 2020).

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 net amount of each item of receivables under current assets at 30.11.2021 of both the direct subsidiary Idee Partners S.r.l. and the indirect subsidiary Petri & Lombardi S.r.l., included in the consolidation scope, as already mentioned, is separately indicated as of such date.

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

	Receivables from customers under current assets	Tax receivables under current assets	Deferred tax assets under current assets	Other receivables under current assets	Total receivables under current assets
Amount at 31.12.20 Consolidated	8,682,850	1,579,793	219,838	259,860	10,742,341
Amount at 30.11.21 Idee Partners Srl	1,969,142	857,664	0	224,434	3,051,240
Amount at 30.11.21 Petri & Lombardi Srl	189,135	219,772	0	85,074	493,981
Total Amount	10,841,127	2,657,229	219,838	569,368	14,287,562
Change in the year	4,482,074	2,495,507	(7,532)	(106,430)	6,863,619
Amount at 31.12.21 Consolidated	15,323,201	5,152,736	212,306	462,938	21,151,181
Portion due within one year	15,323,201	4,653,856		242,072	20,219,129
Portion due beyond one year	0	498,880		220,866	719,746
Of which with residual maturity of over 5 years	0	0		0	0

A breakdown of receivables under Current Assets is shown below:

C.II. 1) Receivables from customers

The item is broken down as follows:

Nature of receivable	Consolidated amount 31.12.21	Consolidated amount 31.12.20
<i>Within 12 months</i>		
Receivables from customers	15,543,554	9,055,605
Invoices to issue	58,883	28,723
Credit notes to issue	(78,342)	(50,379)
Bank receipts	189,715	171,847
Allowance for impairment	(390,609)	(522,946)
Total	15,323,201	8,682,850

The increase in trade receivables reflects the high production volumes and their concentration in the latter part of the year.

The allowance for impairment decreased due to utilization by the consolidated company, S.M.T., to cover uncollectible receivables.

C.II. 5-bis) Tax receivables

The item is broken down as follows:

Nature of receivable	Consolidated amount 31.12.21	Consolidated amount 31.12.20
<i>Within 12 months</i>		
Revenue Agency VAT a/c	3,803,212	725,120
IRES receivable	105,637	479,896
IRAP receivable	42,213	88,338
Other tax receivables	702,794	111,588
<i>Over 12 months</i>		
Other tax receivables	498,880	174,851
Total	5,152,736	1,579,793

The significant increase in the VAT credit position, amounting to € 3.8 million (€ 2.4 million attributable to the Parent Company), is explained by the increase in sales volumes recorded during the year, which required a corresponding increase in purchases of raw materials and industrial services, primarily in Italy, in the face of the lower VAT ceiling generated in 2020.

Other tax receivables come in the form of the tax credit for expenditure in new capital goods, both ordinary and Industry 4.0 goods, made during the year.

C.II. 5-quater) Other receivables

The item is broken down as follows:

Nature of receivable	Consolidated amount 31.12.21	Consolidated amount 31.12.20
<i>Within 12 months</i>		
Receivables from social security entities	9,382	3,854
Redundancy fund	1,150	44,838
Advances to suppliers	47,113	69,529
Sundry receivables	184,427	141,639
<i>Over 12 months</i>		
Security deposits	220,866	0
Total	462,938	259,860

Receivables under current assets - breakdown by geographical area

The table below shows a breakdown of receivables under current assets by geographical area for each item.

Geographical area	Receivables from customers under current assets	Tax receivables under current assets	Deferred tax assets under current assets	Other receivables under current assets	Total
Italy	3,907,549	5,152,736	212,306	447,785	9,720,376
EU	2,678,446	0	0	0	2,678,446
Extra-EU	8,737,206	0	0	15,153	8,752,359
Total	15,323,201	5,152,736	212,306	462,938	21,151,181

C.IV) Cash funds

At year end, cash funds amounted to € 22,794,185 (€ 23,619,003 in the prior year). In this regard, the amount of each item of cash funds at 30.11.2021 of both the direct subsidiary Idee Partners S.r.l. and the indirect subsidiary Petri & Lombardi S.r.l., included in the consolidation scope, as already mentioned, is separately indicated as of such date.

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

	Bank and postal deposits	Cheques	Cash and other valuables on hand	Total cash funds
Amount at 31.12.20 Consolidated	23,594,859	11,566	12,578	23,619,003
Amount at 30.11.21 Idee Partners Srl	3,114,208	0	881	3,115,089
Amount at 30.11.21 Petri & Lombardi Srl	197,721	0	118	197,839
Total Amount	26,906,788	11,566	13,577	26,931,931
Change in the year	(4,130,264)	(11,566)	4,084	(4,137,746)
Amount at 31.12.21 Consolidated	22,776,524	0	17,661	22,794,185

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 prepaid expenses at 30.11.2021 of both the direct subsidiary Idee Partners S.r.l. and the indirect subsidiary Petri & Lombardi S.r.l., included in the consolidation scope, as already mentioned, is separately indicated as of such date.

	Accrued income	Prepaid expenses	Total accrued income and prepaid expenses
Amount at 31.12.20 Consolidated	1,568	528,116	529,684
Amount at 30.11.21 Idee Partners Srl	560	7,496	8,056
Amount at 30.11.21 Petri & Lombardi Srl	0	23,827	23,827
Total Amount	2,128	559,439	561,567
Change in the year	10,835	(113,311)	(102,476)

Amount at 31.12.21 Consolidated	12,963	446,128	459,091
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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 shown below:

Accrued income	Amount
Property leases	12,963
Total	12,963
Prepaid expenses	Amount
Rentals	16,590
Property leases	44,228
Purchase of services	39,044
Insurance	51,633
Service contracts	23,441
Software support contracts	21,909
Maxi lease fee	208,567
Other prepaid expenses	7,091
Bank expense	13,975
Rental expense	17,179
Sponsorships and advertising	2,471
Total	446,128

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, amounting to € 1,407,555, is made up of no. 14,075,550 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 EGM multilateral trading system, organized and managed by Borsa Italiana S.p.A.; trading began on 17 July 2019.

On 5 March 2021, the Board of Directors - in accordance with the powers granted to it pursuant to Article 2443 of the Italian Civil Code by the Extraordinary Shareholders' Meeting of 4 December 2020 - resolved to increase Pattern's share capital against payment from € 1,371,538 to € 1,406,292, and so by € 34,754, with the related share premium of € 1,345,000, against the contribution by Camer of 10% of the share capital of the subsidiary S.M.T S.r.l., by issuing no. 347,545 new ordinary Pattern shares with the same characteristics and the same dividend rights as the shares already in circulation, at a total price of € 1,345,000, corresponding to a unit price, rounded to the second decimal place, of € 3.87.

Additionally, on 15 April 2021 a free share capital increase in the amount of € 1,262.10 was made, following the exercise of no. 12,621 rights comprised in the second tranche of the 2019-2022 Stock Grant Plan by the CEO. The shares allocated stem from the capital increase 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. For the sake of completeness, on 30 April 2021, the Shareholders' Meeting resolved to amend the 2019-2022 Stock Grant Plan, in order to increase the loyalty and incentive originally associated with the adoption of the Plan, also in view of the out-of-the-ordinary nature of the 2020 year and, in particular, the negative impacts of the COVID-19 pandemic on the entire luxury industry.

Lastly, it should be noted that the approved share capital amounts to a total of € 1,436,293. The difference between the authorized share capital and the subscribed and paid-up share capital, amounting to € 1,407,555, is attributable to the Retained Earnings Reserve to service the free share capital increase, in the residual amount of € 28,738, resolved by the Extraordinary Shareholders' Meeting of Pattern S.p.A. on 25 June 2019.

A.II) Share premium reserve

The share premium reserve amounts to € 9,548,706 and is broken down as follows:

- € 8,238,460 set up in 2019 following the share capital increase to service the listing on the EGM multilateral trading system.
- € 1,310,246 for the contribution by Camer of 10% of the share capital of S.M.T S.r.l..

Share premium reserve	Amount
Prior-year amount	8,238,461
Increase in the year	1,310,245
Balance at 31.12.21	9,548,706

Specifically, the share premium was set at € 3.87 per share issued.

A.IV) Legal reserve

The Legal Reserve amounts to € 281,259 and the movements in the year are as follows:

Legal reserve	Amount
Prior-year amount	272,308
Allocation of prior year's profit	8,951
Balance at 31.12.21	281,259

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 € 8,106,244 and the movements in the first semester are as follows:

Extraordinary reserve	Amount
Prior-year amount	6,558,257
Allocation of prior year's profit	1,544,624
Release of Reserve for exchange gains	3,363
Balance at 31.12.21	8,106,244

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.

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 the shareholders (for the period 2019 - 2022), in the amount

of € 40,000, through use of the extraordinary reserve, of which € 10,000 already used in the prior year to increase the share capital. In the year, as mentioned earlier, the reserve was used for a free share capital increase of € 1,262, following allocation of the second tranche of the Stock Grant Plan.

Restricted reserve for share capital increase to service the Stock Grant Plan	Amount
Prior-year amount	30,000
Utilization for share capital increase	-1,262
Balance at 31.12.21	28,738

A.VII) Reserve for hedges of expected cash flows

The Reserve for hedges of expected cash flows amounts to € 4,743 and refers to the fair value at 31.12.2021 of two IRS derivative contracts hedging interest rate risk on loans taken out by the Parent Company during the prior year, and two Interest Rate Swap hedging derivative contracts to hedge interest rate risk on loans taken out during the year by the subsidiary Idee Partners S.r.l..

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 provisions for risks and charges at 30.11.2021 of both the direct subsidiary Idee Partners S.r.l. and the indirect subsidiary Petri & Lombardi S.r.l., included in the consolidation scope, as already mentioned, is separately indicated as of such date.

	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 31.12.20 Consolidated	2,830	0	45,581	33,329	81,740
Amount at 30.11.21 Idee Partners Srl	0	0	0	0	0
Amount at 30.11.21 Petri & Lombardi Srl	0	0	0	0	0
Total Amount	2,830	0	45,581	33,329	81,740
Allocation for the year	443	0	9,223	6,086	15,752
Utilization in the year	0	0	(45,581)	0	(45,581)
Amount at 31.12.21 Consolidated	3,273	0	9,223	39,415	51,911

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	2,830
Allocation for the year	443
Utilization in the year	0
Closing balance	3,273

B.3) Financial derivative liabilities

Movements were as follows:

	Current-year amount
Opening balance	45,581
Recognition of fair value derivatives	9,223
Utilization in the year	(45,581)
Closing balance	9,223

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

- the utilization of the provision refers to the recognition at a positive fair value at 31.12.2021 in the year under review by the Parent Company of an IRS derivative contract concluded in the prior year;
- the recognition at a negative fair value at 31.12.2021 refers to two IRS derivative contracts concluded to hedge the interest rate risk on bank loans, one relating to the Parent Company, the other taken out by the consolidated company Idee Partners S.r.l. in 2021. The increased amount reflects the rise in the interest rate curve over the medium term.

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	33,329
Allocation for the year	6,086
Utilization for expense incurred	0
Utilization for provision surplus	0
Closing balance	39,415

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 € 2,805,520 (€ 1,841,513 at 31 December 2020).

In this regard, the amount of the provision for post-employment benefits at 30.11.2021 of both the direct subsidiary Idee Partners S.r.l. and the indirect subsidiary Petri & Lombardi S.r.l., included in the consolidation scope, as already mentioned, is separately indicated as of such date.

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 31.12.20 Consolidated	1,841,513
Amount at 30.11.21 Idee Partners Srl	473,989
Amount at 30.11.21 Petri & Lombardi Srl	175,582
Total Amount	2,491,084
Allocation for the year	992,771
Utilization in the year	(678,335)
Amount at 31.12.21 Consolidated	2,805,520

D) PAYABLES

Payables are posted under liabilities for a total of € 41,960,788 (€ 27,019,629 in the prior year).

In this regard, the amount of the various payable items at 30.11.2021 of both the direct subsidiary Idee Partners S.r.l. and the indirect subsidiary Petri & Lombardi S.r.l., included in the consolidation scope, as already mentioned, is separately indicated as of such date.

The table below shows the composition of the individual items, a breakdown by maturity, showing the amount of payables with a residual maturity of more than five years, separately for each item, and the changes during the year (Article 38, paragraph 1, letters c) and e), Legislative Decree 127/91):

	Payables to banks	Payables to other lenders	Advances	Payables to suppliers	Tax payables	Payables to welfare and social security entities	Other payables	Total payables
Amount at 31.12.20 Consolidated	14,442,840	400,000	10,363	9,664,036	589,855	705,807	1,206,728	27,019,629
Amount at 30.11.21 Idee Partners Srl	3,462,360	7,302	36,399	2,287,121	75,059	92,183	799,917	6,760,341
Amount at 30.11.21 Petri & Lombardi Srl	136,744		151,319	331,762	23,843	29,820	69,038	742,526
Total Amount	18,041,944	407,302	198,081	12,282,919	688,757	827,810	2,075,683	34,522,496
Change in the year	1,063,013	195,369	(184,913)	5,386,206	844,783	204,294	(70,460)	7,438,292
Amount at 31.12.21 Consolidated	19,104,957	602,671	13,168	17,669,125	1,533,540	1,032,104	2,005,223	41,960,788
Portion due within one year	4,103,940	152,778	13,168	17,669,125	1,533,540	1,032,104	2,005,223	26,509,878
Portion due beyond one year	15,001,017	449,893	0	0	0	0	0	15,450,910
Of which with residual maturity of over 5 years	1,238,380	0	0	0	0	0	0	1,238,380

Mention should be made 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	Consolidated amount 31.12.21	Consolidated amount 31.12.20
<i>Within 12 months</i>		
Credit cards	11,627	10,596
Loans without collateral	4,086,634	2,070,612
Bank fees to settle	5,680	15,046
<i>Over 12 months</i>		
Loans without collateral	15,001,017	12,346,586
Total	19,104,957	14,442,840

D.5) Payables to other lenders

Payables to other lenders are shown below:

Nature of payable	Consolidated amount 31.12.21	Consolidated amount 31.12.20
<i>Within 12 months</i>		
Simest Spa loan	141,602	0
Other loans	11,177	0
<i>Over 12 months</i>		
Simest Spa loan	443,234	400,000
Other loans	6,659	0
Total	602,671	400,000

The increase in "payables to other lenders" is explained by the different allocation of a loan previously taken out by the consolidated company S.M.T. S.r.l. with Simest S.p.A., recorded under "payables to banks" at 31 December 2020: as a result of this reclassification, "payables to other lenders" at 31.12.2020 would total € 605,373 (instead of € 400,000), of which € 41,075 within the year and € 564,298 beyond the year.

D.7) Payables to suppliers

Payables to suppliers are shown below:

Nature of payable	Consolidated amount 31.12.21	Consolidated amount 31.12.20
<i>Within 12 months</i>		
Invoices received	15,164,735	8,488,423
Invoices to receive	2,231,350	1,381,838
Credit notes to receive	(50,797)	(215,392)
Payables for confirming buyer	323,837	0
<i>Over 12 months</i>		
Invoices received	0	9,167
Total	17,669,125	9,664,036

The amount of payables to suppliers increased versus the prior year. This increase - as already explained with regard to the increase in inventory and customer receivables - is due to the increased production volumes being completed in the latter part of the year.

D.12) Tax payables

Tax payables are shown below:

Nature of payable	Consolidated amount 31.12.21	Consolidated amount 31.12.20
<i>Within 12 months</i>		
Revenue Agency withholding tax on employees a/c	577,635	417,986
Revenue Agency withholding tax on self-employment a/c	30,548	9,281
Revenue Agency withholding tax on post-employment benefits a/c	12,554	(95)
Revenue Agency VAT a/c	1,073	2,530
Revenue Agency Irap a/c	141,925	42,810
Revenue Agency Ires a/c	762,357	101,946
Revenue Agency other payables a/c	7,448	5,130
<i>Over 12 months</i>		
Revenue Agency withholding tax on employees a/c	0	10,267
Total	1,533,540	589,855

D.13) Payables to welfare and social security entities

Payables to welfare and social security entities are shown below:

Nature of payable	Consolidated amount 31.12.21	Consolidated amount 31.12.20
<i>Within 12 months</i>		
Inps	787,160	518,814
Inail	15,238	0
Inps and Inail accruals	132,348	104,516
Contributions to supplementary pension funds	97,358	81,407
Enasarco	0	1,070
Total	1,032,104	705,807

D.14) Other payables

Other payables are shown below:

Nature of payable	Consolidated amount 31.12.21	Consolidated amount 31.12.20
<i>Within 12 months</i>		
Payables to pension funds	9,791	8,772
Accruals for holidays not taken	604,840	543,617
Payables for salaries to settle	974,790	537,635
Payables for commissions to settle	17,610	26,870
Payables for fees to settle	25,455	19,379
Other payables	372,737	70,455
Total	2,005,223	1,206,728

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 liabilities and deferred income at 30.11.2021 of both the direct subsidiary Idee Partners S.r.l. and the indirect subsidiary Petri & Lombardi S.r.l., included in the consolidation scope, as already mentioned, is separately indicated as of such date.

	Accrued expenses	Deferred income	Total accrued expenses and deferred income
Amount at 31.12.20 Consolidated	22,997	132,094	155,091
Amount at 30.11.21 Idee Partners Srl	0	0	0
Amount at 30.11.21 Petri & Lombardi Srl	0	19,500	19,500
Total amount	22,997	151,594	174,591
Change in the year	20,967	422,383	443,350
Amount at 31.12.21 Consolidated	43,964	573,977	617,941

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

Accrued expenses	Amount
Insurance	8,414
Services and utilities	9,557
Interest expense on medium/long-term loans	6,466
Other	19,527
Total	43,964
Deferred income	Amount
Lease	0
Exclusive customer contract	48,767
Software support contracts	0
Tax credit for capital goods	525,210
Total	573,977

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 31.12.21	Amount at 31.12.20
Income from production area	61,332,989	46,021,553
Income from design area	7,358,134	5,498,729
Other income	814,672	1,064,088
Total	69,505,795	52,584,370

Revenue from sales increased during the year, driven by the recovery of the clothing, knitwear and luxury goods areas in general, which were heavily hit by the COVID-19 pandemic, the effects of which were also felt during the year under review.

For an in-depth analysis of this issue, reference is made to the Directors' Report.

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 31.12.21	Amount at 31.12.20
Italy	28,343,950	16,491,016
EU	5,401,623	35,502,996
Extra-EU	35,760,222	590,358
Total	69,505,795	52,584,370

The changes recorded in the EU and EXTRA-EU area are due to Brexit, which changed the geographical location of British customers.

A.5) Other income

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

Nature	Amount at 31.12.21	Amount at 31.12.20
Operating grants	196,282	744,475
Other revenue		
Grants plants a/c	68,665	50,434
Ordinary capital gains	2,556	4,823
Compensation	12	16,217
Rental income, rentals	162,750	223,500
Chargeback of costs	43,731	110,202
Other revenue and income	45,912	129,700
Total	519,908	1,279,351

B) COSTS OF PRODUCTION***B.6) Cost of raw and ancillary materials, consumables and goods***

The item amounted to € 22,590,632 (€ 15,183,869 in the prior year), and 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 Companies.

B.7) Costs for services

These involve mainly the following types of services:

Nature	Amount at 31.12.21	Amount at 31.12.20
Production services	22,001,216	15,999,285
Commercial services	1,247,029	954,905
Administrative and management services	2,354,651	2,094,488
Total	25,602,896	19,048,678

B.8) Lease and rental costs

Costs are as follows:

Nature	Amount at 31.12.21	Amount at 31.12.20
Rental payments	397,795	384,834
Lease payments	658,002	669,031
Fees for software use	89,826	64,295
Car rental fees	136,193	148,131
Rental fees for other capital goods	116,881	136,127
Other costs for rentals and leases	77,566	67,779
Total	1,476,263	1,470,197

B.9) Personnel expense

Payroll costs totaled € 15,166,325 (€ 12,405,697 in the prior year). The increase is attributable to the non-use of the redundancy fund in the year under review, except for a short period of time, and to the use of other measures to contain personnel expense, adopted instead in a significant way in 2020 to cope with the consequences of the pandemic.

B.14) Sundry operating expense

Costs are as follows:

Nature	Amount at 31.12.21	Amount at 31.12.20
Sundry tax and duties	86,231	62,331
Gifts	59,742	0
Contingent liabilities	62,769	26,574
Other sundry operating expense	93,946	107,515
Total	302,688	196,420

C) FINANCIAL INCOME AND EXPENSE

C.16) Other financial income

Income is as follows:

Nature	Amount at 31.12.21	Amount at 31.12.20
Sundry interest income	2,145	3,449
Other	0	0
Total	2,145	3,449

C.17) Interest and other financial expense

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

Nature	Amount at 31.12.21	Amount at 31.12.20
Payables to banks	97,697	103,547
Other	190	20,386
Total	97,887	123,933

A detailed breakdown of financial expense is shown below:

Nature	Amount at 31.12.21	Amount at 31.12.20
Interest expense on medium-term loans	97,642	103,522
Interest expense on short-term loans	55	25
Other financial expense	190	20,386
Total	97,887	123,933

The reduction in financial expense accrued on medium-term loans, despite the higher average annual amount of bank debt, reflects the improvement in the interest rates applied to these loan partly reported in 2020.

C.17 bis) Exchange gains and losses

The items are as follows:

Nature	Amount at 31.12.21	Amount at 31.12.20
Valuation exchange differences	(4,413)	3,363
Realized exchange gains	5,458	17,192
Realized exchange losses	(30,317)	(11,694)
Total	(29,272)	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, whose exchange rates performed negatively for the Euro during the year.

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, 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 consolidation scope, 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.

Income tax for the year totaled € 1,467,453, and includes current tax (€ 1,459,921) and the release of deferred tax assets (€ 7,532).

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 at 31.12.21	Average at 31.12.20
Executives	11	9
Managers	15	14
Employees	154	116
Workers	192	120
Trainees	33	24
Total Employees	405	283

Employees amounted to 410 at 31 December 2021, including 304 women and 106 men.

	Amount at 31.12.21	Amount at 31.12.20
Executives	11	9
Managers	16	13
Employees	162	118
Workers	190	120
Trainees	31	20
Total	410	280

For the sake of completeness, 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	422,485	56,139

FEES TO THE INDEPENDENT AUDITORS

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

	Amount
Statutory auditing	94,238
Other non-audit services	25,400
Total fees payable to the Auditor or to the Independent Auditors	119,638

GUARANTEES, COMMITMENTS AND CONTINGENT LIABILITIES

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

Guarantees issued

Nature	Amount at 31.12.21	Amount at 31.12.20
Guarantee issued	85,072	85,072
Surety issued	2,411,500	2,411,500
Total	2,496,572	2,496,572

Specifically, it involves the following:

- to secure 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;
- to secure 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.

For the sake of completeness, on 16 February 2022, following the completed purchase of the property in Spello and the resulting termination of the lease agreement on the property, the Company obtained the cancellation and return of the bank guarantee issued as security for all the commitments undertaken with the irrevocable offer of 30 April 2019 to purchase the business complex of Modalis Srl in composition with creditors.

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 € 2,016,688.

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 Parent Company performed some minor commercial supply transactions with SMT S.r.l., again in accordance with market conditions.

For the sake of completeness, during the year the subsidiaries Idee Partners S.r.l. and Petri & Lombardi S.r.l. carried out business transactions among themselves for the supply and processing of goods according to market conditions.

For the sake of completeness, it should be noted - also in compliance with the provisions of the EGM 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 Body continues to constantly monitor the developments in general and to assess, as was the case in 2021, the adoption of the most fitting measures to ensure stability for the Company's results and financial situation.

On 7 February, the subsidiary SMT S.r.l. - at the head of the knitwear hub within the more general building of the luxury hub - completed the purchase of 100% of Zanni S.r.l., an international player specialized in seamless technology applied to knitwear, for the price of € 4.3 million.

As mentioned earlier, on 16 February 2022, the Parent Company completed the purchase of the property complex located in Spello, already held under lease, at a price of € 2 million, as per the irrevocable offer of 30 April 2019, dedicated to the design and modeling of high-end women's lines.

On 10 March, the Board of Directors of the Company prepared and approved the plan on the merger by incorporation of the subsidiary Pattern Project S.r.l..

OUTLOOK FOR THE YEAR

With regard to the foreseeable future of operations, reliable forecasts for 2022 are difficult to make, given the uncertainty on the markets and the severe material and economic consequences generated by the war in Ukraine.

That said, a distinction must however be made of the possible trends based on relevant market.

For apparel, expectations pointed to a preservation of the production levels reported in 2021 for the first half of the year, and to growth versus the prior year in the second half. For knitwear and leather accessories, expectations were more buoyant, with a continued growth phase in the volumes produced by the Group's subsidiaries.

Regarding the first half of 2022 - to date - no significant negative effects are reported. As is widely known, luxury is a market marked by an inelastic demand. However, it is difficult to imagine an absence of negative impacts in the coming months, as well as to estimate their possible intensity.

However, a point worth mentioning is that:

- The Group has no direct operations in the countries involved in the conflict;
- The brands we work with are not exposed in a significant way to this market;
- Russia's weight in the luxury market is estimated at around 2-3%, a considerable but relatively small share.

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 31.12.21
IRS Unicredit	30.6.20 – 31.3.25	(3,244)
IRS Intesa Sanpaolo	19.6.20 – 19.6.26	2,770
IRS Intesa Sanpaolo	26.2.21 - 26.2.27	1,709
IRS Banco BPM	18.6.21 - 18.6.27	(5,978)
Total		(4,743)

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

	31.12.2021	31.12.2020	% CHANGE
SHARE CAPITAL PROCEEDS TO BE RECEIVED	-	-	0%
NET FIXED ASSETS			
INTANGIBLE	11,357,607	5,301,429	114%
TANGIBLE	6,227,176	5,354,105	16%
FINANCIAL	281,003	194,234	45%
TOTAL	17,865,786	10,849,768	65%
WORKING CAPITAL			
INVENTORY	8,289,580	4,288,676	93%
TRADE RECEIVABLES	15,323,201	8,682,850	76%
OTHER ASSETS	6,287,071	2,589,175	143%
TRADE PAYABLES	- 17,669,125	- 9,654,869	83%
PROVISIONS FOR RISKS	- 51,911	- 81,740	-36%
OTHER PAYABLES	- 5,201,976	- 2,677,011	94%
TOTAL	6,976,840	3,147,081	122%
CAPITAL EMPLOYED net of liabilities for the year	24,042,626	13,996,849	77%
PROVISION FOR POST-EMPLOYMENT BENEFITS	- 2,805,520	- 1,841,513	52%
CAPITAL EMPLOYED	22,037,106	12,155,336	81%

covered by

EQUITY	25,123,663	20,931,499	20%
of which GROUP EQUITY	22,922,861	18,932,242	21%
of which LOAN CAPITAL OF THIRD PARTIES	2,200,802	1,999,257	10%
MEDIUM/LONG-TERM FINANCIAL DEBT			
MEDIUM/LONG-TERM FINANCIAL DEBT	15,450,910	12,746,586	21%
TOTAL	15,450,910	12,746,586	21%
NET SHORT-TERM FINANCIAL DEBT			
SHORT-TERM FINANCIAL DEBT	4,256,718	2,096,254	103%
CASH FUNDS	- 22,794,185	- 23,619,003	-3%
TOTAL	- 18,537,467	- 21,522,749	-14%
NET FINANCIAL POSITION	- 3,086,557	- 8,776,163	-65%
ACQUIRED CAPITAL	22,037,106	12,155,336	81%

RECLASSIFIED INCOME STATEMENT

	31.12.2021		%	31.12.2020		%
REVENUE AND INCOME						
Value of production (A)		72,561,781	100.0%		54,019,871	100.0%
COSTS						
Consumption	21,187,770		29.2%	15,184,802		28.1%
Services	26,738,810		36.8%	19,372,770		35.9%
Rentals and leases	1,476,263		2.0%	1,530,197		2.8%
Personnel expense	15,166,326		20.9%	12,410,897		23.0%
Amortization and depreciation	2,239,425		3.1%	1,789,287		3.3%
Write-downs	184,477		0.3%	29,937		0.1%
Allocations for risks	0		0.0%	0		0.0%
Other	302,688		0.4%	136,420		0.3%
Total Costs (B)		67,295,759	92.7%		50,454,310	93.4%
DIFFERENCE (A) - (B)		5,266,022	7.3%		3,565,561	6.6%
FINANCIAL INCOME AND EXPENSE		(125,013)	-0.2%		(113,762)	-0.2%
VALUE ADJUSTMENTS TO FINANCIAL ASSETS		0	0.0%		0	0.0%
PROFIT BEFORE TAX		5,141,009	7.1%		3,451,799	6.4%
TAX FOR THE YEAR		(1,467,453)	-2.0%		(455,655)	-0.8%
PROFIT FOR THE YEAR (CONSOLIDATED)		3,673,556	5.1%		2,996,144	5.5%
PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		674,661	0.9%		726,250	1.3%
GROUP PROFIT/(LOSS)		2,998,895	4.1%		2,269,894	4.2%
EBITDA		7,689,924	10.6%		5,384,785	10.0%

For the **Board of Directors**The Chairman
Francesco MARTORELLA

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	Equity attributable to the owners of the parent	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 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
Allocation of the result for 2020			8,951	1,544,624			3,072				(1,556,647)			
Free share capital increase to service the Stock Grant Plan	1,263					(1,262)						1		1
Increases in the year				3,363			(3,363)			40,838		40,838		40,838
Reserved capital increase	34,754	1,310,246										1,345,000		1,345,000
Dividend distribution											(394,115)	(394,115)	(120,000)	(514,115)
Changes in consolidation									319,132		(319,132)		(353,116)	(353,116)
Profit (loss) for the year											2,998,895	2,998,895	674,661	3,673,556
Balance at 31 December 2021	1,407,555	9,548,706	281,259	8,106,244	101,764	28,738	-	153,615	300,828	(4,743)	2,998,895	22,922,861	2,200,802	25,123,663

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 31.12.2021
-		
Financial statements of the Parent Company	1,745,971	21,219,763
Adjusted results of consolidated subsidiaries and difference between adjusted equity and amount of investments	3,170,661	2,562,785
Derecognition of recorded dividends	(525,000)	(525,000)
Amortization of positive consolidation difference	(718,076)	(718,076)
Derecognition of the results of intra-group transactions and other adjustments	0	383,389
Consolidated financial statements	3,673,556	22,922,861
of which Group share	2,998,895	21,396,720
of which non-controlling interests	674,661	1,526,141

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

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2021 SHOWING THE CHANGES **VERSUS 31 DECEMBER 2020 FOR THE STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT**

STATEMENT OF FINANCIAL POSITION - ASSETS			
	31/12/2021	31/12/2020	Change
A) SHARE CAPITAL PROCEEDS TO BE RECEIVED			
B) FIXED ASSETS			
I. Intangible fixed assets			
1) Start-up and expansion costs	23.056	28.200	(5.144)
2) Development costs	121.282	273.725	(152.443)
4) Concessions, licenses, trademarks and sim	321.865	324.782	(2.917)
5) Goodwill	9.364.213	3.961.570	5.402.643
6) Fixed assets under construction and advan	-	21.580	(21.580)
7) Other	1.527.191	691.572	835.619
<i>Total intangible fixed assets</i>	<i>11.357.607</i>	<i>5.301.429</i>	<i>6.056.178</i>
II. Property, plant and equipment			
1) Land and buildings	778.002	555.000	223.002
2) Plant and machinery	4.674.789	2.942.560	1.732.229
3) Industrial and commercial equipment	53.976	96.845	- 42.869
4) Other assets	689.019	517.374	171.645
5) Fixed assets under construction and advan	31.390	1.242.326	- 1.210.936
<i>Total property, plant and equipment</i>	<i>6.227.176</i>	<i>5.354.105</i>	<i>873.071</i>
III. Financial fixed assets			
2) Receivables			
d-bis) from others			
(due within one year)	25.000	3.000	22.000
(due beyond one year)	251.524	191.234	60.290
<i>Total receivables</i>	<i>276.524</i>	<i>194.234</i>	<i>82.290</i>
3) Altri titoli		-	-
4) Azioni proprie	4.479	-	4.479
<i>Total financial fixed assets</i>	<i>281.003</i>	<i>194.234</i>	<i>86.769</i>
Total fixed assets	17.865.786	10.849.768	7.016.018
C) CURRENT ASSETS			
I. Inventory			
1) Raw and ancillary materials and consumabl	2.928.249	2.179.184	749.065
2) Work in progress and semi-finished product	3.809.730	1.640.431	2.169.299
4) Finished products and goods	1.551.601	469.061	1.082.540
<i>Total inventory</i>	<i>8.289.580</i>	<i>4.288.676</i>	<i>4.000.904</i>
II. Receivables			
1) from customers	15.323.201	8.682.850	6.640.351
(due within one year)	15.323.201	8.682.850	6.640.351
5-bis) Tax receivables	5.152.736	1.579.793	3.572.943
(due within one year)	4.653.856	1.404.942	3.248.914
(due beyond one year)	498.880	174.851	324.029
5-ter) Prepaid tax	212.306	219.838	- 7.532
5-quater) from others	462.938	259.860	203.078
(due within one year)	242.072	259.860	- 17.788
(due beyond one year)	220.866		
<i>Total receivables</i>	<i>21.151.181</i>	<i>10.742.341</i>	<i>10.408.840</i>
IV. Cash and cash equivalents			
1) Bank and postal deposits	22.776.524	23.594.859	- 818.335
2) Cheques	-	11.566	(11.566)
3) Cash and valuables on hand	17.661	12.578	5.083
<i>Total cash and cash equivalents</i>	<i>22.794.185</i>	<i>23.619.003</i>	<i>(824.818)</i>
Total current assets	52.234.946	38.650.020	13.584.926
D) ACCRUED INCOME AND PREPAID EXPENSES	459.091	529.684	(70.593)
TOTAL ASSETS	70.559.823	50.029.472	20.530.351

STATEMENT OF FINANCIAL POSITION - LIABILITIES				
	31/12/2021	31/12/2020	Variazione	
A) EQUITY				
I. Share capital	1.407.555	1.371.538		36.017
II. Share premium reserve	9.548.706	8.238.460		1.310.246
IV. Legal reserve	281.259	272.308		8.951
VI. Other reserves	8.691.189	6.825.623		1.865.566
- consolidation reserve	153.615	153.615		-
- extraordinary reserve	8.106.244	6.558.257		1.547.987
- merger surplus reserve	101.764	101.764		-
- other	329.566	11.987		317.579
VII. Reserve for hedges of expected cash flows	(4.743)	(45.581)		40.838
VIII. Retained earnings (losses carried forward)	-	-		-
IX. Profit (loss) for the year	2.998.895	2.269.894		729.001
Total equity attributable to the owners of the parent	22.922.861	18.932.242		3.990.619
Share capital and reserves attributable to non-controlling interests	1.526.141	1.273.007		253.134
Profit (loss) attributable to non-controlling interests	674.661	726.250		- 51.589
Total equity attributable to non-controlling interests	2.200.802	1.999.257		201.545
Total consolidated equity	25.123.663	20.931.499		4.192.164
B) PROVISIONS FOR RISKS AND CHARGES				
1) for pensions	3.273	2.830		443
3) financial derivative liabilities	9.223	45.581		- 36.358
4) other	39.415	33.329		6.086
Total provisions for risks and charges	51.911	81.740		(29.829)
C) POST-EMPLOYMENT BENEFITS	2.805.520	1.841.513		964.007
D) PAYABLES				
4) Payables to banks	19.104.957	14.442.840		4.662.117
(due within one year)	4.103.940	2.096.254		2.007.686
(due beyond one year)	15.001.017	12.346.586		2.654.431
5) Payables to other lenders	602.671	400.000		202.671
(due within one year)	152.778	400.000		- 247.222
(due beyond one year)	449.893			
6) Advances	13.168	10.363		2.805
(due within one year)	13.168	10.363,00		2.805
7) Payables to suppliers	17.669.125	9.664.036		8.005.089
(due within one year)	17.669.125	9.654.869		8.014.256
(due beyond one year)	-	9.167,00		-9.167
12) Tax payables	1.533.540	589.855		943.685
(due within one year)	1.533.540	579.588		953.952
(due beyond one year)	-	10.267,00		- 10.267
13) Payables to welf. and soc. sec. entities	1.032.104	705.807		326.297
(due within one year)	1.032.104	705.807		326.297
14) Other payables	2.005.223	1.206.728		798.495
(due within one year)	2.005.223	1.206.728		798.495
Total payables	41.960.788	27.019.629		14.941.159
E) ACCRUED EXPENSES AND DEFERRED INCOME	617.941	155.091		462.850
TOTAL LIABILITIES	70.559.823	50.029.472		20.530.351

INCOME STATEMENT			
	31/12/2021	31/12/2020	Variazione
A) VALUE OF PRODUCTION			
1) Revenue from sales and services	69.505.795	52.584.370	16.921.425
2) change in inventory of work in progress, semi-finished and finish	2.495.576	156.150	2.339.426
4) Increase in own work capitalized	-	-	-
5) other revenue and income	519.908	1.279.351	- 759.443
- operating grants	196.282	744.475	- 548.193
- other revenue and income	323.626	534.876	- 211.250
Total value of production (A)	72.521.279	54.019.871	18.501.408
B) COSTS OF PRODUCTION			
6) raw and anc. materials, consum. and goods	22.590.632	15.183.869	7.406.764
7) for services	25.602.896	19.048.678	6.554.219
8) for rentals and leases	1.476.263	1.470.197	6.066
9) for personnel	15.166.325	12.405.697	2.760.628
a) wages and salaries	10.800.475	8.922.332	1.878.143
b) social security charges	3.314.928	2.707.599	607.329
c) post-employment benefits	934.267	708.131	226.136
e) other costs	116.655	67.635	49.020
10) amortization, depreciation and write-downs	2.423.902	1.819.224	604.678
a) amortization of intangible assets	1.161.594	842.346	319.248
b) depreciation of tangible fixed assets	1.077.831	946.941	130.890
d) write-down of receivables under current assets and cash and cash equivalents	184.477	29.937	154.540
11) Changes in inventory of raw and ancillary materials, consumables and goods	(307.450)	330.226	- 637.676
14) sundry operating expense	302.688	196.420	106.268
Total costs of production (B)	67.255.256	50.454.310	16.800.946
<u>DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A-B)</u>	5.266.023	3.565.561	1.700.462
C) FINANCIAL INCOME AND EXPENSE			
15) income from investments			(1)
- other income from investm.	-	1	(1)
16) other financial income		1	(1)
d) financial income other than above:	2.145	3.449	(1.304)
- from others	2.145	3.449	(1.304)
17) interest and other financial expense	97.887	123.933	- 26.046
- other	97.887	123.933	(26.046)
17 bis) exchange gains (losses)	(29.272)	8.861	(38.133)
Total fin. income and expense (15+16-17+17bis)	(125.014)	(111.622)	(13.392)
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)	5.141.009	3.451.799	1.689.210
20) income tax for the year	1.467.453	455.655	1.011.798
- current	1.459.921	541.903	918.018
- prior years		(183.973)	183.973
- deferred and (prepaid)	7.532	97.725	(90.193)
21) CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	3.673.556	2.996.144	677.412
of which PROFIT (LOSS) ATTRIBUTABLE TO THE OWNERS O	2.998.895	2.269.894	729.001
of which PROFIT (LOSS) ATTRIBUTABLE TO NON-CONTROLL	674.661	726.250	(51.589)

ANALYTICAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION (ANNEX D)

ANALYTICAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31.12.2021
ASSETS	70.559.824
A. SHARE CAPITAL PROCEEDS TO BE RECEIVED	0
B. FIXED ASSETS	17.865.787
I. INTANGIBLE FIXED ASSETS	11.357.608
1. Start-up and expansion costs	23.056
a. Start-up costs	0
- gross amount	2.463
- amortization fund	(2.463)
b. Expansion costs	23.056
- gross amount	55.818
- amortization fund	(32.762)
2. Development costs	121.282
- gross amount	1.012.212
- amortization fund	(890.930)
3. Industrial patent and intellectual property rights	0
4. Concessions, licenses, trademarks and similar rights	321.865
a. Trademarks	223.196
- gross amount	393.226
- amortization fund	(170.030)
b. Software licenses	98.669
- gross amount	289.225
- amortization fund	(190.556)
5. Goodwill	9.364.214
a. Goodwill from acquisition of "Modalis" business unit	120.552
- gross amount	301.380
- amortization fund	(180.828)
b. Goodwill from allocation of merger deficit	19.895
- gross amount	33.159
- amortization fund	(13.264)
c. goodwill from positive consolidation difference	9.223.767
- gross amount	10.359.346
- amortization fund	(1.135.579)
6. Fixed assets under construction and advances	0
7. Other	1.527.191
a. Extraordinary leasehold improvements	1.508.483
- gross amount	2.386.560
- amortization fund	(878.077)
b. Other costs with long-term useful life	18.708
- gross amount	177.743
- amortization fund	(159.035)
II. PROPERTY, PLANT AND EQUIPMENT	6.227.176
1. Land and buildings	778.002
a. Appurtenant land on which the buildings are erected	148.978
b. Instrumental buildings	629.024
- gross amount	678.564
- depreciation fund	(49.540)
2. Plant and machinery	4.674.789
a. General plant	1.632.885
- gross amount	2.498.183
- depreciation fund	(865.298)
b. Photovoltaic systems	43.800
- gross amount	60.000
- depreciation fund	(16.200)
c. Operating machinery and specific plant	2.998.104

- gross amount	6.487.211
- depreciation fund	(3.489.107)
3. Industrial and commercial equipment	53.976
a. General equipment	53.976
- gross amount	455.059
- depreciation fund	(401.083)
4. Other assets	689.019
a. Means of transport	108.315
- gross amount	213.144
- depreciation fund	(104.829)
b. Motor vehicles	30.376
- gross amount	95.585
- depreciation fund	(65.209)
c. Electrical and electronic office machines	221.956
- gross amount	837.282
- depreciation fund	(615.326)
d. Ordinary office machines	173.721
- gross amount	491.165
- depreciation fund	(317.444)
e. Furniture and fittings	154.651
- gross amount	351.746
- depreciation fund	(197.095)
5. Fixed assets under construction and advances	31.390
III. FINANCIAL FIXED ASSETS	281.003
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	276.524
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	276.524
- Financial receivables	245.366
- Security deposits	31.158
3. Other securities	0
4. Financial derivative assets	4.479
C. CURRENT ASSETS	52.234.946
I. INVENTORY	8.289.580
1. Raw and ancillary materials and consumables	2.928.249
a. Raw materials	2.875.437
- gross amount	3.493.415
- taxed provision for inventory write-down	(617.978)
b. Raw materials in transit	52.812
2. Work in progress and semi-finished products	3.809.730
a. Work in progress	3.809.730
- gross amount	3.809.730
- taxed provision for inventory write-down	0
3. Contract work in progress	0
4. Finished products and goods	1.551.601
a. Finished products	1.548.489
- gross amount	2.672.192
- taxed provision for inventory write-down	(1.123.703)
b. Finished products in transit	3.112
5. Advances	0

II. RECEIVABLES	21.151.181
1. From customers	15.323.201
a. Customers	15.543.554
b. Customers invoices to issue a/c	58.883
c. Customers credit notes to issue a/c	(78.342)
d. Customers coll. ord. a/c accredited s.t.c.	189.715
e. Provision for risks on trade receivables	(390.609)
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	5.152.736
a. Revenue Agency VAT a/c	3.803.212
b. IRES receivable	105.637
c. IRAP receivable	42.213
b. Other tax receivables	1.201.674
portions due within one year	702.794
portions due beyond one year	498.880
5-ter. Prepaid tax	212.306
a. Deferred tax assets	212.306
5-quater. From others	462.938
a. Social security entities	9.382
b. Redundancy Fund	1.150
c. Suppliers advances a/c	47.113
d. Other debtors	405.293
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	22.794.185
1. Bank and postal deposits	22.776.524
a. Bank accounts	22.776.524
2. Cheques	0
3. Cash and valuables on hand	17.661
a. Cash on hand	17.661
D. ACCRUED INCOME AND PREPAID EXPENSES	459.091
a. Accrued income	12.963
b. Prepaid expenses	446.128

LIABILITIES	70.559.823
A. EQUITY	25.123.663
GROUP CONSOLIDATED EQUITY	22.922.861
I. SHARE CAPITAL	1.407.555
II. SHARE PREMIUM RESERVE	9.548.706
III. REVALUATION RESERVES	0
IV. LEGAL RESERVE	281.259
V. BYLAW RESERVES	0
VI. OTHER RESERVES	8.691.189
a. Extraordinary reserve	8.106.244
b. Non-distributable reserve from exchange rate adjustment	0
c. Reserve for merger surplus	101.764
d. Consolidation reserve	153.615
e. Other reserves	329.566
VII. RESERVE FOR HEDGES OF EXPECTED CASH FLOWS	(4.743)
VIII. PROFIT (LOSS) CARRIED FORWARD	0
IX. PROFIT (LOSS) FOR THE YEAR	2.998.895
X. NEGATIVE RESERVE FOR TREASURY SHARES IN PORTFOLIO	0
NON-CONTROLLING INTERESTS' CONSOLIDATED EQUITY	2.200.802
NON-CONTROLLING INTERESTS' SHARE CAPITAL AND RESERVES	1.526.141
PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	674.661
B. PROVISIONS FOR RISKS AND CHARGES	51.911
1. For pensions and similar obligations	3.273
a. Provision for agents' termination benefits	3.273
2. For tax, including deferred tax	0
3. Financial derivative liabilities	9.223
4. Other	39.415
a. Provision for risks on sales returns	39.415
- taxed	39.415
C. POST-EMPLOYMENT BENEFITS	2.805.520
a. Provision for post-employment benefits net of Inps treasury provision LD 252/2005	2.805.520
- tax	2.805.520
D. PAYABLES	41.960.788
1. Bonds	0
2. Convertible bonds	0
3. Payables for shareholder loans	0
4. Payables to banks	19.104.957
a. Bank fees to settle	5.679
b. Credit cards	11.627
c. Loans without collateral	19.087.651
portions due within one year	4.086.634

portions due beyond one year	15.001.017
5. Payables to other lenders	602.671
a. SIMEST a/c financing in support of capitalization of SMEs	602.671
portions due beyond one year	449.893
6. Advances	13.168
7. Payables to suppliers	17.669.125
a. Suppliers	15.488.572
portions due within one year	15.488.572
portions due beyond one year	0
b. Suppliers invoices to receive a/c	2.231.350
c. Suppliers credit notes to receive a/c	(50.797)
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	1.533.540
a. Revenue Agency withholding tax to pay a/c	608.183
portions due within one year	608.183
portions due beyond one year	0
b. Revenue Agency withholding tax on post-employment benefits write-backs a/c	12.554
c. Revenue Agency Irap a/c	141.925
d. Revenue Agency Ires a/c	762.357
e. Revenue Agency VAT a/c	1.073
f. Revenue Agency other payables a/c	7.448
13. Payables to welfare and social security entities	1.032.104
a. Inps	787.160
b. Inail	15.238
c. Other entities	97.358
d. Inps and Inail accruals	132.348
14. Other payables	2.005.223
a. Payables for salaries to settle	974.790
b. Payables for holidays not taken	604.840
c. Payables to pension funds	9.791
d. Payables for commissions to settle	17.610
e. Payables for fees to settle	25.455
f. Sundry payables	372.737
E. ACCRUED EXPENSES AND DEFERRED INCOME	617.941
a. Accrued expenses	43.964
b. Deferred income	573.977

General information about the Company

Overview

Name:	PATTERN SPA
Registered office:	VIA ITALIA 6/A COLLEGNO TO
Share capital:	1,426,292.90
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 2021

STATEMENT OF FINANCIAL POSITION

	31/12/2021	31/12/2020
Assets		
A) Share capital proceeds to be received	-	-
B) Fixed assets		
I - Intangible fixed assets	-	-
1) start-up and expansion costs	15,084	28,200
4) concessions, licenses, trademarks and similar rights	89,843	96,995
5) goodwill	120,552	180,828
6) fixed assets under construction and advances	-	21,580
7) other	492,694	322,439
<i>Total intangible fixed assets</i>	<i>718,173</i>	<i>650,042</i>
II - Property, plant and equipment	-	-
1) land and buildings	577,476	552,250
2) plant and machinery	1,654,268	482,277
3) industrial and commercial equipment	18,026	37,768
4) other assets	420,773	349,335
5) fixed assets under construction and advances	31,390	1,242,326
<i>Total property, plant and equipment</i>	<i>2,701,933</i>	<i>2,663,956</i>
III - Financial fixed assets	-	-
1) investments in	-	-
a) subsidiaries	13,598,434	5,667,000
<i>Total investments</i>	<i>13,598,434</i>	<i>5,667,000</i>
2) receivables	-	-
d-bis) from others	36,266	39,266
due within one year	-	3,000
due beyond one year	36,266	36,266
<i>Total receivables</i>	<i>36,266</i>	<i>39,266</i>
4) Financial derivative assets	2,770	-
<i>Total financial fixed assets</i>	<i>13,637,470</i>	<i>5,706,266</i>
<i>Total fixed assets (B)</i>	<i>17,057,576</i>	<i>9,020,264</i>
C) Current assets		
I – Inventory	-	-
1) raw and ancillary materials and consumables	1,795,822	1,824,516
2) work in progress and semi-finished products	1,621,206	1,301,747
4) finished products and goods	1,236,775	430,633
<i>Total inventory</i>	<i>4,653,803</i>	<i>3,556,896</i>
II – Receivables	-	-

	31/12/2021	31/12/2020
1) from customers	7,672,126	5,045,077
due within one year	7,672,126	5,045,077
2) from subsidiaries	64,385	9,457
due within one year	64,385	9,457
5-bis) tax receivables	2,649,568	952,700
due within one year	2,481,654	943,882
due beyond one year	167,914	8,818
5-ter) prepaid tax	73,869	62,975
5-quater) from others	4,673	53,508
due within one year	4,673	53,508
<i>Total receivables</i>	<i>10,464,621</i>	<i>6,123,717</i>
III - Current financial assets	-	-
IV - Cash funds	-	-
1) bank and postal deposits	13,749,579	19,943,645
2) cheques	-	11,566
3) cash and valuables on hand	15,343	11,261
<i>Total cash funds</i>	<i>13,764,922</i>	<i>19,966,472</i>
<i>Total current assets (C)</i>	<i>28,883,346</i>	<i>29,647,085</i>
D) Accrued income and prepaid expenses	303,467	380,164
<i>Total assets</i>	<i>46,244,389</i>	<i>39,047,513</i>
Liabilities		
A) Equity	21,219,763	18,477,799
I - Share capital	1,407,555	1,371,538
II - Share premium reserve	9,548,706	8,238,460
III - Revaluation reserves	-	-
IV - Legal reserve	281,259	272,308
V - Bylaw reserves	-	-
VI - Other reserves, indicated separately	-	-
Extraordinary reserve	8,106,244	6,558,257
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	-	-
Payment for share capital increase	-	-
Capital contributions	-	-
Payments to cover losses	-	-
Reserve for share capital reduction	-	-

	31/12/2021	31/12/2020
Merger surplus reserve	101,764	101,764
Reserve for unrealized exchange gains	-	291
Reserve for profit adjustment in progress	-	-
Various other reserves	28,738	30,000
<i>Total other reserves</i>	<i>8,236,746</i>	<i>6,690,312</i>
VII - Reserve for hedges of expected cash flows	(474)	(45,581)
VIII - Profit (loss) carried forward	-	-
IX - Profit (loss) for the year	1,745,971	1,950,762
Loss covered in the year	-	-
X - Negative reserve for treasury shares in portfolio	-	-
Total equity	21,219,763	18,477,799
B) Provisions for risks and charges		
1) for pensions and similar obligations	3,273	2,830
3) financial derivative liabilities	3,244	45,581
4) other	39,415	33,329
<i>Total provisions for risks and charges</i>	<i>45,932</i>	<i>81,740</i>
C) Post-employment benefits	1,181,228	1,045,755
D) Payables		
4) payables to banks	12,756,867	10,834,548
due within one year	2,758,906	1,587,097
due beyond one year	9,997,961	9,247,451
5) payables to other lenders	411,098	400,000
due within one year	84,429	-
due beyond one year	326,669	400,000
7) payables to suppliers	8,587,736	6,692,290
due within one year	8,587,736	6,692,290
9) payables to subsidiaries	75,820	63,432
due within one year	75,820	63,432
12) tax payables	310,223	204,541
due within one year	310,223	204,541
13) payables to welfare and social security entities	570,884	485,079
due within one year	570,884	485,079
14) other payables	860,392	731,051
due within one year	860,392	731,051
<i>Total payables</i>	<i>23,573,020</i>	<i>19,410,941</i>
E) Accrued expenses and deferred income	224,446	31,278
<i>Total liabilities</i>	<i>46,244,389</i>	<i>39,047,513</i>

INCOME STATEMENT

	31/12/2021	31/12/2020
A) Value of production		
1) revenue from sales and services	43,145,451	34,224,487
2) changes in inventory in work in progress, semi-finished and finished products	1,125,600	261,390
5) other revenue and income	-	-
operating grants	93,108	627,610
Other	29,215	71,227
<i>Total other revenue and income</i>	<i>122,323</i>	<i>698,837</i>
<i>Total value of production</i>	<i>44,393,374</i>	<i>35,184,714</i>
B) Costs of production		
6) for raw and ancillary materials, consumables and goods	15,348,335	11,068,792
7) for services	16,522,641	12,804,240
8) for rentals and leases	795,040	713,288
9) for personnel	-	-
a) wages and salaries	6,673,734	5,576,074
b) social security expense	2,026,255	1,708,244
c) post-employment benefits	490,498	442,209
e) other costs	88,839	48,735
<i>Total personnel expense</i>	<i>9,279,326</i>	<i>7,775,262</i>
10) amortization, depreciation and write-downs	-	-
a) amortization of intangible fixed assets	202,214	155,772
b) depreciation of tangible fixed assets	330,884	239,507
d) write-down of receivables under current assets and cash funds	39,873	26,549
<i>Total amortization, depreciation and write-downs</i>	<i>572,971</i>	<i>421,828</i>
11) changes in raw and ancillary materials, consumables and goods	28,695	139,447
14) sundry operating expense	182,884	139,235
<i>Total costs of production</i>	<i>42,729,892</i>	<i>33,062,092</i>
Difference between value of production and costs of production (A - B)	1,663,482	2,122,622
C) Financial income and expense		
15) income from investments	-	-
from subsidiaries	525,000	45,000
<i>Total income from investments</i>	<i>525,000</i>	<i>45,000</i>
16) other financial income	-	-
d) income other than above	-	-
other	208	2,872
<i>Total income other than the above</i>	<i>208</i>	<i>2,872</i>
<i>Total other financial income</i>	<i>208</i>	<i>2,872</i>

	31/12/2021	31/12/2020
17) interest and other financial expense	-	-
Other	60,836	50,699
<i>Total interest and other financial expense</i>	<i>60,836</i>	<i>50,699</i>
17-bis) exchange gains and losses	(28,794)	8,895
<i>Total financial income and expense (15+16-17+-17-bis)</i>	<i>435,578</i>	<i>6,068</i>
D) Value adjustments to financial assets and liabilities	-	-
Profit (loss) before tax (A-B+-C+-D)	2,099,060	2,128,690
20) Current, deferred and prepaid income tax for the year		
current tax	363,983	315,389
prior-years' tax	-	(124,071)
deferred tax assets and liabilities	(10,894)	(13,390)
<i>Total current, deferred and prepaid income tax for the year</i>	<i>353,089</i>	<i>177,928</i>
21) Profit (loss) for the year	1,745,971	1,950,762

STATEMENT OF CASH FLOWS, INDIRECT METHOD

	Amount at 31/12/2021	Amount at 31/12/2020
A) Cash flow from operations (indirect method)		
Profit (loss) for the year	1,745,971	1,950,762
Income tax	353,089	177,928
Interest expense/(income)	60,628	47,827
(Dividends)	(525,000)	(45,000)
(Gains)/losses from disposal of assets	4,438	(1,725)
<i>1) Profit (loss) for the year before income tax, interest, dividends and gains/losses from disposals</i>	<i>1,639,126</i>	<i>2,129,792</i>
Adjustments for non-monetary items that did not have a balancing item in the net working capital		
Allocations to provisions	639,290	629,120
Amortization and depreciation	533,098	395,279
Other upward/(downward) adjustments for non-monetary items	45,107	(45,581)
<i>Total adjustments for non-monetary items that did not have a balancing item in the net working capital</i>	<i>1,217,495</i>	<i>978,818</i>
<i>2) Cash flow before changes in net working capital</i>	<i>2,856,621</i>	<i>3,108,610</i>
Changes in net working capital		
Decrease/(Increase) in inventory	(1,046,558)	(54,790)
Decrease/(Increase) in receivables from customers	(2,627,049)	2,960,506
Increase/(Decrease) in payables to suppliers	1,746,295	(2,276,402)
Decrease/(Increase) in accrued income and prepaid expenses	75,267	131,210
Increase/(Decrease) in accrued expenses and deferred income	190,368	5,943
Other decreases/(Other increases) in net working capital	(1,732,297)	546,503
<i>Total changes in net working capital</i>	<i>(3,393,974)</i>	<i>1,312,970</i>
<i>3) Cash flow after changes in net working capital</i>	<i>(537,353)</i>	<i>4,421,580</i>
Other adjustments		
Interest received/(paid)	(56,398)	(43,933)
(Income tax paid)		(1,062,443)
Dividends received	525,000	45,000
(Utilization of provisions)	(589,974)	(496,908)
<i>Total other adjustments</i>	<i>(121,372)</i>	<i>(1,558,284)</i>
Cash flow from operations (A)	(658,725)	2,863,296
B) Cash flow from investing activities		
Property, plant and equipment		
(Purchases)	(270,205)	(1,273,613)
Disposals	9,629	2,659
Intangible fixed assets		
(Purchases)	(235,345)	(146,068)

	Amount at 31/12/2021	Amount at 31/12/2020
Financial fixed assets		
(Purchases)	(6,586,205)	(4,413,500)
Disposals		194
Cash flow from investing activities (B)	(7,082,126)	(5,830,328)
C) Cash flow from financing activities		
Loan capital		
Increase/(Decrease) in short-term payables to banks	11,539	(3,807)
New loans	3,500,000	8,339,588
(Repayment of loans)	(1,578,122)	(789,560)
Equity		
(Dividends and interim dividends paid)	(394,116)	(685,769)
Cash flow from financing activities (C)	1,539,301	6,860,452
Increase (decrease) in cash funds (A ± B ± C)	(6,201,550)	3,893,420
Cash funds, beginning 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 funds, beginning of year	19,966,472	16,073,052
Cash funds, end of year		
Bank and postal deposits	13,749,579	19,943,645
Cheques		11,566
Cash and valuables on hand	15,343	11,261
Total cash funds, end of period	13,764,922	19,966,472

Notes - Opening section

PATTERN S.P.A.

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

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AT 31/12/2021

FOREWORD

These financial statements for the period from 1 January 2021 to 31 December 2021, prepared in accordance with the provisions of Article 19 of the EGM Issuer Regulation in force since 25 October 2021, 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 3 February 2022.

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 2021 of Pattern S.p.A., the wholly-owned subsidiary Pattern Project S.r.l., the 80%-owned subsidiary SMT S.r.l., Società Manifattura Tessile S.r.l. and the 54%-owned subsidiary Idee Partners S.r.l. (formerly Idee Consulting S.r.l.). The consolidation scope at 31 December 2021 changed from 31 December 2020 following the inclusion of Idee Partners S.r.l., formerly Idee Consulting S.r.l., a luxury leather goods company, with registered office in Scandicci (FI), Via E. Conti 21, following the purchase, through deed signed on 16 November 2021, of the 54% controlling stake, as well as the inclusion of Petri & Lombardi S.r.l., 60% controlled by Idee Partners S.r.l. and consequently 32% indirectly controlled by Pattern S.p.A..

The year under review also saw the consolidation of the control of the investee SMT S.r.l. following the acquisition of a further 29% stake completed on 5 March 2021, as a result of which Pattern's stake in the share capital of SMT S.r.l. increased from 51% to 80%.

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 2021 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 a transaction or contract.
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 year 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 applied 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).

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 3 February 2022.

The most important valuation criteria adopted in the preparation of the financial statements at 31 December 2021 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 1, 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 depreciation.

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 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 in prior years.

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 year in which they were incurred.

Routine maintenance costs are recognized in the income statement in the year 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 amortization 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"* illustrated 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 based mainly on the equity of the investees as shown in their latest financial statements. If a comparison between the cost and the corresponding portion of equity indicates an impairment, the value is written down. The original amount is reinstated in subsequent years if the reasons for the write-down no longer apply.

Investments in subsidiaries and associates 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 most recent financial statements of the investee.

Both investments in SMT S.r.l. and Idee Partners S.r.l. are recognized at a higher value than the value corresponding to the respective shares of equity shown in the latest financial statements of each subsidiary. The differences in value are in both cases due to the respective goodwill of the investees, justified by the earnings capacity of the two businesses acquired.

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 all 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.

Inventory of 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.

Inventory of 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.

Inventory of 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 funds

Cash funds 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 negative balance of the adjustment made to the income statement.

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 years 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 derivative financial instrument 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 - 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 licenses (B.I.3): 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	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
Changes in the year						
Increases from acquisitions	-	50,063	-	-	88,797	138,860
Reclassifications (of carrying amount)	-	1,000	-	(21,580)	164,080	143,500
Amortization for the year	8,541	50,775	60,276	-	82,622	202,214
Other changes	(4,575)	(7,440)	-	-	-	(12,015)
<i>Total changes</i>	<i>(13,116)</i>	<i>(7,152)</i>	<i>(60,276)</i>	<i>(21,580)</i>	<i>170,255</i>	<i>68,131</i>
Amount at year end						
Cost	42,703	193,966	301,380	-	850,019	1,388,068
Amortization (Amortization fund)	27,619	104,123	180,828	-	357,325	669,895
Carrying amount	15,084	89,843	120,552	-	492,694	718,173

The most significant increases in Intangible Fixed Assets were recorded under "Concessions, licenses, trademarks and similar rights", which includes purchases of new software licenses and related consultancy services, as well as under "Other intangible fixed assets", which includes leasehold improvements.

B.1.1) 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 1, no. 3, Italian Civil Code):

Nature of asset	Gross amount	Net amount
Expansion costs	42,703	15,084
Total	42,703	15,084

For the sake of completeness, it should be noted that in the year under review, the start-up costs, amounting to € 8,070, the amortization process of which ended last year, 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	25,025	16,216
Software licenses	168,940	73,627
Total	193,965	89,843

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	120,552
Total	301,380	120,552

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
Extraordinary leasehold improvements	806,655	480,673
Other costs with long-term useful life	43,364	12,021
Total	850,019	492,694

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	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
Carrying amount	552,250	482,277	37,768	349,335	1,242,326	2,663,956
Changes in the year						
Increases from acquisitions	39,372	257,783	2,310	197,258	31,390	528,113
Reclassifications (of carrying amount)	-	1,098,826	-	-	(1,242,326)	(143,500)
Decreases due to disposals and divestments (of the carrying amount)	-	309	-	15,443	-	15,752
Depreciation for the year	14,146	184,309	22,052	110,377	-	330,884
<i>Total changes</i>	<i>25,226</i>	<i>1,171,991</i>	<i>(19,742)</i>	<i>71,438</i>	<i>(1,210,936)</i>	<i>37,977</i>
Amount at year end						
Cost	620,520	2,491,916	206,779	1,029,857	31,390	4,380,462
Depreciation (Depreciation fund)	43,044	837,648	188,753	609,084	-	1,678,529
Carrying amount	577,476	1,654,268	18,026	420,773	31,390	2,701,933

The most significant increases in Tangible Fixed Assets regarded the item "Plant and Machinery" - for purchases of plant relating to the new finished garments warehouse, as well as the new laboratory built in Collegno, now hosting the department previously located in the local unit in Bricherasio - and "Other tangible fixed assets" - for purchases, in particular, of electronic office machinery and office furnishing.

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, as required by IFR 16, equity and net income would be approximately € 857,065 and € 73,939 higher, respectively, net of the tax effect of approximately € 23,349.

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	2,632,461
Depreciation that would have been charged in the year	89,519
Present amount of instalments of fees not yet due at year end	1,504,745
Financial expense for the year based on the effective interest rate	54,979

For the sake of complete disclosure, the figures for the prior year are shown below:

	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

B.III.1) Investments

The Company holds a 100% controlling interest in Pattern Project S.r.l.; in this regard, it should be noted that on 10 March, the meeting of the Board of Directors of the Company resolved on the preparation and approval of the plan for the merger by incorporation of the subsidiary.

On 5 March 2021, the transaction for the acquisition of an additional 29% stake in the share capital of S.M.T. S.r.l., Società Manifattura Tessile S.r.l., with registered office in Correggio (RE), Via Della Costituzione 37, a company already controlled by Pattern S.p.A., was completed; as a result, Pattern S.p.A. now controls 80% of S.M.T. S.r.l.. Specifically, the transaction was accomplished through:

- the sale of the 19% stake in the share capital of S.M.T. S.r.l. by Stefano Casini in favour of Pattern S.p.A., at the agreed price of € 2,555,000;
- the transfer of 10% of the share capital of S.M.T. S.r.l. by CAMER S.r.l. to Pattern S.p.A. for a total of € 1,345,000, with a consequent increase in the share capital of Pattern S.p.A. and the allocation of newly-issued ordinary shares to CAMER S.r.l..

Additionally, on 16 November 2021, the Company acquired the 54% controlling interest in the share capital of Idee Partners S.r.l. (formerly Idee Consulting S.r.l.), with registered office in Scandicci (FI), Via E. Conti 21, at the agreed price of € 4,031,434, paid as follows:

- € 3,800,000 to the seller Idee Holding S.r.l.;
- € 231,434 to the seller Alex Albini.

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 1, no. 2, Italian Civil Code).

	Investments in subsidiaries	Total investments	Financial derivative assets
Amount at beginning of year			
Cost	5,667,000	5,667,000	-
Carrying amount	5,667,000	5,667,000	-
Changes in the year			
Increases from acquisitions	7,931,434	7,931,434	2,770
Total changes	7,931,434	7,931,434	2,770
Amount at year end			
Cost	13,598,434	13,598,434	2,770
Carrying amount	13,598,434	13,598,434	2,770

Changes in and maturity of long-term receivables

B.III.2) Receivables

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 beyond one year
Receivables from others	39,266	(3,000)	36,266	36,266
Total	39,266	(3,000)	36,266	36,266

The breakdown of the item is shown below:

Nature of receivable	Current-year amount	Prior-year amount
Security deposits	36,266	39,266
Total	36,266	39,266

Non-current receivables from others include 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 most recent year in €	Equity in €	Stake held in €	Stake held in %	Book value or corresponding receivable
PATTERN PROJECT SRL	COLLEGNO (TO)	11146850018	20,000	1,631	239,685	20,000	100.000	167,000
SMT SRL	CORREGGIO (RE)	01182020352	1,000,000	3,057,584	6,537,699	5,230,159	80.000	9,400,000
IDEE PARTNERS SRL	SCANDICCI (FI)	06165440964	100,000	(141,998)	1,399,775	755,879	54.000	4,031,434

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 most recent financial statements of the investee.

The investment in the subsidiary S.M.T. S.r.l. (80%), measured on the basis of the cost incurred for its acquisition, is entered at a value higher than the value corresponding to the portion of equity shown in the most recent 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.

The investment in the subsidiary Idee Partners S.r.l. S.r.l. (54%), measured on the basis of the cost incurred for its acquisition, is entered at a value higher than the value corresponding to the portion of equity shown in the most recent 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	36,266	36,266

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:

Description	Book value	Fair value
Security deposits	36,266	36,266

B.III.4) Financial derivative assets

The table below shows details of movements in financial derivative assets:

Financial derivative assets	Beginning of year	Change	End of year
Recognition of fair value of derivative assets	0	2,770	2,770

Total	0	2,770	2,770
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Current assets

Inventory

Goods are recognized in inventory when the ownership title is transferred, and consequently include the goods held at the warehouses of the 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 € 4,653,803 (€ 3,556,896 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 € 1,098,915, broken down as follows:

- € 238,908 as a reduction in the value of raw materials inventory. The provision decreased versus the amount at the end of the prior year (€ 431,521), due to the increased disposal of raw materials that can no longer be used;
- € 860,007 as a reduction in the value of finished goods inventory. The provision increased versus the amount at the end of the prior year (€ 717,744), 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	1,824,516	(28,694)	1,795,822
work in progress and semi-finished products	1,301,747	319,459	1,621,206
finished products and goods	430,633	806,142	1,236,775
<i>Total</i>	<i>3,556,896</i>	<i>1,096,907</i>	<i>4,653,803</i>

The period under review, unlike the prior year, recorded a strong increase in inventory of finished products and goods, which grew net of adjustments for obsolescence and slow-moving items. The increase is due primarily to the gradual resumption of production activities during the year, and to the fact that a significant proportion of PE21 orders had yet to be completed and delivered at 31 December.

Inventory of raw materials, net of the related allowance for impairment, decreased slightly, confirming the trend of the prior year, but remaining at high levels, proof of the recovery of production activities.

Lastly, the growth trend of inventory of work in progress was confirmed, which increased overall versus 2020.

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	2,228,781	- 246,863	1,981,918

Provision for inventory write-down of raw materials	-431,521	192,613	-238,908
Raw materials in transit	27,256	25,557	52,813
Total	1,824,516	-28,693	1,795,823

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	1,301,747	319,495	1,621,206
Provision for inventory write-down of work in progress	0	0	0
Total	1,301,747	319,459	1,621,206

C.I.4) Finished products and goods

Finished products and goods	Beginning of year	Change	End of year
Finished products	1,148,137	945,533	2,093,670
Provision for inventory write-down of finished products	-717,744	-142,263	-860,007
Finished products in transit	240	2,871	3,111
Total	430,633	806,142	1,236,774

Receivables under current assets

Receivables under current assets amounted to € 10,464,621 (€ 6,123,717 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	5,045,077	2,627,049	7,672,126	7,672,126	-
Receivables from subsidiaries	9,457	54,928	64,385	64,385	-
Tax receivables	952,700	1,696,868	2,649,568	2,481,654	167,914
Prepaid tax	62,975	10,894	73,869	-	-
Receivables from others	53,508	(48,835)	4,673	4,673	-
Total	6,123,717	4,340,904	10,464,621	10,222,838	167,914

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	7,916,336	5,285,122
Invoices to issue	3,873	22,096
Credit notes to issue	-50,781	-38,427
Bank receipts	40,865	31,502
Allowance for impairment	-238,167	-255,216
Total	7,672,126	5,045,077

The significant increase in trade receivables reflects the high volume of production between the end of the current year and the beginning of the next.

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

opening allowance for impairment	255,216
utilization/release in the year	-56,922
allocation for the year	39,873
closing allowance for impairment	238,167

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 Pattern Project S.r.l.	0	1,000
Invoices issued SMT S.r.l.	64,385	8,457
Total	64,385	9,457

C.II. 5-bis) Tax receivables

The item is broken down as follows:

Nature of receivable	Current-year amount	Prior-year amount
Revenue Agency VAT a/c	2,394,780	365,985
Receivable for higher IRAP advance payment	0	88,297
Receivable for higher IRES advance payment	0	479,446

Other tax receivables	86,874	10,154
<i>Over 12 months</i>		
Other tax receivables	167,914	0
Total	2,649,568	943,882

For the sake of completeness, the item "Other tax receivables" includes the Research & Development tax credit (Article 3 of Law Decree 145/2013) still unused for offsetting purposes at 31 December, amounting to € 48,142 (of which € 24,071 beyond 12 months), and the tax credit for expenditure in capital goods pursuant to Article 1, paragraphs 184-197 of Law 160/2019 and Article 1, paragraphs 1051-1063 of Law 178/2020 for a total of € 206,646 (of which € 143,843 beyond 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	73,869	62,975
Total	73,869	62,975

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	0	3,689
Redundancy Fund	1,150	44,838
Advances to suppliers	1,833	0
Sundry receivables	1,690	4,980
Total	4,673	53,507

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	274,589	64,385	2,649,568	73,869	4,673	3,067,084
EU	1,054,910	-	-	-	-	1,054,910
Extra-EU	6,342,627	-	-	-	-	6,342,627
Total	7,672,126	64,385	2,649,568	73,869	4,673	10,464,621

The above breakdown shows that the amount of receivables, receivables from customers in the Eurozone and outside Europe in particular, represents approximately 96% of the total amount of receivables. The analysis clearly confirms, also for 2021, 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 funds

At year end, cash funds amounted to € 13,764,922 (€ 19,966,472 in the prior year).

The sharp decrease recorded in 2021 versus the prior year is due primarily to expenditure made during the year, aimed at expanding the Group's structure and reach, in accordance with the strategic lines disclosed to the market since listing (increase of the stake in S.M.T. S.r.l. from 51 to 80%; acquisition of 54% of Idee Partners S.r.l.). Thanks to these latest transactions, Pattern has achieved its goal of landing in the third sector of luxury fashion.

Secondly, working capital increased significantly, impacting negatively on Company liquidity; with regard to its change, together with the change in payables to banks, reference should be made to the Statement of Cash Flows.

	Amount at beginning of year	Changes in the year	Amount at year end
bank and postal deposits	19,943,645	(6,194,066)	13,749,579
Cheques	11,566	(11,566)	-
cash and valuables on hand	11,261	4,082	15,343
Total	19,966,472	(6,201,550)	13,764,922

Accrued income and prepaid expenses

	Amount at beginning of year	Change in the year	Amount at year end
Accrued income	1,568	11,395	12,963
Prepaid expenses	378,596	(88,092)	290,504
Total accrued income and prepaid expenses	380,164	(76,697)	303,467

The decrease in the amount of prepaid expenses recorded in the financial statements, versus the prior year, is attributable mainly to the reversal of the prepaid expenses relating to the lease payments for the Spello production plant and the reversal of the prepaid expenses relating to a number of long-term service agreements.

Description	Detail	Current-year amount
ACCRUALS AND DEFERRALS		
	ACCRUED INCOME	-
	Property leases	12,963
	PREPAID EXPENSES	-
	Rental fees	7,375
	Property lease fees	22,118
	Purchase of services	36,880

Description	Detail	Current-year amount
	Insurance	41,109
	Service contracts	23,013
	Software support contracts	18,413
	Maxi lease fees	121,777
	Bank and miscellaneous expense	6,975
	Rental expense	10,373
	Sponsorships and advertising	2,471
	Total	303,467

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 - 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 € 1,407,555, is made up of no. 14,075,550 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 EGM multilateral trading system, organized and managed by Borsa Italiana S.p.A.; trading began on 17 July 2019.

On 5 March 2021, the Board of Directors - in accordance with the powers granted to it pursuant to Article 2443 of the Italian Civil Code by the Extraordinary Shareholders' Meeting of 4 December 2020 - resolved to increase Pattern's share capital against payment from € 1,371,538 to € 1,406,292, and so by € 34,754, with the related share premium of € 1,345,000, against the contribution by Camer of 10% of the share capital of the subsidiary S.M.T S.r.l., by issuing no. 347,545 new ordinary Pattern shares with the same characteristics and the same dividend rights as

the shares already in circulation, at a total price of € 1,345,000, corresponding to a unit price, rounded to the second decimal place, of € 3.87.

Additionally, on 15 April 2021 a free share capital increase in the amount of € 1,262.10 was made, following the exercise of no. 12,621 rights comprised in the second tranche of the 2019-2022 Stock Grant Plan by the CEO. The shares allocated stem from the capital increase 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. For the sake of completeness, on 30 April 2021, the Shareholders' Meeting resolved to amend the 2019-2022 Stock Grant Plan, in order to increase the loyalty and incentive originally associated with the adoption of the Plan, also in view of the out-of-the-ordinary nature of the 2020 year and, in particular, the negative impacts of the COVID-19 pandemic on the entire luxury industry.

Lastly, it should be noted that the approved share capital amounts to a total of € 1,436,293. The difference between the authorized share capital and the subscribed and paid-up share capital, amounting to € 1,407,555, is attributable to the Retained Earnings Reserve to service the free share capital increase, in the residual amount of € 28,738, resolved by the Extraordinary Shareholders' Meeting of Pattern S.p.A. on 25 June 2019.

A.II) Share premium reserve

The share premium reserve amounts to € 9,548,705.10 and is broken down as follows:

- € 8,238,460 set up in 2019 following the share capital increase to service the listing on the EGM multilateral trading system.
- € 1,310,246 for the contribution by Camer of 10% of the share capital of S.M.T S.r.l..

A.IV) Legal reserve

The Legal Reserve amounts to € 281,259 and the movements in the year are as follows:

Legal reserve	Amount
Prior-year amount	272,308
Allocation of prior year's profit	8,951
Balance at year end	281,259

A.VI) Other equity reserves

Extraordinary reserve

The Extraordinary Reserve amounts to € 8,106,244 with the following movements in the year:

Extraordinary reserve	Amount
Prior-year amount	6,558,257
Allocation of prior year's profit	1,544,624
Release of Reserve for exchange gains	3,363
Balance at year end	8,106,244

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 2019, composed as follows:

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

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 the shareholders (for the period 2019 - 2022), in the amount of € 40,000, through use of the extraordinary reserve, of which € 10,000 already used in the prior year to increase the share capital. In the year, as mentioned earlier, the reserve was used for a free share capital increase of € 1,262, following allocation of the second tranche of the Stock Grant Plan.

Restricted reserve for share capital increase to service the Stock Grant Plan	Amount
Prior-year amount	30,000
Utilization for share capital increase	(1,262)
Balance at year end	28,738

A.VII) Reserve for hedges of expected cash flows

The Reserve for hedges of expected cash flows amounts to € 474 and refers to the fair value at 31.12.2021 of two IRS derivative contracts hedging interest rate risk on a loan taken out in the prior year.

This item improved considerably versus the end of the prior year, following the positive change recorded in the mark to market of both instruments, in turn a result of the rise in the medium-term interest rate curve.

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 - granting of dividends	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	1,371,538	-	-	34,754	-	1,263	-	1,407,555
Share premium reserve	8,238,460	-	-	1,310,246	-	-	-	9,548,706
Legal reserve	272,308	-	8,951	-	-	-	-	281,259
Extraordinary reserve	6,558,257	-	1,544,624	-	-	3,363	-	8,106,244
Merger surplus reserve	101,764	-	-	-	-	-	-	101,764

	Amount at beginning of year	Allocation of prior year's result - granting of dividends	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
Reserve for unrealized exchange gains	291	-	3,072	-	-	(3,363)	-	-
Various other reserves	30,000	-	-	-	-	(1,262)	-	28,738
Total other reserves	6,690,312	-	1,547,696	-	-	(1,262)	-	8,236,746
Reserve for hedges of expected cash flows	(45,581)	-	-	-	(45,107)	-	-	(474)
Profit (loss) for the year	1,950,762	(394,115)	(1,553,575)	-	-	(3,072)	1,745,971	1,745,971
Total	18,477,799	(394,115)	3,072	1,345,000	(45,107)	(3,071)	1,745,971	21,219,763

Details of the various other reserves

Description	Amount
Restricted reserve for share capital increase to service the Stock Grant Plan	28,738
Total	28,738

Availability and utilization of equity

The eligibility for the utilization and distribution of Equity items, as well as their utilization in the past 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 the past three years - for other reasons
Share capital	1,407,555			-	-
Share premium reserve	9,548,706	Share capital	A;B;C	9,548,706	-
Legal reserve	281,259	Profit	B	281,259	-
Extraordinary reserve	8,106,244	Profit	A;B;C	8,106,244	2,317,498
Merger surplus reserve	101,764	Profit	A;B;C	101,764	-
Various other reserves	28,738	Profit	A	28,738	11,262
Total other reserves	8,236,746			8,236,746	-
Reserve for hedges of expected cash flows	(474)			-	-
Total	19,473,792			18,066,711	2,328,760

Description	Amount	Origin/Nature	Eligibility for utilization	Portion available	Summary of utilizations made in the past three years - for other reasons
Non-distributable portion				325,333	
Remaining distributable portion				17,741,378	
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 the past three years - for other reasons
Various other reserves	28,738	Profit	A	28,738	11,262
Total	28,738			-	-
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:

	Amount at beginning of year	Changes in the year - Decrease due to change in fair value	Balancing difference	Amount at year end
Reserve for hedges of expected cash flows	(45,581)	474	45,581	(474)

Lastly, it should be noted that no Equity item at 31 December 2021 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 pensions and similar obligations	2,830	443	-	443	3,273
Financial derivative liabilities	45,581	-	42,337	(42,337)	3,244
Other provisions	33,329	6,086	-	6,086	39,415
Total	81,740	6,529	42,337	(35,808)	45,932

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	2,830	4,438
Allocation for the year	443	515
Utilization in the year	0	-2,123
Closing balance	3,273	2,830

B.3) Financial derivative liabilities

Movements were as follows:

	Current-year amount	Prior-year amount
Opening balance	-45,581	0
Recognition of fair value derivatives	0	-45,581
Fair value adjustment of derivatives	-42,337	0
Closing balance	-3,244	-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	33,329	47,741
Allocation for the year	6,086	0
Utilization for expense incurred	0	-14,412
Closing balance	39,415	33,329

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 calculated taking account of the company's experience and the specific contractual agreements.

Post-employment benefits

Post-employment benefits are recorded under liabilities for a total of € 1,181,228 (€ 1,045,755 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	1,045,755	302,391	166,918	135,473	1,181,228
Total	1,045,755	302,391	166,918	135,473	1,181,228

Payables

Payables are recorded under liabilities for a total of € 23,573,020 (€ 19,410,941 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	10,834,548	1,922,319	12,756,867	2,758,906	9,997,961	1,020,348
Payables to other lenders	400,000	11,098	411,098	84,429	326,669	-
Payables to suppliers	6,692,290	1,895,446	8,587,736	8,587,736	-	-
Payables to subsidiaries	63,432	12,388	75,820	75,820	-	-
Tax payables	204,541	105,682	310,223	310,223	-	-
Payables to welfare and social security entities	485,079	85,805	570,884	570,884	-	-
Other payables	731,051	129,341	860,392	860,392	-	-
Total	19,410,941	4,162,079	23,573,020	13,248,390	10,324,630	1,020,348

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	12,756,867	411,098	7,571,988	75,820	310,223	570,884	860,392	22,557,272
EU	-	-	815,081	-	-	-	-	815,081
Extra-EU	-	-	200,667	-	-	-	-	200,667
Total	12,756,867	411,098	8,587,736	75,820	310,223	570,884	860,392	23,573,020

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	12,756,867	12,756,867
Payables to other lenders	411,098	411,098
Payables to suppliers	8,587,736	8,587,736
Payables to subsidiaries	75,820	75,820
Tax payables	310,223	310,223
Payables to welfare and social security entities	570,884	570,884
Other payables	860,392	860,392
Total payables	23,573,020	23,573,020

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
<i>Within 12 months</i>		
Credit cards	11,627	10,596
Loans without collateral	2,746,797	1,575,428
Bank fees to settle	482	1,073
<i>Over 12 months</i>		
Loans without collateral	9,997,961	9,247,451
Total	12,756,867	10,834,548

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 31.12.2021	Debt within 12 months	Debt over 12 months
Intesa Sanpaolo	498,500	2017	2022	126,297	100,903	25,394
Unicredit	494,800	2017	2022	55,479	55,479	0
Banco-BPM	997,000	2018	2023	304,757	202,693	102,064
Banco-BPM	1,994,000	2019	2023	1,249,455	499,955	749,501
Unicredit	2,997,285	2020	2025	2,170,605	665,096	1,505,509

Intesa Sanpaolo	2,994,286	2020	2026	2,995,099	664,833.48	2,330,266
BNL	2,348,017	2020	2026	2,350,066	414,093.98	1,935,972
Intesa Sanpaolo	3,493,000	2021	2028	3,493,000	143,744.61	3,349,255
TOTAL	15,816,888			12,744,758	2,746,797	9,997,961

Bank	Remaining debt prior year	New loans	Repayments	Remaining debt current year
Intesa Sanpaolo	226,586	0	100,289	126,297
Unicredit	166,005	0	110,526	55,479
Banco-BPM	505,790	0	201,032	304,757
Banco-BPM	1,748,939	0	499,483	1,249,455
Unicredit	2,833,256	0	662,651	2,170,605
Intesa Sanpaolo	2,994,286	0	-813	2,995,099
BNL	2,348,017	0	-2,048	2,350,066
Intesa Sanpaolo	0	3,493,000	0	3,493,000
TOTAL	10,822,880	3,493,000	1,578,121	12,744,758

During the year, a medium-term loan agreement was concluded with Intesa Sanpaolo Spa for the amount of € 3.5 million.

In order to prevent the risk from interest rate fluctuations in the prior year, two IRS contracts were concluded on the loans taken out with Intesa Sanpaolo and Unicredit.

With regard to these agreements, mention should be made that, pursuant to Article 2427-bis, paragraph 1 of the Italian Civil Code, the fair value of the:

- IRS Sanpaolo shows a positive Mark To Market of € 2,770;
- IRS Unicredit shows a negative Mark To Market of € 3,244.

For a breakdown, reference is made to Part V of these notes.

D.5) Payables to other lenders

In 2019 (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.

This item also includes the loan in place with Porsche Financial Service Spa for the maintenance of the vehicle leased.

Nature of payable	Current-year amount	Prior-year amount
<i>Within 12 months</i>		
Simest Spa loan	79,990	0
Porsche Financial Service Spa loan	4,439	0

<i>Over 12 months</i>		
Simest Spa loan	320,010	400,000
<i>Porsche Financial Service Spa loan</i>	6,659	0
Total	326,669	400,000

D.7) Payables to suppliers

The item is broken down as follows:

Nature of payable	Current-year amount	Prior-year amount
Invoices received	7,739,518	5,863,771
Invoices to receive	876,078	1,032,510
Credit notes to receive	-27,860	-203,991
Total	8,587,736	6,692,290

The amount of payables to suppliers increased versus the prior year. The increase is attributable to the same reasons as those for the increase in receivables from customers, namely the increase in production volumes being completed in the latter part 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.	0	56,200
Invoices to receive from Pattern Project S.r.l.	46,980	0
Invoices received from SMT S.r.l.	0	1,930
Invoices to receive from SMT S.r.l.	28,840	5,302
Total	75,820	63,432

The amount of € 46,980 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	251,946	197,604
Revenue Agency withholding tax on self-employed work a/c	23,087	3,344
Revenue Agency withholding tax on dividends a/c	0	3,575
Revenue Agency - Substitute tax post-employment benefits a/c	6,476	18
Revenue Agency Irap a/c	15,575	0
Revenue Agency Ires a/c	11,641	0
Other tax payables	1,498	0
Total	310,223	204,541

IRES and IRAP tax payables for the year were recorded net of advances paid; the IRES payable was further reduced by the portion of the deduction due for energy saving measures pursuant to Law 296/2006.

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	363,946	311,714
Inail	3,928	0
Inps and Inail accruals	127,694	104,516
Contributions to supplementary pension funds	75,316	67,779
Enasarco	0	1,070
Total	570,884	485,079

D.14) Other payables

The item is broken down as follows:

Nature of payable	Current-year amount	Prior-year amount
Payables for salaries to settle	388,729	320,663
Payables for commissions to settle	17,610	26,870
Payables to pension funds	8,715	8,772
Other payables	1,501	16,741
Accruals for holidays not taken	443,837	358,005
Total	860,392	731,051

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 broken down as follows:

	Amount at beginning of year	Change in the year	Amount at year end
Accrued expenses	18,766	12,753	31,519
Deferred income	12,512	180,415	192,927
Total accrued expenses and deferred income	31,278	193,168	224,446

The table below shows the breakdown of the items in question, as recorded in the financial statements.

Description	Detail	Current-year amount
<i>ACCRUALS AND DEFERRALS</i>		
	ACCRUED EXPENSES	-
	Insurance	8,414
	Services and utilities	5,917
	Interest expense	3,018
	Other	14,169
	DEFERRED INCOME	-
	Grants plants a/c	192,928
	Total	224,446

Notes - Income statement

The income statement shows the result for the year.

It presents 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	39,691,491
Design area	2,742,705
Other revenue	711,255
Total	43,145,451

Revenue from sales increased during the year, driven by the recovery of the clothing and luxury area, which were heavily hit by the COVID-19 pandemic, the effects of which were also felt during the year under review.

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	2,907,047
EU	5,257,407
Extra EU	34,980,997
Total	43,145,451

The overall share of business with foreign customers is 93.2%, up further from 90% last year.

A.5) Other income

Income is as follows:

Nature	Current-year amount	Prior-year amount
<i>Operating grants</i>		
Piedmont Bonus, R.L. 12/2020	1,500	0
Advertising bonus, LD 50/2017	1,354	0
Research and development tax credit, LD 145/2013	72,213	115,925
Training Plan Contribution (FDIR)	0	1,000
Fondirigenti training plan contribution	3,200	0
Fondimpresa training plan contribution	14,841	0
Sanitation tax credit, Article 125 LD 34/2020	0	10,685
Listing bonus, L 205/2017	0	500,000
<i>Other revenue</i>		
Ordinary capital gains	2,391	1,724
Tax credit, L. 145/2018	0	250
Grants plants a/c	15,394	30,171
Claims for damages	12	16,217
Contingent assets	0	8,552
Other revenue and income	11,418	14,313
Total	122,323	698,837

In the year under review, the Company received the contribution from Fondirigenti to reduce the costs of the training plans endorsed by the Company.

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	13,842,123	10,751,060
Commercial services	1,198,015	919,800

Administrative and management services	1,482,503	1,133,380
Total	16,522,641	12,804,240

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 year under review.

B.8) Lease and rental costs

Costs are as follows:

Nature	Current-year amount	Prior-year amount
Rental payments	216,932	170,019
Lease payments	257,686	239,036
Fees for software use	73,664	64,295
Car rental fees	136,193	148,131
Rental fees for other capital goods	50,565	31,807
Royalties	60,000	60,000
Total	795,040	713,288

B.9) Personnel expense

Payroll costs totaled € 9,279,326 (€ 7,775,262 in the prior year).

The increase is attributable to the non-use of the redundancy fund in the year under review, except for a short period of time, and to the use of other measures to contain personnel expense, adopted instead in a significant way in 2020 to cope with the consequences of the pandemic.

B.14) Sundry operating expense

Costs are as follows:

Nature	Current-year amount	Prior-year amount
Sundry tax and duties	63,814	58,386
Contingent liabilities	45,536	25,057

Other sundry operating expense	73,534	55,792
Total	182,884	139,235

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

As follows (Article 2427, paragraph I, no. 11, Italian Civil Code):

	Income from investments
From subsidiaries	525,000
Total	525,000

Income from investments refers to:

- € 480,000 for the dividend approved on 29 November 2021 by the subsidiary S.M.T S.r.l. as an extraordinary distribution;
- € EUR 45,000 for the dividend approved on 26 April 2021 at the time of approval of the 2021 financial statements 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	159	609
Interest on quarterly VAT refunds	0	2,167
Other	49	96
Total	208	2,872

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	Total
Interest and other financial expense	60,836	60,836

The increase in financial payables from medium-term bank borrowings is attributable to the increase in average annual medium-term bank debt.

Nature	Current-year amount	Prior-year amount
Interest expense on medium-term loans	60,836	50,194
Other financial expense	0	505
Total	60,836	50,699

C.17 bis) Exchange gains and losses

The items are as follows:

Nature	Current-year amount	Prior-year amount
Valuation exchange differences	-4,413	3,363
Realized exchange gains	5,433	17,174
Realized exchange losses	-29,814	-11,642
Total	-28,794	8,895

The increase 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, whose exchange rates performed negatively for the Euro during the year.

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, 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	2021	
Profit (loss) before tax for the year		2,099,060
Actual income tax	291,144	13.870%
Lower tax (versus theoretical rate)		
R&D credit	17,331	0.8%
Tax credit for expenditure in capital goods	3,694	0.2%
Deductible entertainment expense	2,760	0.1%
Supplementary pension	2,326	0.1%
Super depreciation	10,512	0.5%
Hyper depreciation	3,101	0.1%
Utilization of provision for raw materials write-down	46,227	2.2%
IMU instrumental properties	2,823	0.1%
Dividends	119,700	5.7%
IRAP deductions	2,096	0.1%
Patent box	60,528	2.9%
A.C.E.	48,218	2.3%
Piedmont Bonus	360	0.0%
Higher tax (versus theoretical rate)		
Inventory write-down of finished products	(34,143)	-1.6%
Miscellaneous car costs	(6,266)	-0.3%
Insurance	(2,496)	-0.1%
Telephone expense	(2,611)	-0.1%
Entertainment expense	(3,984)	-0.2%
Car rental	(11,938)	-0.6%
Lease fees	(14,466)	-0.7%
Goodwill	(10,445)	-0.5%
Non-deductible depreciation	(1,389)	-0.1%
IMU instrumental properties	(4,705)	-0.2%
Other increases	(13,983)	-0.7%
Theoretical income tax	504,393	24.0%

IRAP

Amounts in € thousands	2021	
Value added (IRAP taxable base)		10,982,681
Actual income tax	77,813	0.7%
Lower tax (versus theoretical rate)		0.0%
R&D credit	2,816	0.0%
Tax credit for expenditure in capital goods	600	0.0%
Utilization of provision for raw materials write-down	7,512	0.1%
Non-taxable chargeback of personnel	347,154	3.2%
Patent box	9,836	0.1%
Other decreases	518	0.0%

Piedmont Bonus	59	0.0%
Higher tax (versus theoretical rate)		
Inventory write-down of finished products	(5,548)	-0.1%
Allocation to the returns risk provision	(237)	0.0%
Insurance	(406)	0.0%
Land portion of property lease payments	(1,996)	0.0%
Interest share on lease payments	(2,144)	0.0%
IMU instrumental properties	(765)	0.0%
Goodwill	(1,697)	0.0%
Other increases	(5,190)	0.0%
Theoretical income tax	428,324	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 tables below *"DETAILS OF DEDUCTIBLE TEMPORARY 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 deductible 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	87,038	43,519	130,557	24.00	31,334	3.90	5,092
Write-down of receivables in excess of art. 106 TUIR limit	156,014	-	156,014	24.00	37,443	-	-
Directors' fees	5,200	(5,200)	-	24.00	-	-	-

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 to the returns risk provision	33,329	6,086	39,415	24.00	9,460	3.90	1,537
Inventory write-down of raw materials	431,520	(192,613)	238,907	24.00	57,338	3.90	9,317
Inventory write-down of finished products	717,744	142,264	860,008	24.00	206,402	3.90	33,540
Unpaid membership fees	-	2,469	2,469	24.00	593	-	-
Exchange rate differences	-	4,413	4,413	24.00	1,059	-	-
Provision for bad debts 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	87	57	10	175

Employees amounted to 175 at 31 December 2021, including 129 women and 46 men (174 employees at 31 December 2020, including 133 women and 41 men).

The table below shows a breakdown by category of employees at 31 December 2021 and 31 December 2020:

	31.12.2021	31.12.2020
Executives	9	9
Managers	12	11
Employees	87	86
Workers	57	55
Trainees	10	13
Total	175	174

Fees, advances and receivables granted to directors and statutory auditors and commitments undertaken on their behalf

No directors' fees were approved in the year under review.

Information regarding the Statutory Auditors is provided below (Article 2427, paragraph I, no. 16, Italian Civil Code).

Statutory Auditors	
Fees	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 audit services performed	Total fees payable to the Auditor or to the Independent Auditors
Price	55,611	15,200	70,811

The fees for the year paid to the Independent Auditors also include the fee of € 5,000 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. 14,075,550 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 € 1,436,293. 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 € 1,407,555, is attributable to the Retained Earnings Reserve to service the free share capital increase, in the residual amount of € 28,738, 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, subsequently amended by the Ordinary Shareholders' Meeting of 30 April 2021, regarding the granting to the Managing Director and CEO of the right to receive a maximum no. 287,380 ordinary shares free of charge, subject to the achievement of certain annual targets for the company's growth.

Analysis of the categories of shares issued by the company

	Initial amount, number	Shares subscribed in the year, amount	Final amount, number
Ordinary shares	13,715,384	360,166	14,075,550

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

The table below shows details of the guarantees given and commitments undertaken by the Company (Article 2427, paragraph I, no. 9, Italian Civil Code).

Guarantees issued

	Amount
Guarantees	2,496,572
of which collateral	-

Specifically, it involves the following:

- to secure 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;
- to secure 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.

For the sake of completeness, on 16 February 2022, following the completed purchase of the property in Spello and the resulting termination of the lease agreement on the property, the Company obtained the cancellation and return of the bank guarantee issued as security for all the commitments undertaken with the irrevocable offer of 30 April 2019 to purchase the business complex of Modalis Srl in composition with creditors.

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 € 1,504,745.

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, at 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 EGM 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 1, 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 2021, the adoption of the most fitting measures to ensure stability for the Company's results and financial situation.

As mentioned earlier, on 16 February 2022 the Company completed the purchase of the property complex located in Spello, already held under lease, at a price of € 2 million, as per the irrevocable offer of 30 April 2019, dedicated to the design and modeling of high-end women's lines.

As already explained, on 10 March, the Board of Directors of the Company prepared and approved the plan on the merger by incorporation of the subsidiary Pattern Project S.r.l..

With regard to the foreseeable future of operations, reliable forecasts for 2022 are difficult to make, given the uncertainty on the markets and the severe material and economic consequences generated by the war in Ukraine. Prior to this dramatic event, expectations pointed to a preservation of the production levels reported in 2021 for the first half of the year, and a possible further recovery, versus 2020, in the second half.

Regarding the first quarter of 2022 - to date - no significant negative effects are reported. As is widely known, luxury is a market marked by an inelastic demand, but it is difficult to imagine the absence of repercussions on the market in the coming months, as well as to estimate the scale.

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 consolidation scope includes the financial statements at 31 December 2021 of Pattern S.p.A, of the wholly-owned subsidiary Pattern Project S.r.l., the subsidiaries S.M.T. S.r.l. and Idee Partners S.r.l. (formerly Idee Consulting S.r.l.), as well as the indirect subsidiary Petri & Lombardi 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)	17,054,806		9,020,264	
TOTAL FIXED ASSETS	17,054,806	82.7%	9,020,264	92.6%
Inventory	4,653,803		3,556,896	
Receivables relating to working capital	10,464,621		6,123,717	
Investments not held as fixed assets	0		0	
Accrued income and prepaid expenses	303,467		380,164	
Payables relating to working capital	(10,405,055)		(8,176,393)	
Accrued expenses and deferred income	(224,446)		(31,278)	
Provisions for risks	(45,932)		(81,740)	
Provision for post-employment benefits	(1,181,228)		(1,045,755)	
NET WORKING CAPITAL	3,565,230	17.3%	725,611	7.4%
CAPITAL EMPLOYED	20,620,036	100.0%	9,745,875	100.0%
Equity (net of receivables from shareholders for payments due)	21,219,763		18,477,799	
EQUITY	21,219,763	102.9%	18,477,799	189.6%
Financial liabilities	13,167,965		11,234,548	
Financial assets	(2,770)		0	
Cash funds	(13,764,922)		(19,966,472)	
NET FINANCIAL POSITION	(599,727)	-2.9%	(8,731,924)	-89.6%
ACQUIRED CAPITAL	20,620,036	100.0%	9,745,875	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 31.12.21
IRS Unicredit	30.6.20 – 31.3.25	-3,244
IRS Intesa	19.6.20 – 19.6.26	2,770
Total		-474

During the prior year, 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 fair value at 31.12.21.

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 most recent approved financial statements of the company or entity exercising direction and coordination activities over it.

Most recent year	Date	Prior year	Date
Date of most recent approved financial statements	31/07/2021		31/07/2020
B) Fixed assets	1,237,975	1,237,975	

	Most recent year	Date	Prior year	Date
C) Current assets	13,352		17,785	
D) Accrued income and prepaid expenses	185		-	
Total assets	1,251,512		1,255,760	
Share capital	110,000		110,000	
Reserves	112,865		138,307	
Profit (loss) for the year	551,051		(25,442)	
Total equity	773,916		222,865	
D) Payables	476,357		1,032,894	
E) Accrued expenses and deferred income	1,239		1	
Total liabilities	1,251,512		1,255,760	

Summary income statement of the company exercising direction and coordination

	Most recent year	Date	Prior year	Date
Date of most recent approved financial statements		31/07/2021		31/07/2020
B) Costs of production	35,119		18,535	
C) Financial income and expense	586,170		(6,907)	
Profit (loss) for the year	551,051		(25,442)	

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
Revenue Agency	16/07/2021	Tax credit on incremental advertising investments in newspapers, magazines and local television and radio stations	1,354.00

For the sake of completeness, during the year the Company received a non-repayable regional grant, the so-called "Bonus Piemonte", pursuant to the provisions of Regional Law no. 12 of 15 May 2020, amounting to € 1,500, as already mentioned in Part IV of these Notes to the Financial Statements under "Other revenue and income".

Proposed allocation of profit or coverage of losses

Together with the approval of the financial statements at 31 December 2021, a proposal is made to allocate the profit for the year of € 1,745,970.73:

- € 252.42 to the legal reserve, up to the legal limit pursuant to Article 2430 of the Italian Civil Code;
- € 999,364.05 as a dividend to Shareholders, equal to € 0.071 for each of the no. 14,075,550 ordinary shares making up the Company's share capital to date. The dividend will be paid out as from 25 May 2022, with ex-dividend date on 23 May 2022 and record date on 24 May 2022;
- the residual amount of € 746,354.26 to the extraordinary reserve.

In the event of the allocation of new shares in relation to the "2019-2022 Stock Grant Plan" for a maximum of no. 187,379 shares prior to the meeting held to approve the financial statements, the proposed allocation of profit for the year of € 1,745,970.73 would be as follows:

- € 252.42 to the legal reserve, up to the legal limit pursuant to Article 2430 of the Italian Civil Code;
- € 1,012,667.96 as a dividend to Shareholders, equal to € 0.071 for each of the no. 14,262,929 ordinary shares making up the Company's share capital to date. The dividend will be paid out as from 25 May 2022, with ex-dividend date on 23 May 2022 and record date on 24 May 2022;
- the residual amount of € 733,050.35 to the extraordinary reserve.

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 €. 1,407,555.00

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 2021 DRAWN UP IN ACCORDANCE WITH ARTICLE 2429, PARAGRAPH 2,
OF THE ITALIAN CIVIL CODE**

Shareholders,

in the year ended 31 December 2021, 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 2021, 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 obtained 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 took note of the establishment, as of 27 September 2021, of the Organizational and Management Model pursuant to Law 231/2001 and the appointment of the Supervisory Board;
- 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 2021, 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 € 21,219,763 including net profit for the year of € 1,745,971, 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 latest revised version.
- 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 € 42,703, 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 2021 issued by PricewaterhouseCoopers Spa on 13 April 2022 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 2021 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 € 1,745,971.

Turin, 13 April 2022

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 2021**



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 statement of financial position as of 31 December 2021, 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 2021, 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.

PricewaterhouseCoopers SpA

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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 2021, 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 2021 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 2021 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, 13 April 2022

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 2021



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 statement of financial position as of 31 December 2021, 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 2021, 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.

PricewaterhouseCoopers SpA

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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 2021, 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 2021 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 2021 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, 13 April 2022

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.