



PATTERN S.P.A.

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

FINANCIAL STATEMENTS AT 31 DECEMBER 2022

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

CONTENTS

INTRODUCTION	5
COMPANY OVERVIEW	5
COMPOSITION OF CORPORATE BODIES	6
NOTICE OF CALL OF ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING	7
LETTER TO SHAREHOLDERS AND STAKEHOLDERS	11
SHAREHOLDER BASE	13
PATTERN GROUP AND ITS HISTORY	14
PATTERN GROUP IN FIGURES: 2022 HIGHLIGHTS	15
CORPORATE STRUCTURE OF THE GROUP	16
PATTERN SHARE PERFORMANCE IN 2022	17
DIRECTORS' REPORT ON OPERATIONS AT 31 DECEMBER 2022.....	18
MARKET SCENARIO	19
MEDIUM-TERM STRATEGY	21
SIGNIFICANT EVENTS IN THE PERIOD	23
GROUP CAPITAL EXPENDITURE	26
GROUP OPERATING AND FINANCIAL SITUATION	27
OPERATING AND FINANCIAL SITUATION OF PATTERN SPA	37
ACTIVITIES CARRIED OUT THROUGH SUBSIDIARIES; DEALINGS WITH SUBSIDIARIES, ASSOCIATES, PARENTS AND "AFFILIATES"	43
MAIN RISKS AND UNCERTAINTIES TO WHICH THE GROUP IS EXPOSED	44
ENVIRONMENTAL IMPACT OF OPERATIONS	47
EMPLOYEES AND IT SYSTEMS	48
RESEARCH AND DEVELOPMENT	50
TREASURY SHARES AND SHARES OF PARENT COMPANIES	51
FINANCIAL DERIVATIVES.....	51
BRANCH OFFICES	51
INTRAGROUP AND RELATED PARTY TRANSACTIONS	51
CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022.....	52
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	53
CONSOLIDATED INCOME STATEMENT	56
CONSOLIDATED STATEMENT OF CASH FLOWS	58
ACQUISITION OF INVESTMENTS IN SUBSIDIARIES	60
EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31/12/2022	61

<i>FOREWORD</i>	61
<i>CONSOLIDATION SCOPE</i>	61
1. CONSOLIDATION PRINCIPLES	73
2. PREPARATION STANDARDS	73
3. VALUATION CRITERIA	75
4. ANALYSIS OF AND COMMENTS ON THE MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS.....	85
STATEMENT OF FINANCIAL POSITION	85
INCOME STATEMENT.....	109
5. OTHER INFORMATION	113
HEADCOUNT	113
FEEES TO THE DIRECTORS AND STATUTORY AUDITORS	113
FEEES TO THE INDEPENDENT AUDITORS.....	113
GUARANTEES, COMMITMENTS AND CONTINGENT LIABILITIES	113
TRANSACTIONS WITH RELATED PARTIES.....	114
AGREEMENTS NOT RESULTING FROM THE STATEMENT OF FINANCIAL POSITION	115
SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD OF THE CONSOLIDATED FINANCIAL STATEMENTS.....	115
OUTLOOK FOR THE YEAR.....	115
FINANCIAL DERIVATIVES PURSUANT TO ARTICLE 2427-BIS OF THE ITALIAN CIVIL CODE.....	115
<i>ANNEXES TO THE CONSOLIDATED FINANCIAL STATEMENTS</i>	117
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (<i>ANNEX A</i>)	117
RECONCILIATION BETWEEN PARENT COMPANY EQUITY AND RESULTS AND CONSOLIDATED EQUITY AND RESULTS (<i>ANNEX B</i>)	118
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT SHOWING THE CHANGES IN THE YEAR (<i>ANNEX C</i>).....	119
ANALYTICAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION (<i>ANNEX D</i>).....	122
<i>FINANCIAL STATEMENTS AT 31 DECEMBER 2022</i>	127
STATEMENT OF FINANCIAL POSITION	128
INCOME STATEMENT.....	131
STATEMENT OF CASH FLOWS, INDIRECT METHOD	133
<i>EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AT 31/12/2022</i>	135
<i>FOREWORD</i>	135
PART I: GENERAL PRINCIPLES	136
PART II: PRINCIPLES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS	136
PART III: ACCOUNTING AND VALUATION CRITERIA	137
PART IV: REVIEW OF INDIVIDUAL ITEMS	146
Notes - Assets	146

Notes - Liabilities and equity	158
Notes, income statement	169
PART V: ADDITIONAL INFORMATION	177
Headcount	177
Fees, advances and receivables granted to directors and statutory auditors and commitments undertaken on their behalf	177
Fees to the Auditor or to the Independent Auditors	177
Categories of shares issued by the company	178
Securities issued by the company	178
Details of other financial instruments issued by the company	178
Commitments, guarantees and contingent liabilities not resulting from the statement of financial position	178
Assets and loans allocated for a specific transaction	179
Transactions with related parties	179
Agreements not resulting from the statement of financial position	179
Significant events after year end	179
Entities that prepare the financial statements of the larger/smaller body of entities they are part of as subsidiaries	180
Reclassified statement of financial position	180
Financial derivatives pursuant to Article 2427-bis of the Italian Civil Code	181
Summary of the financial statements of the company exercising direction and coordination	181
Information pursuant to Article 1, paragraph 125, of Law no. 124 of 4 August 2017	182
Proposed allocation of profit or coverage of losses	182

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
	Stefano Casini	
	Claudio Delunas	
	Innocenzo Tamborrini	
	Emilio Paolucci	
Board of Statutory Auditors ⁽¹⁾	Davide Di Russo	Chairman
	Lucia Margherita Calista Rota	Standing Auditor
	Lucia Starola	Standing Auditor
	Valerio Brescia	Alternate Auditor
	Riccardo Cantino	Alternate Auditor
Independent Auditors ⁽²⁾	PricewaterhouseCoopers S.p.A., in short PWC	

DURATION

(1) The Board of Directors and the Board of Statutory Auditors were appointed by a resolution of the Shareholders' Meeting held on 28 April 2022 for three financial years, and will therefore expire with the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2024.

(2) 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 CALL 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 2023**, at **11:00 a.m.**, at the registered office in Collegno (Turin), Via Italia 6/A, and in second call for 2 May 2023, at the same time and place, with the following:

Agenda

Ordinary session

1. Approval of the financial statements at 31 December 2022.
2. Allocation of profit for the year.
3. Increase in the number of board members from seven to nine and appointment of new members.
4. Determination of fees to certain directors.
5. Authorization to purchase and dispose of treasury shares, subject to revocation of the authorization resolution passed by the Shareholders' Meeting on 28 April 2022; relevant and ensuing resolutions.

Extraordinary session

1. Integration of the corporate object to highlight the company's growing commitment to environmental and sustainability issues and ensuing amendment to Article 3 of the Bylaws; relevant and ensuing resolutions.

Share capital

As of today's date, 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. On 3 April 2023, no. 100,000 ordinary shares from the fourth tranche of the 2019-2022 Stock Grant Plan were assigned, and the certification process pursuant to Article 2444 of the Italian Civil Code is currently underway; following the registration of this certification, the subscribed and paid-up share capital will be € 1,436,292.90, represented by no. 14,362,929 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 Meeting (19 April 2023 - record date), are entitled to attend the Shareholders' 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 2023. 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, as most recently extended by Article 3, paragraph 10-undecies, of Law Decree 198/2022, converted by Law 14/2023 ("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.patterngroup.it, *Investors* 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 2023, or, if in second call, by 27 April 2023).

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.patterngroup.it, *Investors* 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).

Appointment of the Board of Directors

Regarding the third item on the agenda, it should be noted that according to Article 10.2 of the Bylaws, since the appointment of the entire Board of Directors is not the case, the procedure of appointment by list voting is not applicable. Therefore, the Shareholders' Meeting is called to pass resolutions with the majorities required by law. The appropriate report prepared by the Board of Directors contains further information on this matter.

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.patterngroup.it Investors 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 2023

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 2022, 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 were 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 was 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.

The year under review was marked by an impressive surge in production and sales volumes. Group revenue exceeded € 110 million and the workforce included 826 employees at 31 December.

Idee Partners and Petri & Lombardi, acquired in November 2021, were consolidated for twelve months and both showed strong growth. In 2022, the leather goods hub was further strengthened through the acquisition of 70% of RGB Srl, consolidated during the second half of the year. The leather goods segment generated revenue of € 26.7 million, in contrast to its negligible contribution in 2021.

The knitwear hub continues to be a strong driver in terms of both volume and profitability. At end 2022, this segment recorded revenue of € 33.5 million. This was achieved thanks in part to the 100% acquisition of Zanni Srl, completed in early February. The Group is set to reinforce its position in the knitwear segment with the acquisition of Nuova Nicol, as per the agreement signed in December, which is scheduled to be finalized in April. The company will be consolidated as from 1 January 2023.

An additional significant and influential deal involved the acquisition of 70% of Dyloan Bond Factory Srl, a Chieti-based company that focuses on researching on new technologies to be implemented in the luxury world and in clothing production. The company acquired a production chain during the year, verticalizing its business and becoming strategic for Pattern in its relationship with luxury customers.

Over € 19 million were invested, almost € 15 million of which in equity interests.

Operating profit for the year was slightly lower than last year (EBITDA margin from 11 to 10%), but it should be noted that the year was impacted by the sharp rise in energy costs, which then affected the entire supply chain, consulting costs for the extraordinary transactions carried out, and the lower contribution from the traditional

segment for the clothing Group.

Despite the formation of a significant VAT receivable at the Group level, cash generation allowed for the coverage of part of the expenditure, curbing the growth of bank debt and avoiding a deterioration of the financial position, which remains extremely solid.

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

- Value of production € 110.4 million (€ 72.5 million in 2021).
- EBITDA € 11.1 million (€ 7.7 million last year).
- Net profit for the period € 4.1 million (€ 3.7 million in 2020), of which € 2.6 million attributable to the owners of the parent.
- Negative net financial position of € 13.8 million (positive € 3.1 million at 31 December 2021).

The Group's personnel played a pivotal role in achieving these results, thanks to their technical expertise and strong sense of belonging.

The Board of Directors of Pattern Spa will propose the Shareholders' Meeting to set aside the entire profit for the year of € 1,161,878.55 as a reserve.

The Chairman
Francesco Martorella

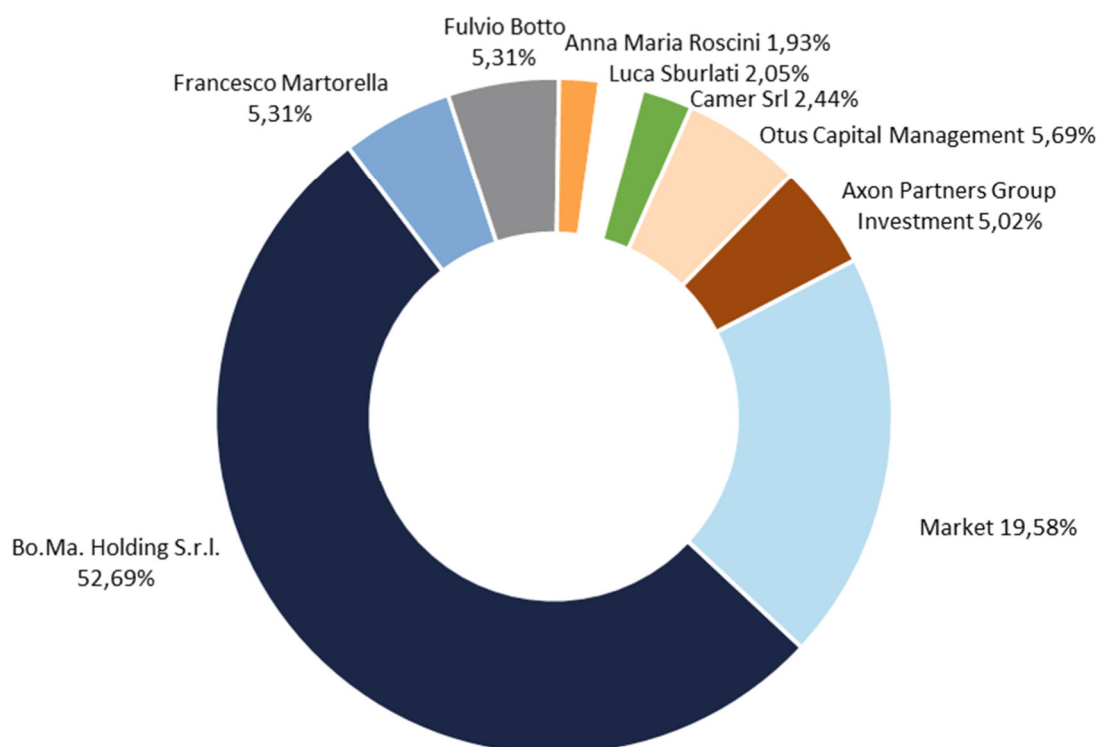
The Vice Chairman
Fulvio Botto

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 2023, based on available information, Pattern's shareholder base is as follows.



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 engineering, 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 engineering 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, the Group completed the acquisition of a majority stake in Idee Partners, a Tuscan company specialized in product development, engineering and production in the luxury leather goods segment, which in turn includes Petri & Lombardi, a time-honoured leather goods company from Florence.

2022 was again a year of strong growth: to start with, Zanni from Reggio Emilia, a benchmark in Wholegarment (seamless) knitwear processing, followed by RGB, a specialist from Tuscany in the production and processing of leather accessories. A major milestone, again in 2022, was the entry of Dyloan Bond Factory, an advanced manufacturing hub based in Abruzzo and specialized in semi-finished and finished products and a leader in innovative and R&D technologies applied to luxury, thanks also to D-House, an in-house creative and research laboratory, and ShapeMode, an innovation centre specialized in 3D printing and digital manufacturing.

Toward the end of the year, in December, an investment agreement was finalized for the subsequent purchase in April this year of the knitwear manufacturer Nuova Nicol Srl, located near Bologna.

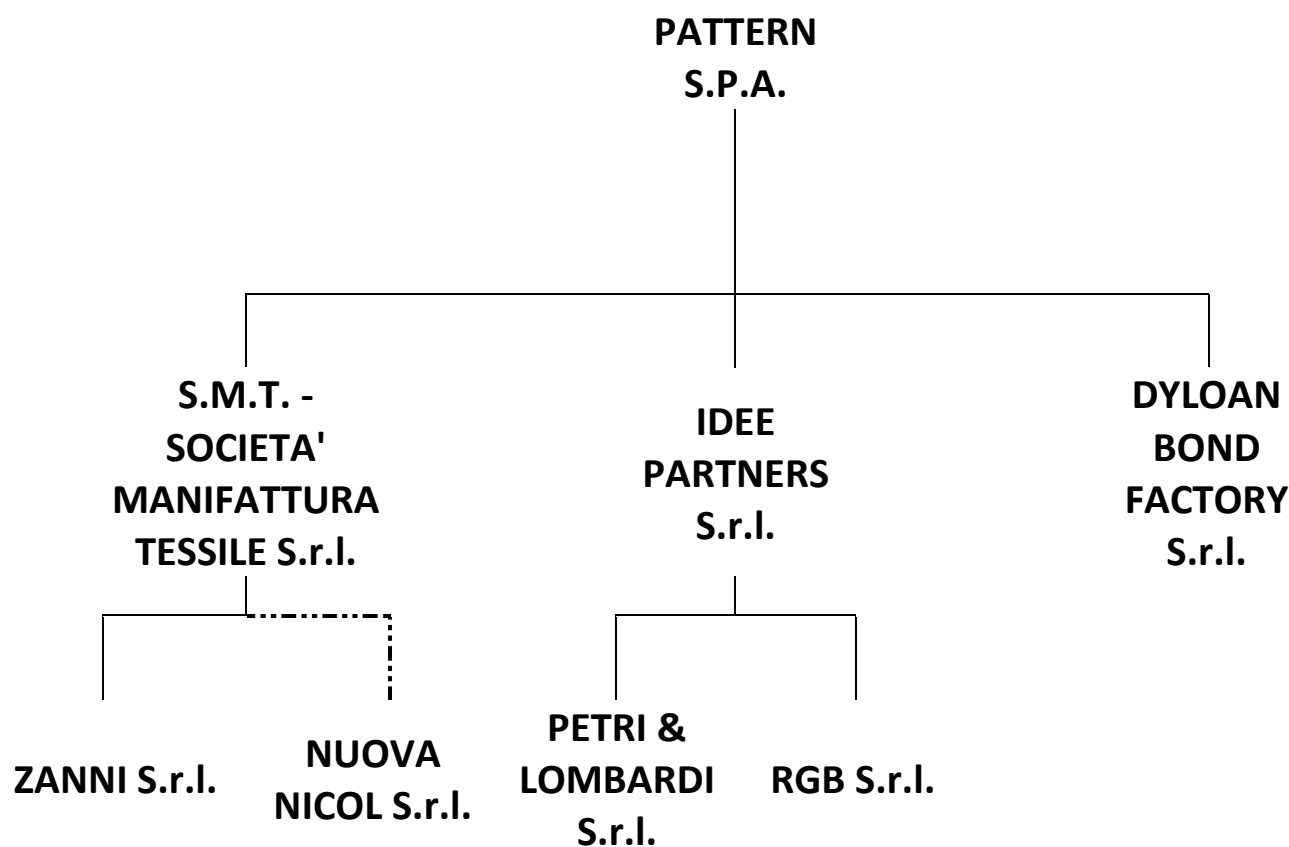
Today, the Pattern Group is the first Italian Luxury Engineering & Production Hub, covering the main product categories (men's and women's lines, clothing and accessories, woven fabric, knitwear and leather goods), starting from the research and engineering phase up to production, and revolves around five industrial hubs:

Technology and Innovation, ESG, Human Knowledge remain at the core of the Group as the signature values of each company and will continue to guide the Group's future.

PATTERN GROUP IN FIGURES: 2022 HIGHLIGHTS

INCOME STATEMENT	31/12/2022	31/12/2021	% chg
(€)			
Value of production	110,426,216	72,521,279	52.3%
EBITDA	11,118,671	7,689,925	44.6%
EBIT	6,882,400	5,266,023	30.7%
Profit (loss) for the period	4,063,633	3,673,556	10.6%
<i>- of which Group</i>	<i>2,593,065</i>	<i>2,998,895</i>	<i>-13.5%</i>
Group earnings per share	0.1818	0.2103	-13.5%
Number of shares	14,262,929	14,262,929	0.0%
STATEMENT OF FINANCIAL POSITION	31/12/2022	31/12/2021	% chg
(€)			
Net fixed assets	36,831,862	17,865,786	106.2%
Net working capital	11,577,478	7,028,751	64.7%
Liability funds	-4,928,065	-2,857,431	72.5%
Net capital employed	43,481,275	22,037,106	97.3%
Consolidated equity	29,628,289	25,123,663	17.9%
<i>- of which Group</i>	<i>24,796,050</i>	<i>22,922,861</i>	<i>8.2%</i>
Net financial position	13,852,986	-3,086,557	-548.8%
Equity and net financial position	43,481,275	22,037,106	97.3%

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 engineering and production of menswear and womenswear and six subsidiaries.

The latter controls 70% of Dyloan Bond Factory, it too a clothing company based in Chieti.

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

On 21 December, S.M.T. signed an investment agreement to purchase 100% of Nuova Nicol Srl, a knitwear manufacturer located near Bologna, whose purchase will be finalized next April.

Idee Partners is instead the company, based in the Scandicci district, operating in the leather accessories area. In turn, it owns 60% of Petri & Lombardi, a leather goods business based in Bientina, Pisa, and 70% of RGB Srl, another leather goods company based in Reggello, Florence.

PATTERN SHARE PERFORMANCE IN 2022

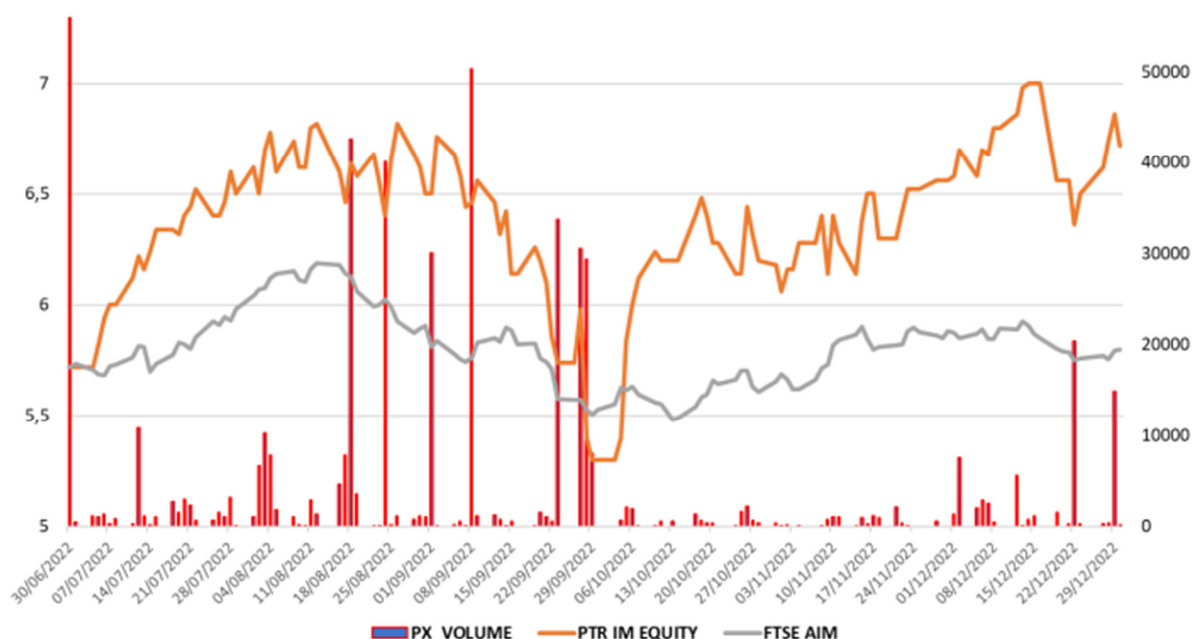
Pattern's share price at 29 December 2022, the last trading day of the period, reached € 6.72 per share, with a market capitalization of € 95.85 million.

This indicates a 0.89% increase from the price of € 6.66 per share recorded at the beginning of the year on 2 January, with average daily volumes traded during the period of approximately 3,359 shares.

The average price in 2022 was € 6.339 per share, while the period low of € 5.30 per share was recorded on 29 September 2022.

The following chart shows the price and volume trends for the Pattern share in 2022.

Stock Performance



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 2022

MARKET SCENARIO

The expectations for the second half of 2022 and a full year recovery after the two-year pandemic have been proven accurate in terms of overall business. The diminishing effects of the pandemic crisis coupled with the relatively insignificant impacts from the war in Ukraine have enabled the luxury segment to regain momentum, aligning with its conventional growth trend.

The impact of the energy crisis has led to tensions on pricing and margins as a number of luxury companies have heightened pressure on their supply chains to sustain or improve their margins especially in the ready-to-wear segment. All segments, however, showed a positive performance, with significant contributions from newly developed areas such as knitwear and leather goods.

In 2022, the leather goods segment saw significant expansion due to the consolidation for twelve months of Idee Partners and Petri & Lombardi (one month in 2021) and RGB for the second half of the year.

Regarding the leather goods hub, it produced highly positive results in terms of both sales growth and improved margins. These results are especially notable given the ongoing integration efforts into the Group, as well as the gradual consolidation of the three individual companies into a single Hub, in accordance with the orders and agreements of the three companies, taken so far individually with customers.

The growth in turnover touched all business units, including subcontracted manufacturing with the two main repeat customers, as well as in the "marketed product" component, with a notable uptick in sales of three foreign brands (France and the US).

The leather product development component maintained excellent profitability as well, retaining its strategic relevance in terms of its appeal to the world's most exclusive luxury customers. With remarkable resilience, the footwear product development business continued to maintain its small yet strategic and lucrative presence, underscoring Idee Partners' distinctiveness in the realm of premier luxury accessory providers.

All business areas strengthened, especially administration and operations.

The production volume of knitwear at S.M.T. achieved a new record, maintaining the growth trajectory of prior years. This was achieved thanks to end-consumer demand in the luxury segment for men's and women's outer knitwear products, as well as to the decision of large international fashion groups operating in the high-end segment to engage with industrially structured companies.

There was no heavy impact on sales and operating margins, especially in the second half of the year, despite the war in Ukraine and significant increase in energy costs.

During the year, S.M.T.'s portfolio was expanded to include additional brands, highlighting the central emphasis placed by luxury segment customers on fulfilling the needs of their designers and creative directors. Luxury customers are progressively aiming to differentiate their offerings by capitalizing on the latest advancements in weaving technology, and leveraging special processing techniques to craft their products in a unique and inimitable manner.

The newly-acquired subsidiary Zanni delivered a satisfactory performance that met expectations, with pre-COVID business levels gradually recovering.

OUTLOOK FOR THE NEXT YEAR

Regarding the Group's overall outlook for the current year, a point worth mentioning is that 2023 may pose potential ambiguities arising from the international geopolitical landscape, starting with the war in Ukraine and the tensions between the United States and China. Regardless, the luxury market is expected to remain on an upward trajectory, especially if these international tensions are resolved and the resulting inflationary and speculative pressures ease. Navigating through uncertain times will continue to be the main challenge ahead. The rapid and extensive vertical integrations occurring within our companies are expected to lead to margin recovery, as fixed costs are absorbed more efficiently.

Additionally, the adoption of best practices in engineering and production will help to alleviate the impact of rising costs for raw materials and semi-finished products, particularly for yarns and fabrics, as well as the increases in transportation and labour costs, along with the issue of energy costs, which have decreased over recent weeks. All the companies are not energy-intensive and expenditure in self-production plants is proving to be effective (1 geothermal plant and 4 photovoltaic plants are already in operation).

All of these factors put greater pressure on sales prices and force a number of luxury brands to try to recover margins on their supply chain.

The year 2022 saw shortages in both raw materials and semi-finished products, as well as in production capacity. This is an issue we should avoid in 2023 through the acquisition of internal capacity.

The recovery of China and continued high sales in the United States and the Far East, along with a sharp upturn in tax-free international tourism in Europe could further increase demand for luxury goods made in Italy.

Our Group can therefore expect, all exogenous conditions being equal, to see further moderate growth in 2023, excluding significant shortages of raw materials and semi-finished products in the second part of the year. In ready-to-wear, the pressures on pricing and on margins will need to be reined in through an industrial improvement and efficiency plan still under way, and a number of organizational decisions targeted on the performance of the Turin office of Pattern and Dyloan Bond Factory.

Looking at the individual segments, leather goods in particular, the stronger production and the ongoing verticalization process are highly promising for the continued positive trend in the current year as well, driven by order confirmations and short-term planning already granted by customers for the first half of the year.

The increasing integration of the teams and the three corporate structures into a single strategic and operational management, along with the relevant synergies, the possibility of further customization of productions for individual customers at the Group's different facilities, as well as the new Headquarters and production centre of excellence in Scandicci (expected in the second quarter) should increase the consolidation of a Group that is already one of the most significant players in the luxury leather contract market.

The increased market share and established position should enable the Group to acquire more top luxury customers and expand production partnerships at higher levels, resulting in increased margins.

Knitwear will see further consolidation as the purchase of Nuova Nicol Srl, expected to be finalized in April, will add to the existing knitwear hub. The hub consists of three companies of excellence in men's and women's knitwear production, located within a small area of a few tens of kilometers.

Their proximity and positioning in the luxury segment of the market are leading to their rapid and effective integration, enabling them to leverage and pool their respective know-how with their customers.

The state-of-the-art weaving technology, which includes the presence of the three dominant technologies in the market (Shima, Stoll, and Steiger), provides the engineering teams with a complete and wide range of possible processing options. In 2023, S.M.T. was granted early access to newly released machine models by Shima and Stoll, with significant time exclusivity, showcasing their high regard for the engineers and know-how of the Group's companies.

The strong demand for an innovative and complex knitted product in pattern-making and combinations of the fine yarns used enables S.M.T. to conduct cutting-edge research, which is one of the key drivers for the results recorded so far, and the production orders received suggest a continuation of this trend in 2023.

One notable trend in terms of margins is the gradual shift of less complex production facilities from the premium to luxury segment, which can enhance their competitiveness on production prices. If energy costs remain persistently high and the global economic environment fails to improve, there is a potential risk of margin erosion at least in the first half of the year.

S.M.T. continues to invest in sustainability, following the guidelines of the parent company, and this too is a success factor in the relationship with the major fashion brands. In addition to SA8000 and ISO14000, the company plans to publish its sustainability report.

MEDIUM-TERM STRATEGY

Having successfully completed the first phase of its project a year and a half ahead of the projections made at the time of its IPO in July 2019, with revenue exceeding € 100 million and a workforce of over 800 employees, the Group can rightfully claim the title of "The Italian Hub of Luxury Fashion Engineering and Production", having closed four major deals in 2022.

These deals, which will be discussed in more detail in this Report, have enabled Pattern to establish a presence in the three main product categories (men's and women's lines, clothing and accessories, stationary fabric, knitwear and leather goods) combining this with the research and engineering phase up to production. This latter competitive factor stems from the acquisition of Dyloan Bond Factory, a company that has been able to internalize important innovative technologies and R&D applied to luxury over the years.

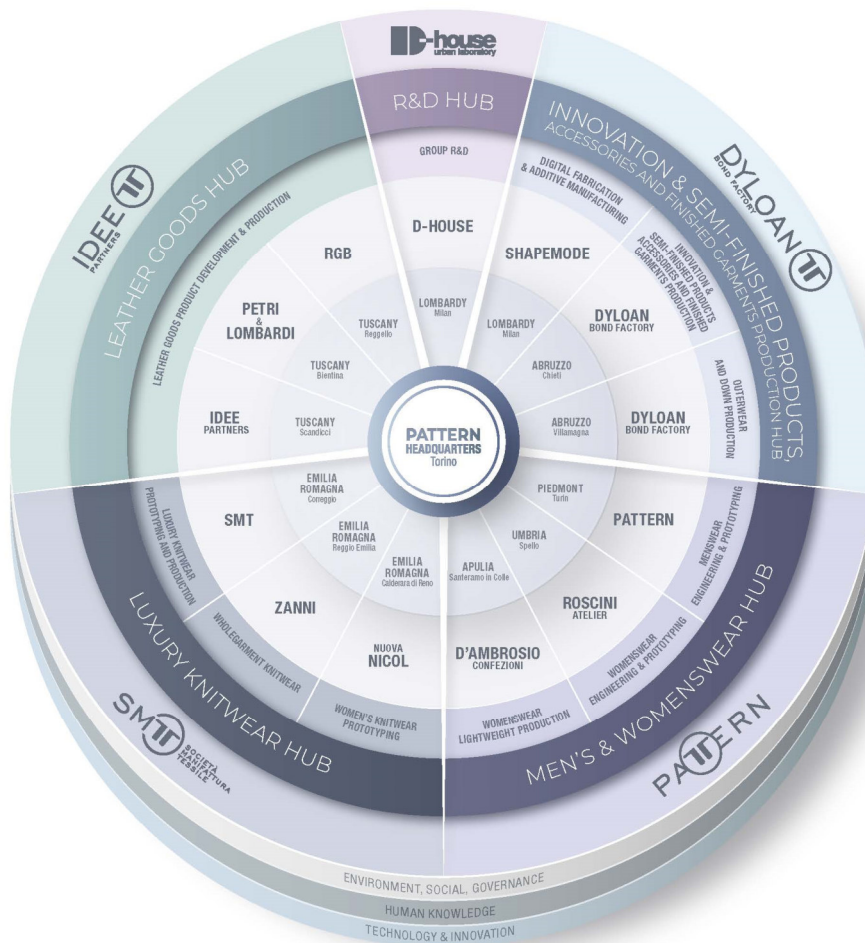
The second step has now been taken, which seeks to consolidate and develop the abovementioned three hubs as Italian districts of excellence: the Tuscan district for leather goods, Emilia for luxury knitwear, and the central and northwest districts for ready-to-wear.

The Group will be highly selective in choosing its customers and allocating project capabilities to those who prioritize quality of finished products, Made in Italy standards, and supply chain responsibility in ESG terms, rather than solely focusing on price, in the luxury market segment.

Finally, a brief note on investments in further growth, especially in acquisitions but also in the development of technology and operational infrastructure.

Here below is a graphical presentation of the Pattern Group's accomplishments and its approach to uniting, verticalization, and management through its three core values: ESG, Human Knowledge, and Technology and Innovation.

Pattern Group
Luxury Engineering & Production



SIGNIFICANT EVENTS IN THE PERIOD

Acquisition of 100% of Zanni Srl by S.M.T. Srl.

On 7 February 2022, S.M.T. Srl signed an agreement to acquire a 100% stake in Zanni Srl.

A payment of 70% of the agreed price of € 4.3 million, including the value of the property owned by Zanni Srl and the positive net financial position, was made. The remaining 30% will be paid in three annual instalments starting from 31 January 2023, subject to the continued collaboration with Mauro Zanni, the company's founder. A Directorship Agreement was formalized with the latter, which provides for his appointment as the company's CEO until the date of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2024.

Meeting of the Board of Directors of Pattern Spa for the review of certain preliminary consolidated figures for 2021.

On 14 February 2022, the company's Board of Directors met to review the following preliminary consolidated figures for 2021: revenue from sales, capital expenditure, and net financial position.

Purchase of the Spello property complex where the Roscini Atelier division is headquartered.

On 16 February 2022, an agreement was signed on the purchase of the property complex where the Roscini Atelier division is headquartered, located in Spello (PG) and formerly held by Pattern under lease, dedicated to the engineering and pattern-making of women's lines. The purchase price was € 2.1 million and includes, in addition to one building covering approximately 5,000 sqm, a photovoltaic system.

The purchase, in addition to its functional and financial grounds, was envisaged in the agreements signed with the legal proceedings on purchasing the Roscini Atelier business unit, in the event these proceedings were unable to sell the complex to third parties at a higher price.

Meeting of the Board of Directors of Pattern Spa for the approval of the draft financial statements and the consolidated financial statements at 31 December 2021.

The meeting of the Board of Directors for the approval of the draft financial statements and the consolidated financial statements at 31 December 2021 was called on 28 March 2022.

At the meeting, the ordinary and extraordinary session was called for 28 April.

Allocation of no. 187,379 new shares to the Chief Executive Officer

On 4 April 2022, the company's Board of Directors assessed the achievement of the Group's value creation goals as set out in the 2019-2022 Stock Grant Plan approved at the time of listing and subsequently amended by the

Shareholders' Meeting on 30 April 2021. As a result, no. 187,379 newly-issued ordinary shares related to the second and third tranches of the Plan were allocated to CEO Luca Sburlati.

Notice of change in the share capital

On 12 April, the new composition of the share capital resulting from the allocation of no. 187,379 ordinary shares following the CEO's exercise of no. 187,379 rights related to the second and third tranches of the 2019-2022 Stock Grant Plan was announced.

Ordinary and Extraordinary Shareholders' Meeting of 28 April 2022

The Shareholders' Meeting met in ordinary and extraordinary session on 28 April.

At the ordinary session, the financial statements for the year ended 31 December 2021 were approved, and the distribution of a dividend of € 0.071 per share was passed, confirming the proposal made by the Board of Directors. The dividend was paid out as from 25 May 2022 (ex-dividend date on 23 May 2022 and record date on 25 May 2022).

The Meeting also appointed the new Board of Directors and the new Board of Statutory Auditors, who will serve for the three-year period 2022-2024.

Francesco Martorella was confirmed as Chairman of the Company.

The extraordinary session, instead, approved the plan to merge Pattern Project Srl into Pattern Spa.

Meeting of the Board of Directors of Pattern Spa for the assignment of operational powers

On 28 April again, immediately after the Shareholders' Meeting of the company, the newly-appointed Board of Directors of Pattern Spa met and confirmed Luca Sburlati and Fulvio Botto as the company's CEO and Vice-Chairman, respectively. The Board of Directors also renewed the operational powers for the governance of the company to directors Francesco Martorella, Fulvio Botto and Luca Sburlati, while Innocenzo Tamborrini, the Group CFO, was given specific operational powers in the administrative and financial area.

Acquisition of 70% of RGB Srl by Idee Partners Srl

The acquisition by Idee Partners Srl of 70% of RGB Srl, a Tuscan company specialized in the production and processing of leather accessories, was finalized on 10 May 2022.

The total price paid was € 2.275 million. Idee Partners Srl also undertook to pay the sellers a supplementary consideration in addition to the final price ("Earn-Out"), contingent and variable, equal in its maximum amount to € 1 million ("Cap Earn-Out"), upon meeting conditions related to the achievement of certain EBITDA amounts of RGB with regard to the financial statements for the year ending 31 December 2022 and the purchase by RGB of the business unit currently leased from Mia Pelletterie S.r.l..

Tax audit in Società Manifattura Tessile Srl

On 17 October 2022, following an audit conducted in the May/September period, S.M.T. Srl received a tax audit report from the tax authorities, Provincial Offices of Reggio Emilia. The audit report found alleged irregularities related to ordinary taxation for approximately € 140 thousand and R&D tax credit related to the years 2015 to 2019 for approximately € 2,411 thousand. The Company has consulted with its tax professionals regarding the audit report and is currently in discussions with the tax authorities. Given the ongoing nature of the proceedings, it has determined that there is a probable risk of liability amounting to € 183 thousand related to the TAR, and has therefore set up a risk provision for this amount. The Company, with the assistance of its tax advisors and considering the arguments supporting its positions, considers the risk of losing any litigation on the remaining amount as possible and, therefore, has not allocated additional amounts to the risk provision.

Signing of the investment agreement for the acquisition of 70% of D-Holding Srl

On 18 July 2022, the investment agreement to acquire 70% of D-Holding Srl, the parent company of Bond Factory Srl, was signed.

The provisionally agreed price for the acquired stake is € 6.96 million, determined based on the value of the company adjusted by an estimated net financial position of approximately € 1.04 million. The agreement included a price adjustment based on the consolidated net financial position at the closing date.

The same agreement also provided for additional amounts that Pattern may pay in the future as earn-outs, based on the following scheme: first earn-out, amounting to € 1.5 million provided that the Target's consolidated EBITDA at 31 December 2023 is € 1.54 million. If EBITDA of at least 75% of the threshold value is achieved, this amount will be recognized with a proportional reduction; second earn-out, amounting to € 1.5 million provided that the Target's consolidated EBITDA at 31 December 2024 is € 3.49 million. If EBITDA of at least 75% of the threshold value is achieved, this amount will be recognized with a proportional reduction; extraordinary earn-out, amounting to € 1.0 million if the amounts envisaged by the first and second earn-outs are achieved in full.

The investment agreement called for a shareholders' agreement to be signed at closing between Pattern and the Seller for the governance of the company and the possible exercise of a "call" option and "put" option to purchase the remaining 30% stake, as later took place.

Meeting of the Board of Directors of Pattern Spa for the approval of the consolidated half-year report at 30 June 2022

The meeting of the Board of Directors to approve the draft consolidated half-year report at 30 June 2022 was held on 26 September.

Acquisition of 70% of D-Holding

On 8 November 2022, the acquisition of 70% of D-Holding, parent company of Bond Factory Srl, whose investment agreement had been signed on 18 July 2022, was finalized. D-Holding was concurrently merged by incorporation into Bond Factory Srl, which then switched to the name Dyloan Bond Factory Srl.

Signing of the investment agreement for the acquisition of 100% of Nuova Nicol Srl

On 21 December, S.M.T. Srl, an 80% subsidiary of Pattern, signed an investment agreement to acquire 100% of the share capital of Nuova Nicol Srl, a knitwear manufacturer based near Bologna.

The price set is € 6 million. 80% of this price will be paid by S.M.T. to the sellers on the closing date, and the remaining 20% after the approval of the financial statements at 31 December 2025 of Nuova Nicol Srl, upon the fulfillment of certain conditions.

The purchase excludes certain non-core property assets that were subsequently subject to a demerger, to be finalized before closing.

At the time of signing the agreement, a confirmatory deposit of € 1 million was paid, while the Closing of the transaction, which involves the acquisition of control of the company, is expected to take place in 2023.

GROUP CAPITAL EXPENDITURE

In 2022, Group capital expenditure amounted to € 19.6 million, of which:

- € 764 thousand for intangible fixed assets;
- € 4 million for tangible fixed assets;
- € 14.9 million for financial fixed assets.

Among the former, the most important items were software licenses (€ 120 thousand) and extraordinary leasehold improvements (€ 635 thousand), particularly in S.M.T, Idee Partners and Dyloan Bond Factory.

Tangible fixed assets include the acquisition by the parent company of the property complex in Spello (€ 2 million) and the redemption of the property lease by Zanni regarding its headquarters near Reggio Emilia (€ 327 thousand). Expenditure was then made in plant and machinery for € 940 thousand, of which € 234 thousand in Pattern, € 294 thousand in S.M.T. and € 240 thousand in Zanni.

Expenditure went mainly into technological expansion and adjustment, both in terms of quality and quantity of production.

Expenditure in financial fixed assets were related to the acquisition of:

- 70% of D-Holding Srl (later Dyloan Bond Factory Srl) for € 7.3 million by Pattern (the latter amount includes Pattern's proposed price adjustment, pending definition);
- 100% of Zanni Srl for € 4.3 million by S.M.T;
- 70% of RGB Srl for € 3.3 million, including the earn-out of € 1 million to be paid to the selling shareholders.

Total expenditure of € 19.6 million does not take account of the payable towards the relevant suppliers at 31 December and the cash acquired pro-quota of Zanni, RGB and Dyloan Bond Factory, with their subsidiaries, 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 amounted to € 376 thousand, of which € 257 thousand in S.M.T. for the disposal of machinery, equipment and electronic machines 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 2021.

INCOME STATEMENT OF THE PATTERN GROUP	31.12.2022	31.12.2021	% chg
(€)			
Revenue from sales	109,211,799	69,505,795	57.1%
Other revenue	1,799,414	519,908	246.1%
Total revenue	111,011,213	70,025,703	58.5%
Change in inventory of products	-584,997	2,495,576	n.c.
Value of production	110,426,216	72,521,279	52.3%
- Purchases of raw materials	28,110,572	22,590,632	24.4%
- Change in inventory of raw materials	338,924	-307,450	-210.2%
Consumption of raw materials	28,449,496	22,283,182	27.7%
Costs for services	42,277,181	25,602,896	65.1%
Rentals and leases	2,401,587	1,476,263	62.7%
Personnel expense	25,381,626	15,166,325	67.4%
Sundry operating expense	797,655	302,688	163.5%
EBITDA	11,118,671	7,689,925	44.6%
Amortization, depreciation, provisions and write-downs	4,236,271	2,423,902	74.8%
EBIT	6,882,400	5,266,023	30.7%
Net financial expense	-283,915	-125,014	127.1%
Value adjustments on net financial assets	0	0	n.c.
Profit (loss) before tax	6,598,485	5,141,009	28.3%
Current and deferred tax	2,534,852	1,467,453	72.7%
Profit for the year	4,063,633	3,673,556	10.6%
Group profit for the year	2,593,065	2,998,895	-13.5%

Thanks to the expansion of the consolidation scope and growth across all business areas, total revenue increased by an exceptional 58.5% from € 70 million to € 111 million.

The value of production grew less, by 52.3% from € 72.5 million to € 110.4 million, due to a reduction in inventory of semi-finished and finished products.

EBITDA grew by 44.6%, from € 7.7 million to € 11.1 million.

This result reflects the positive performance of the knitwear and leather goods areas and the negative performance of Pattern (EBITDA down further from 5.2% to 3.1% of total revenue) and Dyloan Bond Factory (negative EBITDA of approximately € 200 thousand in the two months of consolidation).

The proportion of EBITDA to total revenue was slightly lower than last year, from 11% to 10%.

Within operating costs, raw material consumption increased less than other costs, by 27.7% from € 22.3 million to € 28.4 million. This is explained by the lower percentage of raw materials on Pattern and SMT production, which alone cover more than 70% of revenue. Another reason is the consolidation of companies such as Zanni, RGB, and Dyloan Bond Factory, which work mainly with raw materials supplied by customers (on a contract basis).

Mention should be made that this change in the structure of the income statement was recognized and commented on in this year's consolidated half-year report.

Other operating costs saw a major increase in service costs and personnel expense, the most important items along with raw material consumption.

The former increased by 65.1% from € 25.6 to € 42.3 million, the latter by 67.4% from € 15.2 to € 25.4 million.

The growth in service costs is due - first and foremost - to the increase in production volumes. Secondly, to the increase in certain specific items, such as electricity costs and consulting, resulting from the numerous acquisitions made.

The growth in personnel expense was also driven in part by the increase in production volumes. It is worth noting that a portion of production in the knitwear and leather goods areas is carried out in-house. Added to this is an increase in structural costs in the parent company.

Amortization, depreciation and provisions for risks increased by 74.8% from € 2.4 to € 4.2 million. A large part of this increase comes from the amortization of goodwill, amounting to € 1.5 million (€ 717 thousand last year but with a different scope).

The increase in the latter item affected EBIT, which grew by 30.7% from € 5.3 to € 6.9 million.

Net financial expense reached € 284 thousand, up from € 125 thousand in 2021. This change includes foreign exchange losses of € 31 thousand, in line with last year. It is apparent that this increase is attributable to the new consolidation scope, but especially to the hike in interest rates, which was mitigated by the fact that most of the financial debt is fixed-rate. The average cost of debt was just over 1% (approximately 0.55% in 2021).

The increase in net financial expense explains the lower growth versus EBITDA in pretax profit (+28.4%) from € 5.1 to € 6.6 million.

Tax increased by 72.7%, from € 1.5 to € 2.5 million. In this regard, it should be considered that tax is calculated on the profit of each company, the sum of which is significantly higher than the consolidated profit before tax, which includes goodwill amortization. As a result, the calculated tax rate, excluding the latter item, is up from 25% to 31.1%, but to a lesser extent than would be the case if the total tax item for the year were related to consolidated pretax profit.

Net profit grew by 10.6%, from € 3.7 to € 4.1 million, as a percentage of total revenue down from 5.2% to 3.7%.

Group net profit decreased by 13.5% from just under € 3 million to € 2.6 million. This result was strongly affected by Pattern, the only company that is 100% consolidated. A substantial portion of net profit arises from leather goods, in addition to knitwear, where minorities carry a greater weight.

The tables below show the breakdown of revenue from sales by business segment, with the relating changes versus the prior year.

Revenue from sales by business segment	31.12.2022	31.12.2021	% chg
Clothing	49,033,586	43,057,373	13.9%
Knitwear	33,520,646	24,885,592	34.7%
Leather Goods	26,657,567	1,562,830	n.c.
Total revenue from sales	109,211,799	69,505,795	57.1%

The leather goods and knitwear segments recorded the largest increase, but the figures are affected by the different consolidation scope.

Revenue from sales by geographical area of the Pattern Group	31.12.2022	31.12.2021
Revenue Italy	36.3%	40.8%
Revenue EU countries	23.5%	7.8%
Revenue Extra EU countries	40.2%	51.4%
Total	100.0%	100.0%

The proportion of revenue from Italian customers fell from 40.8% to 36.3%, bearing in mind that in some cases these are subsidiaries of foreign multinationals. The proportion of revenue from EU countries rose from 7.8% to 23.5%, thanks mainly to customers in the leather goods hub. At the same time, the proportion of Extra EU customers decreased from 51.4% to 40.2%.

The table below shows the trend of the key operating ratios. Due to the consolidation of RGB and Dyloan Bond Factory for a part of a year, indicators relating income magnitudes to asset magnitudes were not presented.

OPERATING AND PROFITABILITY RATIOS OF THE PATTERN GROUP	31.12.2022	31.12.2021
(Percentage or absolute amounts)		
Turnover / Total revenue	32.9%	32.6%
EBITDA / Total revenue	10.0%	11.0%
Net profit / Total revenue	3.7%	5.2%
Return ratio - Cash flow* / Net revenue	8.9%	10.1%

Free Cash flow** / EBITDA	39.3%	52.0%
Value added per capita	52,670	55,747
Payroll costs per capita	46,596	36,991

* Cash Flow: Gross profit + amortization and depreciation + provision for post-employment benefits

** Free Cash Flow: Cash Flow net of medium-term loan repayments

Review of income statement changes versus pro forma figures at 31 December 2021

The table below shows the income statement amounts, with changes recorded versus 2021, prepared on a like-for-like basis, i.e., including Idee Partners, Petri & Lombardi, and Zanni for the entire year, RGB for six months, and the Dyloan Group for two months.

INCOME STATEMENT OF THE PATTERN GROUP	31.12.2022	31.12.2021 Pro forma figures	% chg
(€)			
Revenue from sales	109,211,799	87,118,768	25.4%
Other revenue	1,799,414	1,167,212	54.2%
Total revenue	111,011,213	88,285,980	25.7%
Change in inventory of products	-584,997	2,750,230	n.c.
Value of production	110,426,216	91,036,210	21.3%
- Purchases of raw materials	28,110,572	27,123,006	3.6%
- Change in inventory of raw materials	338,924	-876,754	-138.7%
Consumption of raw materials	28,449,496	26,246,252	8.4%
Costs for services	42,277,181	33,198,587	27.3%
Rentals and leases	2,401,587	2,132,240	12.6%
Personnel expense	25,381,626	19,640,876	29.2%
Sundry operating expense	797,655	982,681	-18.8%
EBITDA	11,118,671	8,835,574	25.8%

Amortization, depreciation, provisions and write-downs	4,236,271	3,612,072	17.3%
EBIT	6,882,400	5,223,503	31.8%
Net financial expense	-283,915	-180,604	57.2%
Profit (loss) before tax	6,598,485	5,042,899	30.8%
Current and deferred tax	2,534,852	1,677,239	51.1%
Profit for the year	4,063,633	3,365,660	20.7%
Group profit for the year	2,593,065	2,554,620	1.5%

The income statement results on a like-for-like basis show an upward trajectory in revenue across all segments, as seen in the figures by operating segments. Additionally, it shows a more than proportional improvement in operating margins compared to revenue, in contrast to the past.

The pro forma consolidation of Dyloan Bond Factory figures excludes the medical business that was no longer part of the 2022 accounts.

Total revenue increased by 25.7% from € 88.3 million to € 111 million, and the value of production by 21.3% from € 91 million to € 110.4 million.

EBITDA increased from € 8.8 million in pro forma 2021 to € 11.1 million this year (+25.8%), accounting for the same proportion of total revenue as last year (10%).

One positive factor contributing to this result is the significant YoY increase in volume in the leather goods segment. The latter trend, together with the performance of knitwear, more than offset the deterioration from last year in the clothing area.

As a result of changes in amortization and depreciation (+17.3%) and net financial expense (+57.2), profit before tax increased more than EBITDA, by 30.8% from € 5 to € 6.6 million.

Profit for the year increased by 20.7%, while Group profit was up by 1.5%. The latter result is better than the 2021 financial statements, as the leather goods companies had reported significantly lower revenue and reduced margins in the prior year, with Idee Partners even closing with a slight loss.

Looking at the results by business segment, this trend is evident, as demonstrated by the strong increase on a like-for-like basis by leather goods: +69.8% from € 15.7 to € 26.7 million.

In absolute terms, the area grew by nearly € 11 million, accounting for 50% of the total increase in revenue of almost € 22 million.

Knitwear recorded a 23% growth in revenue from € 33.5 to € 27.3 million, while revenue from clothing increased by 11% from € 44 to just under € 49 million. The latter area remains at the top in terms of volume of business developed.

Revenue from sales by business segment	31.12.2022	31.12.2021	% chg
Clothing	49,033,586	44,158,173	11.0%
Knitwear	33,520,646	27,256,755	23.0%
Leather Goods	26,657,567	15,703,840	69.8%
Total revenue from sales	109,211,799	87,118,768	25.4%

Statement of Financial Position

The table below shows the structure of sources and uses of capital, which in 2022 was affected by the high level of expenditure made for the acquisition of the new companies Zanni, RGB, Dyloan Bond Factory.

Other expenditure, other than financial investments, that gave rise to goodwill items in the consolidated financial statements includes the purchase of the Spello property, discussed in the section on significant events during the period.

RECLASSIFIED STATEMENT OF FINANCIAL POSITION OF THE PATTERN GROUP	31.12.2022	31.12.2021	% chg
(€)			
Intangible fixed assets	19,796,010	11,357,607	74.3%
Tangible fixed assets	15,934,612	6,227,176	155.9%
Financial fixed assets	1,101,240	281,003	291.9%
Total fixed assets	36,831,862	17,865,786	106.2%
Inventory	9,359,495	8,289,580	12.9%
Receivables from customers	24,212,489	15,323,201	58.0%
Other receivables	12,692,670	5,827,980	117.8%
Accrued income and prepaid expense	847,322	459,091	84.6%
Working capital	47,111,976	29,899,852	57.6%
Payables to suppliers	-22,251,205	-17,669,125	25.9%
Other payables	-9,167,377	-4,584,035	100.0%
Accrued expense and deferred income	-4,115,916	-617,941	566.1%
Net working capital	11,577,478	7,028,751	64.7%
Provisions for risks and post-employment benefits	-4,928,065	-2,857,431	72.5%

Net capital employed	43,481,275	22,037,106	97.3%
Equity	29,628,289	25,123,663	17.9%
- of which Group	24,796,050	22,922,861	8.2%
Financial debt less than 12 months	8,995,472	4,256,718	111.3%
Financial debt more than 12 months	23,910,141	15,450,910	54.7%
Current financial assets	-2.500.00	0	n.c.
Cash	-19,052,627	-22,794,185	-16.4%
Net financial position	13,852,986	-3,086,557	-548.8%
Equity and net financial position	43,481,275	22,037,106	97.3%

At end 2022, net capital employed almost doubled from € 22 to € 43.5 million, almost entirely due to the increase in fixed assets, which increased from € 17.9 to € 36.8 million (+106.2%).

Approximately half are attributable to the companies consolidated for the first time. Specifically, fixed assets of Dyloan Bond Factory amounted to € 8 million, of which nearly € 6 million were tangible fixed assets.

The further part of the increase, approximately € 10 million, comes from the goodwill arising from the acquisitions made and the purchase of the Spello plant.

Net working capital increased by 64.7% from € 7 to € 11.6 million. A level that remains extremely low if one considers the growth in business volumes for the year.

This is due to an increase in working capital (+57.6%, from just under € 30 million to € 47.1 million), slightly higher than the increase in current liabilities (+55.4% from € 22.8 million to € 35.5 million).

Within the balances that make up working capital, tax receivables saw a sharp rise, included in other receivables, which amounted to € 10.8 million at year end versus € 5.1 million in 2021.

VAT receivables amounted to € 6.4 million (€ 3.3 million in Pattern alone) versus € 3.8 million in the prior year. The impact on the net financial position at end 2022 of the VAT receivable is estimated at € 3.7 million.

The significant increase in tax receivables was due largely to the consolidation of Dyloan Bond Factory, which accounted for € 2.2 million of tax receivables alone. This company is located in a geographical area that benefits from higher tax receivables compared to the regions where our Group operates. These tax receivables must be recognized in the income statement over multiple years, which explains the high level of accrued expense and deferred income, which increased from € 617 thousand to € 4.1 million.

Other payables doubled from € 4.6 to € 9.2 million. This change resulted from the larger consolidation scope by approximately € 3.3 million and certain items, such as:

- a) the payable owed to Zanni's selling shareholders by S.M.T. for 30% of the company's acquisition price, which will be paid in equal parts in 2023-2025;
- b) advances from customers and the tax payable for tax accrued in Idee as a result of profit for the year (the company had suffered losses in 2021 and had made no advance payments during the year).

Provisions for risks and post-employment benefits increased by 72.5% from € 2.9 to € 4.9 million, due mostly to the larger consolidation scope.

The net financial position deteriorated on the sources front, turning negative by € 13.9 million at end 2022 versus a positive balance of € 3.1 million at end 2021. This balance includes:

- the payable to the selling shareholder of the majority of Dyloan Bond Factory for the calculation at closing of the net financial position (price correction under the investment agreement) amounting to approximately € 343 thousand (amount not yet final);
- the payable to the selling shareholders of the majority of RGB upon occurrence of the conditions for the accrual of the contractually envisaged earn-out of € 1 million.

Liquidity remained high thanks to medium-term bank loans taken out during the year and amounted to € 19.1 million versus € 22.8 million at end 2021 (-16.4%). Part of the liquidity was used in interest-bearing deposits with maturities of less than 6 months, releasable when needed.

Equity increased by 17.9% from € 25 million to over € 29 million. Group equity grew less, as seen when reviewing the change in group profit, having increased by 8.2% from just under € 23 million to € 24.8 million.

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

STATEMENT OF CASH FLOWS OF THE PATTERN GROUP	31.12.2022	31.12.2021	% chg
(€)			
Cash flow from operations	6,061,404	2,838,057	113.6%
Cash flow from investing activities	-19,244,726	-7,720,070	149.3%
Cash flow from liquidity investment	-2,500,000	0	n.c.
Cash flow from loan capital	6,554,673	1,258,383	420.9%
Cash flow from equity	-1,212,668	-514,116	135.9%
Increase (decrease) in cash	-7,841,317	-4,137,746	89.5%
Cash, beginning of year	22,794,185	23,619,003	-3.5%
Cash acquired by the change in consolidation scope	4,099,759	3,312,928	23.8%
Total opening cash	26,893,944	26,931,931	-0.1%
Cash, end of year	19,052,627	22,794,185	-16.4%

Expenditure made in the year required a significant financial outlay of € 19.2 million, partly offset by the liquidity acquired from the newly-consolidated companies amounting to € 4.1 million. Added to this net outlay (€ 15.1 million) is a dividend payout of € 1.2 million.

Total requirements amounted to € 10.3 million, covered:

- € 6.1 million by cash flow generated from operations, up significantly from € 2.8 million in 2021;
- € 6.6 million by the flow of new loans, net of repayments made (this figure does not coincide with the change in debt since the latter considers total balances at 31 December, while the statement of cash flows takes account of the dates of consolidation of the individual companies);
- € 7.8 million by the use of cash.

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

CHANGE IN NET FINANCIAL POSITION OF THE PATTERN GROUP (amounts in €)	31.12.2022	31.12.2021	% chg
Opening Group NFP (A)	3,086,557	8,776,163	-64.8%
NFP of newly-consolidated companies, net of cash acquired at the beginning of the year	-1,200,158	-293,477	308.9%
Cash flow before changes in NWC	12,998,995	8,938,373	45.4%
Change in net working capital	-4,901,320	-4,580,723	7.0%
Other adjustments	-2,036,271	-1,519,593	34.4%
Cash flow from operations (B)	6,061,404	2,838,057	113.6%
Cash flow from investing activities (C)	-19,244,726	-7,720,070	149.3%
Cash flow from operations (D=B+C)	-13,183,322	-4,882,013	170.0%
Cash flow from changes in Equity (E)	-1,212,668	-514,116	135.9%
Reclassification of items for the purpose of NFP calculation	-1,343,395	0	n.c.
Reduction (Increase) in debt (G=D+E)	-15,739,385	-5,396,129	191.7%
Closing Group NFP (A-G)	-13,852,986	3,086,557	-548.8%

The initial net financial position, a positive € 3.1 million, is compounded by the net financial position of the subsidiaries, which came to a negative € 1.2 million. As a result of this movement, the negative change in net financial position during the year was € 15.7 million.

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

Capital assets deteriorated from € 25.6 to € 21.6 million, and the treasury margin from € 17.3 to € 12.3 million. These trends are due to expenditure made, which resulted in an increase in debt and a decrease in cash.

CAPITAL AND FINANCIAL STRUCTURE OF THE PATTERN GROUP	31.12.2022	31.12.2021
(€)		
RATIO BETWEEN SOURCES AND LOANS		
Equity	29,628,289	25,123,663
Consolidated payables	23,910,141	15,450,910
Consolidated liabilities	4,928,065	2,857,431
Equity and medium-term liabilities (a)	58,466,495	43,432,004
Fixed assets (b)	36,831,862	17,865,786
Expanded capital assets (c=a-b)	21,634,634	25,566,218
Inventory	9,359,495	8,289,580
Current assets		
- receivables	36,905,159	21,151,181
- other assets	847,322	459,091
- financial assets	2,500,000	0
Total (d)	40,252,481	21,610,272
Current liabilities		
- net short-term financial payables	-7,557,155	-18,537,467
- current liabilities	31,418,582	22,253,160
- other liabilities	4,115,916	617,941
Total (e)	27,977,343	4,333,634

Treasury margin (f=d-e)	12,275,139	17,276,638

The table below shows a number of indicators relating to the Group's liquidity position and the duration of the financial cycle.

ANALYSIS OF THE SHORT-TERM FINANCIAL POSITION OF THE PATTERN GROUP	31.12.2022	31.12.2021
(Absolute or percentage ratios)		
Liquidity position ratio - (Liquidity / Total current liabilities)	0.4	0.9
Available liquidity ratio - (Current assets - inventory / Current liabilities)	1.3	1.6
Short-term liquidity ratio - (Current assets / Current liabilities)	1.5	1.9
Working capital cycle (no. days)	30	22
- Days Sales of Inventory	31	43
- Days Sales Outstanding	80	79
- Days Payable Outstanding	80	100

OPERATING AND FINANCIAL SITUATION OF PATTERN SPA

Income statement

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

INCOME STATEMENT OF PATTERN SPA	31.12.2022	31.12.2021	% chg
(€)			
Revenue from sales	47,039,848	43,145,451	9.0%
Other revenue	763,132	122,323	523.9%
Total revenue	47,802,980	43,267,774	10.5%
Change in inventory of products	166,302	1,125,600	-85.2%
Value of production	47,969,282	44,393,374	8.1%
- Purchases of raw materials	14,341,896	15,348,335	-6.6%

- Change in inventory of raw materials	78,592	28,695	173.9%
Consumption of raw materials	14,420,488	15,377,030	-6.2%
Costs for services	20,538,367	16,522,641	24.3%
Rentals and leases	690,502	795,040	-13.1%
Personnel expense	10,629,596	9,279,326	14.6%
Sundry operating expense	186,533	182,884	2.0%
EBITDA	1,503,796	2,236,453	-32.8%
Amortization, depreciation, provisions and write-downs	904,860	572,971	57.9%
EBIT	598,936	1,663,482	-64.0%
Net financial income (expense)	660,976	435,578	51.7%
Profit (loss) before tax	1,259,912	2,099,060	-40.0%
Current and deferred tax	98,033	353,089	-72.2%
Profit (loss) for the period	1,161,879	1,745,971	-33.5%

Revenue totaled € 47.8 million, up by 10.5% versus € 43.3 million last year. Government grants of € 534 thousand made a significant contribution to this result, as well as the final result.

The value of production increased slightly less, by 8.1% from € 44.4 million to nearly € 48 million, due to a smaller change in semi-finished and finished products inventory.

This positive volume trend was not matched by an improvement in margins.

EBITDA dropped by 32.8% from € 2.2 million to € 1.5 million.

The operating margin on job orders decreased slightly but remained solid.

The reason for this result lies in the increase in labour costs, which rose from € 9.3 to € 10.6 million (+14.6%). This trend alone explains the decline recorded by EBITDA.

In the first half last year, there was a restrained use of the redundancy fund to address the deceleration in operations caused by the pandemic. This year's increase is also attributed to the expansion of the Group's planning, coordination, and control operations, which have now attained the scale described earlier. In 2022, only a portion of these costs were passed on to the subsidiaries.

Service costs increased by 24.3% from € 16.5 to € 20.5 million. This area recorded notable increases in electricity and gas costs (€ +142 thousand), as well as in consultancy expense for extraordinary transactions (over € 300 thousand). The savings made on other service costs were inadequate to offset these increases, which were linked to specific events in 2022.

The following items, instead, saw a decrease:

- consumption of raw materials: from € 15.4 to € 14.4 million (-6.6%);
- rentals and leases: from € 795 to € 691 thousand (-13.1%);

Sundry operating expense of almost € 187 thousand remained in line with last year.

Amortization, depreciation, provisions and write-downs rose sharply from € 573 to € 905 thousand (+57.9%). This change is due partly to a normal increase in amortization and depreciation as a result of expenditure made in recent years and in particular in the new finished products warehouse in Collegno, and partly to the write-down of the residual value of the Esemplare trademark for € 196 thousand.

As a result, EBIT dropped by 64% from € 1.7 million to approximately € 600 thousand.

Net financial income increased by 51.7% from € 436 to € 661 thousand, due to the increase in dividends received from S.M.T. (€ 800 thousand versus € 525 thousand in the prior year), which more than offset the increase recorded in financial expense, which rose to € 115 thousand versus € 61 thousand in 2021.

The latter trend is due to rising interest rates and the concurrent increase in bank debt.

Thanks to the portion of fixed-rate debt (over 50% at 30 June, 43% at year end as a result of a new floating -rate loan taken out), the average cost of debt was less than 1%.

Profit before tax was down by 40% from € 2.1 to € 1.3 million. Tax was significantly lower from € 353 to € 98 thousand (-72.2%), due to certain positive income items (contributions and dividends) that are not taxable.

Net profit fell by 33.5% from € 1.7 to € 1.2 million.

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	31.12.2022	31.12.2021
(Percentage or absolute amounts)		
Turnover / Total revenue	25.4%	26.6%
EBITDA / Total revenue	3.1%	5.2%
Net profit / Total revenue	2.4%	4.0%
Return on equity ratio - Roe (Net profit / Equity)	5.6%	9.2%
Return on loans ratio - Roa (Net Profit / Assets + Leased assets)	2.4%	4.1%
Operating profit on net capital employed ratio - Roi (Operating profit / Net capital employed)	2.3%	11.0%
Return ratio – Cash flow / Net revenue	5.7%	6.5%
Value added per capita	63,526	65,804
Payroll costs per capita	55,652	53,025
Cost of bank debt	0.8%	0.5%

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	31.12.2022	31.12.2021	% chg
(€)			
- Intangible fixed assets	585,385	718,173	-18.5%
- Tangible fixed assets	4,675,785	2,701,933	73.1%
- Financial fixed assets	20,961,064	13,637,470	53.7%
Total fixed assets	26,222,234	17,057,576	53.7%
Inventory	4,741,511	4,653,803	1.9%
Receivables from customers	8,575,983	7,672,126	11.8%
Other receivables	4,336,896	2,792,495	55.3%
Accrued income and prepaid expense	288,124	303,467	-5.1%
Working capital	17,942,514	15,421,891	16.3%
Payables to suppliers	-10,056,299	-8,587,736	17.1%
Other payables	-2,352,099	-1,817,319	29.4%
Accrued expense and deferred income	-246,066	-224,446	9.6%
Net working capital	5,288,050	4,792,390	10.3%
Provisions for risks and post-employment benefits	-1,537,164	-1,227,160	25.3%
Net capital employed	29,973,120	20,622,806	45.3%
Equity	21,597,736	21,219,763	1.8%
- Financial debt less than 12 months	4,465,221	2,843,335	57.0%
- Financial debt more than 12 months	11,751,213	10,324,630	13.8%
- Current financial assets	-1,000,000	0	n.c.
- Cash	-6,841,050	-13,764,922	-50.3%
Net financial position	8,375,384	-596,957	n.c.
Equity and net financial position	29,973,120	20,622,806	45.3%

Net capital employed also increased significantly in 2022, due to expenditure made, mainly in corporate acquisitions: +45.3% from € 20.6 to nearly € 30 million.

Net working capital increased slightly by 10.3% from € 4.8 to € 5.3 million.

The 16.3% increase in working capital from € 15.4 to nearly € 18 million was almost entirely offset by the increase in current liabilities.

The most significant changes included:

- other receivables, as a result of VAT receivables, which rose further to € 3.3 million from € 2.6 in 2021;
- other payables, which include payables to subsidiaries, increasing significantly at end 2022.

On the capital sources front, equity remained basically unchanged, while the net financial position turned to a negative € 8.4 million.

The amount of cash, including the use on a time deposit of € 1 million, decreased from € 13.8 to € 7.8 million, while remaining at adequate levels.

Bank debt, which rose from € 13.2 to € 16.2 million (+23.2%), represents medium-term bank loans, part of which due within 12 months.

CHANGE IN NET FINANCIAL POSITION OF PATTERN SPA (amounts in €)	31.12.2022	31.12.2021	% chg
Opening NFP (A)	596,957	8,731,924	-93.2%
- Profit (loss) for the year before income tax, interest, dividends and gains/losses from disposal	567,618	1,634,688	-65.4%
- Adjustments for non-monetary items	1,580,298	1,217,497	29.8%
- Cash flow before changes in NWC	2,147,916	2,852,185	-24.8%
- Change in net working capital	-830,073	-3,393,976	-75.5%
- Cash flow after changes in NWC	1,317,843	-541,791	-345.2%
- Other adjustments	81,560	-121,373	-167.2%
Cash flow from operations (B)	1,399,403	-663,164	-312.4%
Cash flow from investing activities (C)	-9,359,076	-7,077,687	32.2%
Cash flow from industrial operations (D=B+C)	-7,959,673	-7,740,851	2.8%
Cash flow from changes in Equity (E)	-1,012,668	-394,116	156.9%
Reduction (Increase) in NFP (G=D+E)	-8,972,341	-8,134,967	10.3%
Closing NFP (A-G)	-8,375,384	596,957	n.c.

The table on the change in the net financial position during the year shows the positive contribution of cash flow from operations (€ 1.4 million, improving versus a negative € 660 thousand in 2021), insufficient to cover the financial needs arising from expenditure, which amounted to € 9.4 million.

Thus, the cash flow from industrial operations came to a negative of nearly € 8 million, while the outlay for dividends paid was approximately € 1 million.

Together, these trends led to a deterioration of the financial position by almost € 9 million. The position was in fact positive at the beginning of the year by just under € 600 thousand, while at the end of the year it turned to a negative € 8.4 million.

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

FINANCIAL STRUCTURE OF PATTERN SPA	31.12.2022	31.12.2021
(€)		
RATIO BETWEEN SOURCES AND LOANS		
Equity	21,597,736	21,219,764
Consolidated payables	11,751,213	10,324,630
Consolidated liabilities	1,537,164	1,227,160
Equity and medium-term liabilities (b)	34,886,113	32,771,555
Fixed assets	26,222,234	17,057,577
Expanded capital assets	8,663,879	15,713,978
Inventory	4,741,511	4,653,803
Current assets		
- receivables	12,912,879	10,464,621
- other assets	288,124	303,467
- financial assets	1,000,000	0
Total (d)	14,201,003	10,768,088

Current liabilities		
- net short-term financial payables	-2,719,224	-10,921,588
- current liabilities	12,751,793	10,405,055
- other liabilities	246,066	224,446
Total (e)	10,278,635	-292,087
Treasury margin	3,922,368	11,060,175

The liquidity position ratios shown in the table below deteriorated, but remain at adequate levels. The duration of the working capital cycle is in line with last year, just over 30 days, a particularly low level.

ANALYSIS OF THE SHORT-TERM FINANCIAL POSITION OF PATTERN SPA	31.12.2021	31.12.2021
(Absolute or percentage ratios)		
Liquidity position ratio - (Liquidity / Total current liabilities)	0.5	1.0
Available liquidity ratio - (Current assets - inventory / Current liabilities)	1.2	1.8
Short-term liquidity ratio - (Current assets / Current liabilities)	1.5	2.2
Working capital cycle (no. days)	34	35
- days stock	36	39
- days customers	66	64
- days suppliers	68	68

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

Intragroup transactions with Pattern Spa of all companies consolidated in this year's financial statements are shown below.

Receivables and payables of Pattern Spa vs Società Manifattura Tessile Srl	31.12.2022	31.12.2021
Receivables	146,507	64,385
Payables	5,387	28,840
Income and expense of Pattern Spa vs Società Manifattura Tessile Srl	31.12.2022	31.12.2021
Income	170,856	87,078
Expense	23,519	116,911

Receivables and payables of Pattern Spa vs Idee Partners Srl	31.12.2022	31.12.2021
Receivables	44,815	0
Payables	0	0
Income and expense of Pattern Spa vs Idee Partners Srl	31.12.2022	31.12.2021
Income	37,970	0
Expense	384	0

Receivables and payables of Pattern Spa vs Zanni Srl	31.12.2022	31.12.2021
Receivables	0	0
Payables	3,257	0
Income and expense of Pattern Spa vs Zanni Srl	31.12.2022	31.12.2021
Income	0	0
Expense	2,970	0

Receivables and payables of Pattern Spa vs Dyloan Bond Factory Srl	31.12.2022	31.12.2021
Receivables	5,674	0
Payables	396,820	0
Income and expense of Pattern Spa vs. Dyloan Bond Factory Srl	31.12.2022	31.12.2021
Income	4,651	0
Expense	325,263	0

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 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 maintains ample cash, in addition to short-term credit lines that are regularly adjusted to accommodate business growth and any related working capital requirements;
- 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, half of which are fixed-rate or have related IRS hedges. Group companies also all have high banking standing.

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.

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.

Operational risks

Risks 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 cyberattacks, with the risk of disclosure or loss of sensitive data.

The reports of prior years provide a detailed explanation of expenditure made and the activities carried out for this purpose.

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. The acquisition of a majority stake in Dyloan Bond Factory was made to strengthen cooperation with major customers and decrease market risk in the clothing segment through partial verticalization of production activities.

Regarding the risk posed by the pandemic, it appears to have largely subsided and did not have a significant impact on the year under review. Unlike the conflict in Ukraine, which has caused severe tensions in energy supplies leading to increased electricity and gas costs, today however in a downward phase. There was no impact on the sales volumes of our customers as the Russian and Ukrainian markets have a low contribution to the sales of the luxury segment. For this reason, we do not expect different results during the current year.

ENVIRONMENTAL IMPACT OF OPERATIONS

In 2022, efforts were made to share Group-wide sustainable development goals and build a common corporate culture.

Indeed, the consolidation of the business plan has seen the ESG department engaged on several fronts:

- **Measurement of Scope 1 - 2 - 3 emissions extended to all companies in the group:** the sustainability report, being issued and referring to 2022 data, will not only integrate the new ESRS referring to the new European Corporate Sustainability Reporting Directive to the GRIs already in place, but will extend data collection and Scope 3 carbon footprint emission in a consolidated way to all companies in the group.
- **Reduction of greenhouse gas emissions:** the organization introduced a smart mobility pilot project at its Spello and Collegno offices to reduce emissions related to employee travel, an item that accounted for approximately 60% of its carbon footprint in 2021. It achieved zero consumption-related emissions (Scope 1 and 2) through self-generation and 100% renewable energy sourcing for all group locations. The strategy now focuses on centralizing control of all the companies and developing reduction strategies to achieve carbon neutrality by 2030 and net-zero by 2050.
- **Improved waste management:** the ESG department developed a platform to track and monitor the proper management of textile waste generated by subcontractors, in compliance with the Environmental Consolidation Act and the upcoming requirements of the European Circular Economy Directive. In 2023, this project aims to foster the development of synergies between companies, both within and outside the group, by promoting industrial symbiosis projects that seek to recover the highest possible percentage of textile fibres. This project will also significantly reduce CO2 equivalent emissions referable to waste management.

In July, Pattern became a founding member of the RETEX.GREEN consortium of Confindustria Moda, which aims to unite major textile manufacturers to manage emerging market needs in response to the expected implementation of the draft decree on extended producer responsibility (EPR) developed by the Ministry of Environment and Energy Security (MASE) in consultation with the Minister of Enterprises and Made in Italy. Participating in the consortium will give Pattern a competitive edge by allowing the company to offer its customers structured solutions for managing EPR requirements that will be imposed on brands.

- **Promotion of sustainability among suppliers:** the company implemented a sustainability program for its suppliers to ensure that its business partners also meet the same environmental standards. A corporate check list managed by the "Audit Manager" audit platform was designed for the assessment, which will be used to measure social and environmental performance throughout the supply chain. The activity exceeds current customer demands and sets the groundwork for the ability to measure the LCA (Lifecycle Assessment) of its products.
- **Development of the Group Corporate Standard:** an analysis was conducted during the year to identify the characteristics of the companies in the Group. The data collected helped define the structure of the QHSE Integrated Management System, published in February this year, which will form the foundation for establishing the rules and procedures necessary to ensure the Group's business continuity.
- **ESG rating from CDP (Carbon Disclosure Project):** Pattern SpA Group's ESG maintains its C rating, confirming compliance with the industry's Global Average and testifying to the company's Governance awareness of climate change issues.

EMPLOYEES AND IT SYSTEMS

Employees

In second half 2022, the Group continued to grow in terms of resources, following the acquisition of Dyloan Bond Factory. Employees amounted to 826 at 31.12.2022, of whom 604 women and 222 men or: 240 more units than on 30.06.2022 and as many as 419 more than on 31.12.2021.

Company	Employees at 31.12.2022			Employees at 31.12.2021		
	Women	Men	TOT	Women	Men	TOT
PATTERN SPA - COLLEGNO	87	43	130	80	36	116
PATTERN SPA - SPELLO	54	11	65	49	10	59
PATTERN SPA - SANTERAMO	7	0	7	95	33	128
SOCIETA' MANIFATTURA TESSILE SRL	90	30	120	54	26	80
ZANNI SRL	16	14	30	0	0	0

IDEE PARTNERS SRL	58	30	88	54	26	80
PETRI & LOMBARDI SRL	46	7	53	21	6	27
RGB SRL	75	26	101	0	0	0
DYLOAN BOND FACTORY SRL	171	61	232	0	0	0
Total employees	604	222	826	299	111	410

Integration activities continued during the year, both consolidation-wise for the acquisitions that already took place in 2021, and in terms of onboarding for the plants of the companies that entered the consolidation scope.

Integration activities involved sharing the Code of Ethics and Conduct with all employees, as well as analyzing and mapping the structure and organization in order to standardize HR processes and to align the organizations to SA8000 standards.

All health and safety-related aspects were also checked to ensure their compliance with the Group's procedures as well as with current legislation.

People Development activities are seeing an increasing focus especially in today's social and economic landscape. Employee training and digital skill enhancement become a key target.

As part of this effort to develop industry-specific skills, training Academies were designed. The Academies are designed with a territorial approach, addressing the specific needs of each location's specialty.

Additionally, to foster the relationship with schools and encourage the interest of new talent, Pattern opened its doors to middle and high school students. An initiative to introduce new generations of students to the business world and its opportunities through a guided tour of companies.

Specifically, there are 5 locations involved in the project, located in Piedmont, Emilia-Romagna, Umbria and Abruzzo.

Training planned and delivered in the second half of the year was geared mainly toward the Group's Top Management and Middle Management through projects aimed at introducing and enhancing the culture of Lean Production. This highly topical and inspiring issue saw the participation of the managers and executives directly involved, in order to provide the necessary tools to strengthen the cultural and technical skills of the Company, with a view to planning and scheduling, as well as to digitization, with a momentum adapted to new market demands.

As for language training, which is now well established and ingrained at a number of the plants, dedicated courses were delivered in the newly-acquired plants.

In the second half of the year, as a means of alleviating the inflationary impact, Welfare-related voluntary donations were provided to all employees.

The SA8000 model is implemented and constantly monitored by dedicated resources.

The Social team conducts half-year meetings to exchange views and develop plans for ongoing improvement in social performance.

In the area of Social Responsibility, Pattern took part in the first UN Accelerator for Gender Equality, with the aim of enriching and improving performance on one of the topical issues by measuring the Gender Gap and then fine-tuning improvement actions.

There are no reports of lawsuits or occupational diseases of employees or former employees, nor are there any reports of deaths or serious work-related injuries.

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

IT systems

With a focus on IT security, during the year the dissemination and adoption of the policies implemented in Pattern continued at all Group offices, with special regard to the management of users, passwords, roles, rules for using IT tools and accessing data, and rules for managing and storing data backups; additionally, the internal network separation (VLAN) project at the Collegno office was completed.

On the infrastructural front, the Spello office completed its renovation project with the introduction of the *Simplivity hyperconverged* solution aligning with the technological decisions made in Collegno; the two locations were “federated”, allowing for cross-backups and improving data availability and security in case of restore needs. Connectivity at the Spello office was also improved, with a new dedicated 100Mb fibre connection.

For Group-wide communication and sharing of corporate information, the corporate intranet was enabled for employees of all companies.

Regarding engineering software, in Spello, the CAD system in use was upgraded to the latest version available, making new features available to patternmakers/CAD office users to streamline operations.

In the 3D engineering area, software was adopted for 3D motion project management (fashion show creation and rendering) and digital material creation. Additionally, a pilot project (POC) for the use of 3D creations via immersive virtual reality and Oculus saw conclusion.

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 engineering area, where models, prototypes, samples and production adjustments are made.

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, some of the Group's companies - S.M.T. and Idee Partners in particular - have made use of the measure "Tax credit for investments in research and development, ecological transition, technological innovation 4.0 and other innovative activities" (Art. 1, paragraph 1064 L.178/2020).

The 2022 Consolidated Income Statement includes, under other revenue, the benefit from reporting expense incurred in the same year.

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 2022 - 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 € 9.4 million, with an overall mark-to-market at Group level of € +601,016.

BRANCH OFFICES

Pattern Spa has no branch offices, but has three local units. One in Turin, for the sale to the general public of Esemplare branded garments; one in Spello/Perugia, for womenswear; one in Santeramo in Colle/Bari, where a production workshop is located.

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, 27 March 2023

for **THE BOARD OF DIRECTORS**

The Chairman of the Board of Directors

Francesco Martorella

PATTERN SPA
CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31/12/2022	31/12/2021
Assets		
B) Fixed assets		
I - Intangible fixed assets	-	-
1) start-up and expansion costs	39,156	23,056
2) development costs	38,174	121,282
3) industrial patent and intellectual property rights	14,252	-
4) concessions, licenses, trademarks and similar rights	703,131	321,865
5) goodwill	16,590,345	9,364,213
6) fixed assets in progress and advances	7,800	-
7) other	2,403,152	1,527,191
<i>Total intangible fixed assets</i>	<i>19,796,010</i>	<i>11,357,607</i>
II - Tangible fixed assets	-	-
1) land and buildings	4,299,270	778,002
2) plant and machinery	10,045,459	4,674,789
3) industrial and commercial equipment	307,066	53,976
4) other assets	849,367	689,019
5) fixed assets in progress and advances	433,450	31,390
<i>Total tangible fixed assets</i>	<i>15,934,612</i>	<i>6,227,176</i>
III - Financial fixed assets	-	-
1) investments in	-	-
d-bis) other companies	535	-
<i>Total investments</i>	<i>535</i>	<i>-</i>
2) receivables	-	-
d-bis) from others	498,689	276,524
due within one year	42,464	25,000
due beyond one year	456,225	251,524
<i>Total receivables</i>	<i>498,689</i>	<i>276,524</i>
4) Financial derivative assets	602,016	4,479
<i>Total financial fixed assets</i>	<i>1,101,240</i>	<i>281,003</i>
<i>Total fixed assets (B)</i>	<i>36,831,862</i>	<i>17,865,786</i>
C) Current assets		
I - Inventory	-	-
1) raw and ancillary materials and consumables	3,388,233	2,928,249
2) work in progress and semi-finished products	4,987,004	3,809,730

	31/12/2022	31/12/2021
4) finished products and goods	984,258	1,551,601
<i>Total inventory</i>	<i>9,359,495</i>	<i>8,289,580</i>
II - Receivables	-	-
1) from customers	24,212,489	15,323,201
due within one year	24,212,489	15,323,201
5-bis) tax receivables	10,889,695	5,152,736
due within one year	9,961,589	4,653,856
due beyond one year	928,106	498,880
5-ter) prepaid tax	102,690	212,306
5-quater) from others	1,614,984	462,938
due within one year	1,393,883	242,072
due beyond one year	221,101	220,866
<i>Total receivables</i>	<i>36,819,858</i>	<i>21,151,181</i>
III - Current financial assets	-	-
6) other securities	2,585,301	-
<i>Total current financial assets</i>	<i>2,585,301</i>	<i>-</i>
IV - Cash	-	-
1) bank and postal deposits	16,536,138	22,776,524
3) cash and valuables on hand	16,489	17,661
<i>Total cash</i>	<i>16,552,627</i>	<i>22,794,185</i>
<i>Total current assets (C)</i>	<i>65,317,281</i>	<i>52,234,946</i>
D) Accrued income and prepaid expense	847,322	459,091
<i>Total assets</i>	<i>102,996,465</i>	<i>70,559,823</i>
Liabilities		
A) Equity	29,628,289	25,123,663
I - Share capital	1,426,293	1,407,555
II - Share premium reserve	9,548,706	9,548,706
IV - Legal reserve	281,511	281,259
VI - Other reserves, indicated separately	-	-
Extraordinary reserve	8,839,294	8,106,244
Various other reserves	1,649,649	584,945
<i>Total other reserves</i>	<i>10,488,943</i>	<i>8,691,189</i>
VII - Reserve for hedges of expected cash flows	457,532	(4,743)
IX - Profit (loss) for the year	2,593,065	2,998,895
Total equity attributable to the owners of the parent	24,796,050	22,922,861
Equity attributable to non-controlling interests	-	-

	31/12/2022	31/12/2021
Share capital and reserves attributable to non-controlling interests	3,361,671	1,526,141
Profit (loss) attributable to non-controlling interests	1,470,568	674,661
<i>Total equity attributable to non-controlling interests</i>	<i>4,832,239</i>	<i>2,200,802</i>
Total consolidated equity	29,628,289	25,123,663
Total equity	24,796,050	22,922,861
B) Provisions for risks and charges		
1) for pensions and similar obligations	2,771	3,273
2) for tax, including deferred tax	145,981	-
3) financial derivative liabilities	-	9,223
4) other	1,207,907	39,415
<i>Total provisions for risks and charges</i>	<i>1,356,659</i>	<i>51,911</i>
C) Post-employment benefits	4,571,406	2,805,520
D) Payables		
4) payables to banks	31,059,399	19,104,957
due within one year	7,473,631	4,103,940
due beyond one year	23,585,768	15,001,017
5) payables to other lenders	502,819	602,671
due within one year	178,446	152,778
due beyond one year	324,373	449,893
6) advances	786,567	13,168
due within one year	786,567	13,168
7) payables to suppliers	22,251,205	17,669,125
due within one year	22,251,205	17,669,125
12) tax payables	2,350,897	1,533,540
due within one year	2,350,897	1,533,540
13) payables to welfare and social security entities	1,729,481	1,032,104
due within one year	1,729,481	1,032,104
14) other payables	4,643,827	2,005,223
due within one year	4,643,827	2,005,223
<i>Total payables</i>	<i>63,324,195</i>	<i>41,960,788</i>
E) Accrued expense and deferred income	4,115,916	617,941
<i>Total liabilities</i>	<i>102,996,465</i>	<i>70,559,823</i>

CONSOLIDATED INCOME STATEMENT

	31/12/2022	31/12/2021
A) Value of production		
1) revenue from sales and services	109,211,799	69,505,795
2) changes in inventory in work in progress, semi-finished and finished products	(584,997)	2,495,576
5) other revenue and income	-	-
operating grants	983,297	196,282
other	816,117	323,626
<i>Total other revenue and income</i>	<i>1,799,414</i>	<i>519,908</i>
<i>Total value of production</i>	<i>110,426,216</i>	<i>72,521,279</i>
B) Production costs		
6) for raw and ancillary materials, consumables and goods	28,110,572	22,590,632
7) for services	42,277,181	25,602,896
8) for rentals and leases	2,401,587	1,476,263
9) for personnel	-	-
a) wages and salaries	18,374,113	10,800,475
b) social security expense	5,224,565	3,314,928
c) post-employment benefits	1,487,971	934,267
e) other costs	294,977	116,655
<i>Total personnel expense</i>	<i>25,381,626</i>	<i>15,166,325</i>
10) amortization, depreciation and write-downs	-	-
a) amortization of intangible fixed assets	1,998,077	1,161,594
b) depreciation of tangible fixed assets	1,738,839	1,077,831
c) other write-downs of fixed assets	195,706	-
d) write-down of receivables under current assets and cash	120,536	184,477
<i>Total amortization, depreciation and write-downs</i>	<i>4,053,158</i>	<i>2,423,902</i>
11) changes in inventory of raw and ancillary materials, consumables and goods	338,924	(307,450)
12) provisions for risks	183,113	-
14) sundry operating expense	797,655	302,688
<i>Total production costs</i>	<i>103,543,816</i>	<i>67,255,256</i>
Difference between value of production and production costs (A - B)	6,882,400	5,266,023
C) Financial income and expense		
16) other financial income	-	-
a) from receivables under fixed assets	-	-
from subsidiaries	2,493	-
other	6,626	-

	31/12/2022	31/12/2021
<i>Total financial income from receivables under fixed assets</i>	9,119	-
d) income other than above	-	-
from subsidiaries	-	-
other	16,796	2,145
<i>Total income other than the above</i>	16,796	2,145
<i>Total other financial income</i>	25,915	2,145
17) interest and other financial expense	-	-
other	278,399	97,887
<i>Total interest and other financial expense</i>	278,399	97,887
17-bis) exchange gains and losses	(31,431)	(29,272)
<i>Total financial income and expense (15+16-17+-17-bis)</i>	(283,915)	(125,014)
Profit (loss) before tax (A-B+-C+-D)	6,598,485	5,141,009
20) Income tax for the year, current, deferred and prepaid tax		
current tax	2,425,138	1,459,921
prior-years' tax	98	-
deferred tax assets and liabilities	109,616	7,532
<i>Total income tax for the year, current, deferred and prepaid tax</i>	2,534,852	1,467,453
21) Profit (loss) for the year	4,063,633	3,673,556
Profit (loss) attributable to the owners of the parent	2,593,065	2,998,895
Profit (loss) attributable to non-controlling interests	1,470,568	674,661

CONSOLIDATED STATEMENT OF CASH FLOWS

	Amount at 31/12/2022	Amount at 31/12/2021
A) Cash flow from operations (indirect method)		
Profit (loss) for the year	4,063,633	3,673,556
Income tax	2,534,852	1,467,453
Interest expense/(income)	252,484	95,731
(Gains)/losses from disposal of assets	(20,375)	2,217
<i>1) Profit (loss) for the year before income tax, interest, dividends and gains/losses from disposals</i>	<i>6,830,594</i>	<i>5,238,957</i>
Adjustments for non-monetary items that had no balancing item in the net working capital		
Allocations to provisions	2,094,379	1,087,187
Amortization and depreciation	3,736,915	2,240,274
Impairment losses	363,827	326,846
Other upward/(downward) adjustments for non-monetary items	(26,720)	45,109
<i>Total adjustments for non-monetary items that had no balancing item in the net working capital</i>	<i>6,168,401</i>	<i>3,699,416</i>
<i>2) Cash flow before changes in net working capital</i>	<i>12,998,995</i>	<i>8,938,373</i>
Changes in net working capital		
Decrease/(Increase) in inventory	791,760	(2,868,794)
Decrease/(Increase) in receivables from customers	(1,779,858)	(4,331,126)
Increase/(Decrease) in payables to suppliers	(2,703,143)	4,918,327
Decrease/(Increase) in accrued income and prepaid expense	25,787	101,046
Increase/(Decrease) in accrued expense and deferred income	(19,770)	440,550
Other decreases/(Other increases) in net working capital	(1,216,096)	(2,840,726)
<i>Total changes in net working capital</i>	<i>(4,901,320)</i>	<i>(4,580,723)</i>
<i>3) Cash flow after changes in net working capital</i>	<i>8,097,675</i>	<i>4,357,650</i>
Other adjustments		
Interest received/(paid)	(224,066)	(91,501)
(Income tax paid)	(739,158)	(397,794)
(Utilization of provisions)	(1,073,047)	(1,030,298)
Total other adjustments	(2,036,271)	(1,519,593)
Cash flow from operations (A)	6,061,404	2,838,057
B) Cash flow from investing activities		
Tangible fixed assets		
(Purchases)	(3,582,461)	(810,048)
Disposals	62,025	10,755
Intangible fixed assets		
(Purchases)	(530,370)	(301,083)

	Amount at 31/12/2022	Amount at 31/12/2021
Disposals	58,123	
Financial fixed assets		
(Purchases)	(542,479)	(36,260)
Disposals	123,946	3,000
Current financial assets		
(Purchases)	(2,501,333)	
(Purchase of subsidiaries net of cash)	(14,832,177)	(6,586,434)
Cash flow from investing activities (B)	(21,744,726)	(7,720,070)
C) Cash flow from financing activities		
Loan capital		
Increase/(Decrease) in short-term payables to banks	3,238	27,635
New loans	12,987,224	3,501,372
(Repayment of loans)	(6,435,789)	(2,270,624)
Equity		
(Dividends and interim dividends paid)	(1,212,668)	(514,116)
Cash flow from financing activities (C)	5,342,005	744,267
Increase (decrease) in cash (A ± B ± C)	(10,341,317)	(4,137,746)
Cash, beginning of year		
Bank and postal deposits	22,776,524	23,594,859
Cheques		11,566
Cash and valuables on hand	17,661	12,578
<i>Cash acquired or disposed of through acquisitions/disposals of subsidiaries</i>	<i>4,099,759</i>	<i>3,312,928</i>
Total cash, beginning of year	26,893,944	26,931,931
Cash, end of year		
Bank and postal deposits	16,536,138	22,776,524
Cash and valuables on hand	16,489	17,661
Total cash, end of year	16,552,627	22,794,185

ACQUISITION OF INVESTMENTS IN SUBSIDIARIES

The information required by OIC no. 17, § 36 on the acquisition of the indirect control of 80% in Zanni S.r.l. - a wholly-owned subsidiary of the consolidated company SMT S.r.l. - is provided at the bottom of this Statement of Cash Flows. - of indirect control of 37.80% in R.G.B. S.r.l. - a 70% subsidiary of the consolidated company Idee Partners S.r.l., as well as the acquisition of a 70% controlling interest in DYLOAN Bond Factory S.r.l., and the resulting acquisition of a 70% indirect control in Shapemode S.r.l. and D-Manufacturing S.r.l. - wholly-owned subsidiaries of DYLOAN Bond Factory S.r.l..

Mention should be made that in preparing the Consolidated Statement of Cash Flows, the cash flows of the newly-consolidated Zanni S.r.l. were assumed as of 1 January 2022, those of the newly-consolidated R.G.B. S.r.l. as of 1 July 2022, while those of the newly-consolidated DYLOAN Bond Factory S.r.l., Shapemode S.r.l. and D-Manufacturing S.r.l. as of 1 November 2022, in compliance with OIC no. 17, § 19.

Specifically, mention should be made of the following:

<u>Total consideration paid in cash for acquisition of ZANNI SRL stake (80%)</u>	3,010,000
- total agreed consideration	4,300,000
- of which still to be paid at 31.12.22	1,290,000
<u>Amount of cash acquired through the transaction</u>	1,331,378
cash Zanni Srl 1.1.2022	1,331,378
<u>Total consideration paid in cash for acquisition of R.G.B. SRL stake (37.8%)</u>	2,275,000
- total agreed consideration	3,275,000
- of which still to be paid at 31.12.22	1,000,000
<u>Amount of cash acquired through the transaction</u>	487,233
cash R.G.B. Srl 1.7.2022	487,233
<u>Total consideration paid for acquisition of DYLOAN BOND FACTORY stake (70%)</u>	6,967,177
- total agreed consideration	7,310,572
- of which still to be paid at 31.12.22	343,395
<u>Amount of cash acquired through the transaction</u>	2,281,148
of which Dyloan Bond Factory Srl 1.11.22	2,197,263
of which Shapemode Srl 1.11.22	79,862
of which D-Manufacturing Srl 1.11.22	4,023

PATTERN S.P.A.*Direction and Coordination pursuant to Article 2497 of the Italian Civil Code: BO.MA. Holding S.r.l.***EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT
31/12/2022****FOREWORD**

These consolidated financial statements for the year ended 31 December 2022 of Pattern S.p.A. (hereinafter also "Parent" or "Controlling Company"), SMT S.r.l., Idee Partners S.r.l., Petri & Lombardi S.r.l., Zanni S.r.l., R.G.B. S.r.l., DYLOAN Bond Factory S.r.l., Shapemode S.r.l. and D-Manufacturing S.r.l. (hereinafter also the "Subsidiaries" or "Consolidated Companies"), collectively the "Group", were 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 OIC 30, and were 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 period (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, in addition to the Parent Company, pursuant to Article 26 of Legislative Decree 127/91 (Article 38, 2, Legislative Decree 127/91):

Name	Registered office	Share capital at 31.12.2022	Equity at 31.12.2022	Profit (loss) for the period at 31.12.2022	Stake held directly by the Parent Company (%)	Stake held indirectly by the Parent Company (%)
SMT SRL	Italy	1,000,000	8,984,292	3,446,593	80	/
IDEE PARTNERS SRL	Italy	100,000	3,048,306	1,534,003	54	/

PETRI & LOMBARDI SRL	Italy	100,000	936,556	7,149	/	32.4
ZANNI SRL	Italy	100,000	3,180,268	327,566	/	80
R.G.B. SRL	Italy	350,000	1,131,174	541,853	/	37.80
DYLOAN BOND FACTORY SRL	Italy	400,000	3,422,035	(1,644,632)	70	
SHAPEMODE SRL	Italy	10,000	40,978	9,071	/	70
D-MANUFACTURING SRL	Italy	10,000	(186,813)	(196,811)	/	70

The full consolidation scope includes the financial statements at 31 December 2022 of Pattern S.p.A., of the 80%-owned subsidiary SMT S.r.l., Società Manifattura Tessile S.r.l., the 54%-owned subsidiary Idee Partners S.r.l., the 70%-owned subsidiary Dyloan Bond Factory S.r.l., as well as the 32.40%-owned subsidiary Petri & Lombardi S.r.l., 80%-owned subsidiary Zanni S.r.l., 37.80%-owned subsidiary R.G.B. S.r.l. and 70%-owned subsidiaries Shapemode S.r.l. and D-Manufacturing S.r.l..

The consolidation scope at 31 December 2022 changed from 31 December 2021 due to the inclusion:

- of Zanni S.r.l., specialized in the prototyping and production of luxury knitwear, following the acquisition of the total stake in the latter by the subsidiary SMT S.r.l. by deed signed on 7 February 2022; as a result of the above transaction, Pattern S.p.A. indirectly controls 80% of Zanni S.r.l. - an 80% subsidiary of SMT S.r.l.;
- of R.G.B. S.r.l., specialized in the production and processing of leather accessories, 70% of which acquired by the subsidiary Idee Partners S.r.l. by a deed signed on 10 May 2022 and thus 37.80% indirectly controlled by Pattern S.p.A.;
- of Dyloan Bond Factory S.r.l., specialized in clothing - acquired 70%. As a result of the above acquisition, Pattern S.p.A. indirectly controls 70% of Shapemode S.r.l. and D-Manufacturing S.r.l. - which are wholly-owned subsidiaries of Dyloan Bond Factory S.r.l..

Specifically, on 8 November 2022, concurrent to Pattern's acquisition of 70% of D Holding S.r.l. - parent company of Bond Factory S.r.l. - the reverse merger by incorporation of D Holding into Bond Factory took place with the change of the company name to DYLOAN Bond Factory S.r.l..

For the sake of completeness, in February 2023 the merger of Shapemode S.r.l. and D-Manufacturing S.r.l. into DYLOAN Bond Factory S.r.l. took place.

On 21 July 2022, the merger by incorporation of the wholly-owned subsidiary Pattern Project S.r.l. into Pattern S.p.A. was also finalized.

Below are the assets and liabilities at the beginning of the year of the newly-consolidated company Zanni S.r.l., incorporated in the Pattern Group's consolidation as from 01.01.2022, as well as the assets and liabilities as from 1.7.2022 of the consolidated company R.G.B. S.r.l., as well as those as from 01.11.2022, of the newly-consolidated Dyloan Bond Factory S.r.l., Shapemode S.r.l. and D-Manufacturing S.r.l., incorporated into the Pattern Group's consolidation as of such date, pursuant to § 52 of OIC no. 17.

Statement of financial position - ZANNI S.r.l.	01/01/2022
Assets	
A) Share capital proceeds to be received	
B) Fixed assets	

I - Intangible fixed assets	
4) concessions, licenses, trademarks and similar rights	10,480
7) other	11,101
<i>Total intangible fixed assets</i>	21,581
II - Tangible fixed assets	
1) land and buildings	684,743
2) plant and machinery	646,979
3) industrial and commercial equipment	4,584
4) other assets	39,829
5) fixed assets in progress and advances	22,161
<i>Total tangible fixed assets</i>	1,398,296
III - Financial fixed assets	
1) investments in	
d-bis) other companies	535
<i>Total financial fixed assets</i>	535
<i>Total fixed assets (B)</i>	1,420,412
C) Current assets	
I - Inventory	
4) finished products and goods	5,411
<i>Total inventory</i>	5,411
Tangible fixed assets held for sale	0
II - Receivables	
1) from customers	558,962
due within one year	558,962
5-bis) tax receivables	144,252
due within one year	144,252
5-quater) from others	26,964
due within one year	26,459
due beyond one year	235
<i>Total receivables</i>	729,908
IV - Cash	
1) bank and postal deposits	1,330,369
3) cash and valuables on hand	1,009
<i>Total cash</i>	1,331,378
<i>Total current assets (C)</i>	2,066,697
D) Accrued income and prepaid expense	118,659
Total assets	3,605,768
Liabilities	
A) Equity	
I - Share capital	100,000
II - Share premium reserve	645,773
III - Revaluation reserves	1,242,166
IV - Legal reserve	20,000
VI - Other reserves, indicated separately	
Extraordinary reserve	604,418
<i>Total other reserves</i>	604,418
IX - Profit (loss) for the year	239,502
Total equity	2,851,859

C) Post-employment benefits	314,427
D) Payables	
4) payables to banks	2,527
due within one year	2,527
7) payables to suppliers	89,647
due within one year	89,647
12) tax payables	185,322
due within one year	153,962
due beyond one year	31,360
13) payables to welfare and social security entities	37,431
due within one year	37,431
14) other payables	96,177
due within one year	96,177
<i>Total payables</i>	411,104
E) Accrued expense and deferred income	28,378
Total liabilities	3,605,768

Statement of Financial Position - RGB S.r.l.	01/07/2022
Assets	
A) Share capital proceeds to be received	
B) Fixed assets	
I - Intangible fixed assets	
4) concessions, licenses, trademarks and similar rights	6,147
7) other	16,631
<i>Total intangible fixed assets</i>	22,778
II - Tangible fixed assets	
2) plant and machinery	15,608
3) industrial and commercial equipment	795
4) other assets	33,642
<i>Total tangible fixed assets</i>	50,045
III - Financial fixed assets	
1) investments in	
d-bis) other companies	120,058
<i>Total financial fixed assets</i>	120,058
<i>Total fixed assets (B)</i>	192,881
C) Current assets	
I - Inventory	
1) raw and ancillary materials and consumables	537,090
2) work in progress and semi-finished products	675,303
<i>Total inventory</i>	1,212,393
Tangible fixed assets held for sale	0
II - Receivables	

1) from customers	2,346,037
due within one year	2,346,037
5-bis) tax receivables	226,270
due within one year	226,270
5-quater) from others	2,736
due within one year	2,736
<i>Total receivables</i>	2,575,043
IV - Cash	
1) bank and postal deposits	487,233
<i>Total cash</i>	487,233
<i>Total current assets (C)</i>	4,274,669
D) Accrued income and prepaid expense	18,908
Total assets	4,486,458
Liabilities	
A) Equity	
I - Share capital	350,000
IV - Legal reserve	11,966
VI - Other reserves, indicated separately	
Extraordinary reserve	227,356
Difference from rounding to the nearest Euro unit	1
<i>Total other reserves</i>	227,357
IX - Profit (loss) for the year	189,237
Total equity	778,560
C) Post-employment benefits	55,070
D) Payables	
3) payables to shareholders for loans	350,000
4) payables to banks	302,317
due within one year	26,456
due beyond one year	275,861
7) payables to suppliers	2,306,893
due within one year	2,306,893
12) tax payables	277,503
due within one year	277,503
13) payables to welfare and social security entities	111,432
due within one year	111,432
14) other payables	301,758
due within one year	301,758
<i>Total payables</i>	3,649,903
E) Accrued expense and deferred income	2,925
Total liabilities	4,486,458

Statement of Financial Position - DYLOAN BOND FACTORY S.r.l.		01/11/2022
Assets		
A) Share capital proceeds to be received		
B) Fixed assets		
I - Intangible fixed assets		
2) research, development and advertising costs		41,946
3) industrial patent and intellectual property rights		12,623
4) concessions, licenses, trademarks and similar rights		549,638
5) goodwill		25,000
7) other		486,813
<i>Total intangible fixed assets</i>		1,116,020
II - Tangible fixed assets		
1) land and buildings		466,547
2) plant and machinery		4,947,459
3) industrial and commercial equipment		264,017
4) other assets		106,117
<i>Total tangible fixed assets</i>		5,784,140
III - Financial fixed assets		
1) investments in		
a) subsidiaries		10,000
2) receivables		
a) from subsidiaries		317,450
due within one year		317,450
d) from others		42,400
due within one year		42,400
4) Financial derivative assets		237,875
<i>Total financial fixed assets</i>		607,725
<i>Total fixed assets (B)</i>		7,507,885
C) Current assets		
I - Inventory		
1) raw and ancillary materials and consumables		252,258
2) work in progress and semi-finished products		418,189
4) finished products and goods		20,437
<i>Total inventory</i>		690,884
Tangible fixed assets held for sale		0
II - Receivables		
1) from customers		
due within one year		4,191,562
5-bis) tax receivables		3,153,073
due within one year		3,153,073
5-quater) from others		86,526

due within one year	86,526
Total receivables	7,431,161
II - Current financial assets	
6) other securities	83,968
Total current financial assets	83,968
IV - Cash	
1) bank and postal deposits	2,195,484
3) cash and valuables on hand	1,779
Total cash	2,197,263
Total current assets (C)	10,403,276
D) Accrued income and prepaid expense	277,796
Total assets	18,188,957
Liabilities	
A) Equity	
I - Share capital	400,000
III - Revaluation reserves	458,459
IV - Legal reserve	80,000
VI - Other reserves, indicated separately	
Extraordinary reserve	3,925,234
Total other reserves	3,925,234
VII - Reserve for hedges of expected cash flows	180,785
IX - Profit (loss) for the year	-1,286,807
Total equity	3,757,671
B) Provisions for risks and charges	
2) for tax	288,760
Total provisions for risks and charges	288,760
C) Post-employment benefits	
D) Payables	
4) payables to banks	4,982,130
due within one year	194,863
due beyond one year	4,787,267
5) payables to other lenders	12,854
due within one year	12,854
7) payables to suppliers	4,031,151
due within one year	4,031,151
11) payables to parent companies	8,448
due within one year	8,448
12) tax payables	67,017
due within one year	67,017
13) payables to welfare and social security entities	222,100
due within one year	222,100

14) other payables	735,795
due within one year	735,795
<i>Total payables</i>	10,059,495
E) Accrued expense and deferred income	3,435,403
Total liabilities	18,188,957

Statement of Financial Position - SHAPEMODE S.r.l.		01/11/2022
Assets		
A) Share capital proceeds to be received		
B) Fixed assets		
I - Intangible fixed assets		
3) industrial patent and intellectual property rights		136
4) concessions, licenses, trademarks and similar rights		267
<i>Total intangible fixed assets</i>		403
II - Tangible fixed assets		
2) plant and machinery		51,798
4) other assets		204
<i>Total tangible fixed assets</i>		52,002
<i>Total fixed assets (B)</i>		52,405
C) Current assets		
I - Inventory		
1) raw and ancillary materials and consumables		14,687
4) finished products and goods		10,703
<i>Total inventory</i>		25,390
Tangible fixed assets held for sale		
		0
II - Receivables		
1) from customers		115,576
due within one year		115,576
4) from parent companies		162,042
due within one year		162,042
5-bis) tax receivables		-1,262
due within one year		-1,262
5-quater) from others		-28
due within one year		-28
<i>Total receivables</i>		276,328
IV - Cash		
1) bank and postal deposits		78,911
3) cash and valuables on hand		951
<i>Total cash</i>		79,862
<i>Total current assets (C)</i>		381,580
D) Accrued income and prepaid expense		51
Total assets		434,036
Liabilities		
A) Equity		
I - Share capital		10,000
IV - Legal reserve		2,730
VI - Other reserves, indicated separately		
Capital contributions		111,000

<i>Total other reserves</i>	111,000
VIII - Retained earnings (losses carried forward)	-91,823
IX - Profit (loss) for the year	102,362
Total equity	134,269
C) Post-employment benefits	11,744
D) Payables	
3) payables to shareholders for loans	57,450
5) payables to other lenders	106
due within one year	106
6) advances	1,753
7) payables to suppliers	21,053
due within one year	21,053
11) payables to parent companies	125,432
due within one year	125,432
12) tax payables	38,469
due within one year	38,469
13) payables to welfare and social security entities	1,738
due within one year	1,738
14) other payables	7,775
due within one year	7,775
<i>Total payables</i>	253,776
E) Accrued expense and deferred income	34,247
Total liabilities	434,036

Statement of Financial Position - D-MANUFACTURING S.r.l.		01/11/2022
Assets		
A) Share capital proceeds to be received		
B) Fixed assets		
I - Intangible fixed assets		
1) Start-up and expansion costs		11,967
5) goodwill		91,326
7) other		47,844
<i>Total intangible fixed assets</i>		151,137
II - Tangible fixed assets		
2) plant and machinery		179,461
3) industrial and commercial equipment		11,537
4) other assets		4,552
<i>Total tangible fixed assets</i>		195,550
<i>Total fixed assets (B)</i>		346,687
C) Current assets		
I - Inventory		
3) contract work in progress		59,760
<i>Total inventory</i>		59,760
Tangible fixed assets held for sale		
		0
II - Receivables		
1) from customers		844
due within one year		844
5-quater) from others		17,742
due within one year		17,742
<i>Total receivables</i>		18,586
IV - Cash		
1) bank and postal deposits		3,950
3) cash and valuables on hand		73
<i>Total cash</i>		4,023
<i>Total current assets (C)</i>		82,369
D) Accrued income and prepaid expense		1,404
Total assets		430,460
Liabilities		
A) Equity		
I - Share capital		
		10,000
IX - Profit (loss) for the year		
		-240,173
Total equity		-230,173
C) Post-employment benefits		11,685
D) Payables		
4) payables to banks		
		260,000

due within one year	260,000
7) payables to suppliers	144,868
due within one year	144,868
12) tax payables	33,565
due within one year	33,565
13) payables to welfare and social security entities	46,324
due within one year	46,324
14) other payables	164,191
due within one year	164,191
<i>Total payables</i>	648,948
Total liabilities	430,460

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 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", which also includes the lower amount of the portion of booked equity held in the indirect subsidiary Zanni S.r.l., vis-à-vis the acquisition cost;
- 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 booked equity held in the indirect subsidiaries Petri & Lombardi S.r.l. and R.G.B. S.r.l., vis-à-vis the acquisition cost relating to the Parent Company, calculated using the so-called "*simultaneous full consolidation procedure*";
- the lower amount of the portion of equity of the investee Dyloan Bond Factory S.r.l. vis-à-vis the acquisition cost is allocated to "Goodwill", net of the higher amount of the portion of booked equity held in the indirect subsidiary Shapemode S.r.l., calculated using the so-called "*simultaneous full consolidation procedure*". The elimination of the equity of the indirect subsidiary D-Manufacturing S.r.l. took place as an offset to the cancellation of the "provision for investee charges" set aside by its direct parent Dyloan Bond S.r.l. when preparing its individual financial statements at 31.12.2022.

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 S.M.T. S.r.l.: the dividends collected during the year by the Parent Company and distributed by the subsidiary S.M.T. S.r.l. are reversed on consolidation.

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 2022 were 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 are drawn up in compliance with the provisions of Article 32, paragraph 1 of Legislative Decree 127/91 and, therefore, with the provisions of Article 2423 ter, 2424, 2424 bis, 2425, 2425 bis, 2425 ter of the Italian Civil Code.

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

1. These financial statements were prepared clearly and give a true and fair view of the financial position and results of operations for the period 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 was 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 in the statement of financial position, the amount of the corresponding figure at 31 December 2021 was shown; for each item in the income statement, the amount of the corresponding figure for the year was shown. With regard to the comparability of the items, it should be noted, as mentioned in the Foreword of these Notes, that in the prior year the consolidation scope did not include the subsidiary Zanni S.r.l. (acquired on 7 February 2022), the subsidiary R.G.B. S.r.l. (acquired on 10 May 2022) and the subsidiaries Dyloan Bond Factory S.r.l., Shapemode S.r.l. and D-Manufacturing S.r.l. (acquired on 8 November 2022).
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 9 June 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 2022 are explained below.

Intangible fixed assets

Expense 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 in progress 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 in progress 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.

Industrial patent and intellectual property rights

Application software purchased under ownership or acquired under an indefinite license for use is recognized as an asset at a value equal to the sums paid to obtain it and is amortized according to its useful life and, if not determinable, over 3 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 cost incurred for goodwill acquired as a result of the purchase by the subsidiary Dyloan Bond Factory S.r.l. of the T-Shock S.r.l. business unit;
- the cost incurred for goodwill acquired as a result of the purchase by the subsidiary D-Manufacturing S.r.l. of the Orlando Confezioni S.r.l. business unit;
- the positive consolidation difference of the subsidiary S.M.T. 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 Zanni S.r.l., vis-à-vis its acquisition cost;
- 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 subsidiaries Petri & Lombardi S.r.l. and R.G.B. S.r.l., vis-à-vis their acquisition cost;
- the positive consolidation difference of the subsidiary Dyloan Bond Factory 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, net of the higher amount of the Parent Company's portion of equity in the indirect subsidiary Shapemode 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 prior years.

Tangible fixed assets

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

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

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

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

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

Tangible fixed assets 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 in progress are not subject to depreciation.

Fixed assets in progress 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 tangible 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 1, no. 3, of the Italian Civil Code), except as shown below.

The Consolidating Company wrote down the residual book value of the Esemplare Trademark - acquired through the merger by incorporation of the subsidiary Pattern Project Srl - following discontinuation of its commercial use; therefore, the adjustment of the book value due to impairment in the amount of € 195,706 was charged to the income statement under item B.10 c).

Capital grants for tangible fixed assets

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 1, 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 reporting period, the residual value of the asset at the close of the reporting period, the depreciation rate and the adjustments and write-backs relating to the reporting period.

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 other companies were measured on the basis of the cost incurred for their acquisition.

Receivables under financial fixed assets

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 entered in the consolidated financial statements as from 1 January 2016 are 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

Cash is 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.

Payables booked as from 1 January 2016 are recognized 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

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%;
- patent rights, software (B.I.3): estimated useful life 5 years, amortization rate 20%;
- software licenses (B.I.4): estimated useful life 3 years, amortization rate 33.33%;
- trademarks (B.I.4): estimated useful life 18 years, amortization rate 5.56%;
- goodwill (B.I.5): estimated useful life 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 of the newly-consolidated companies is shown separately as of the date of inclusion of each subsidiary in the consolidation scope, respectively, as detailed in the introduction to these Notes.

	Start-up and expansion costs	Development costs	Patent Rights	Concessions, licenses, trademarks and similar rights	Goodwill	Intangible fixed assets in progress and advances	Other intangible fixed assets	Total intangible fixed assets
Net amount at 31.12.21 Consolidated	23,056	121,282	0	321,865	9,364,213	0	1,527,191	11,357,607
Net amount at 31.12.21 Zanni S	0	0	0	10,480	0	0	11,101	21,581
Net amount at 30.06.22 RGB Srl	16,631	0	0	6,147	0	0	0	22,778
Net amount at 31.10.22 Dyloan Bond Factory Srl	0	41,946	12,623	549,637	25,000	0	486,812	1,116,018
Net amount at 31.10.22 Shapemode Srl	0	0	0	403	0	0	0	403
Net amount at 31.10.22 D-Manufacturing Srl	11,966	0	0	0	91,326	0	47,844	151,136
Total Net Amount	51,653	163,228	12,623	888,532	9,480,539	0	2,072,948	12,669,523

Acquisitions	0	0	2,145	119,652	0	7,800	634,894	764,491
Other increases	0	0		0	8,565,120	0	0	8,565,120
Disposals	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	(1,014)	0	0	(8,328)	(9,342)
Amortization	(12,497)	(125,054)	(516)	(108,333)	(1,455,314)	0	(296,362)	(1,998,076)
Other changes	0	0	0	(195,706)	0	0	0	(195,706)
Net amount at 31.12.22 Consolidated	39,156	38,174	14,252	703,131	16,590,345	7,800	2,403,152	19,796,010

The increases in Intangible Fixed Assets recorded in the reporting period refer almost entirely to "Other Intangible Fixed Assets" where expenditure made for leasehold improvements by the subsidiary Idee Partners S.r.l. was recorded - referable to the expenditure for the photovoltaic system under construction at the Scandicci Property - by the subsidiary S.M.T. S.r.l. - referable mainly to improvements made to the Correggio Property that hosts the headquarters, as well as expense for the renovation of a property located in Correggio to be used as a warehouse - and by the subsidiary Dyloan Bond Factory S.r.l. – referable to improvements on the property conducted under lease located in the municipality of Chieti -, under "Concessions, licenses, trademarks and similar rights", where purchases related to new software licenses and related consulting services by the Parent Company were recorded, in addition to the increase in goodwill by a total of approximately € 8.6 million resulting from the consolidation of the subsidiary Zanni S.r.l., subsidiary R.G.B. S.r.l. and subsidiary Dyloan Bond Factory S.r.l..

The breakdown of the items making up Intangible Fixed Assets is shown below.

B.1.1) 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	93,487	39,156
Total	93,487	39,156

B.1.2) Development costs

The item is broken down as follows:

Nature of asset	Gross amount	Net amount
Development costs	1,054,158	38,174
Total	1,054,158	38,174

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.1.3) Industrial patent and intellectual property rights

The item is broken down as follows:

Nature of asset	Gross amount	Net amount
Patent Rights	19,169	14,252
Total	19,169	14,252

B.1.4) Concessions, licenses, trademarks and similar rights

The item is broken down as follows:

Nature of asset	Gross amount	Net amount
Trademarks and brands	775,369	387,943
Software licenses	686,759	315,188
Total	1,462,128	703,131

The item Trademarks includes:

- the Zanni trademark, with a residual book value totaling approximately € 4 thousand.
- the Dyloan trademark, with a residual book value totaling approximately € 363 thousand.

As mentioned in Part III of these Notes, in the year under review, the Parent Company wrote down the residual value of the Esemplare Trademark, which was acquired in the same year as a result of the merger by incorporation of Pattern Project.

B.1.5) Goodwill

The item is broken down as follows:

Nature of asset	Gross amount	Net amount
Goodwill	18,246,425	16,590,345
Total	18,246,425	16,590,345

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 acquired against payment as a result of the acquisition by the subsidiary Dyloan Bond Factory S.r.l. of the T-Shock S.r.l. business unit, amounting to € 30 thousand, amortized over 5 years;
- goodwill acquired against payment as a result of the acquisition by the subsidiary D-Manufacturing S.r.l. of the Orlando Confezioni business unit, amounting to € 93 thousand, amortized over 18 years;
- goodwill related to the recognition of the positive consolidation difference of the subsidiary SMT S.r.l. - including the positive difference attributable to the indirect subsidiary Zanni S.r.l. -, amortized over 10 years. Specifically, this positive difference, totaling approximately € 8.3 million - of which approximately € 6.9 million attributable to the direct subsidiary SMT S.r.l. and approximately € 1.4 million to the indirect subsidiary Zanni S.r.l. - arising from the comparison between the book value of the investments written off and the corresponding amount of the portion of booked equity of the consolidated companies - is justified by the earnings capacity of the acquired businesses;
- goodwill related to the recognition of the positive consolidation difference of the subsidiary Idee Partners S.r.l. - comprising the positive differences attributable respectively to the indirect subsidiaries

Petri & Lombardi S.r.l. and R.G.B. S.r.l. - amounting to approximately € 6.2 million - of which approximately € 3.3 million attributable to the direct subsidiary Idee Partners S.r.l., approximately € 160 thousand attributable to the indirect subsidiary Petri & Lombardi S.r.l. and approximately € 2.7 million attributable to the indirect subsidiary R.G.B. S.r.l. - amortized over 10 years. This positive difference - arising from the comparison between the book value of the investments written off and the corresponding amount of the portion of booked equity of the consolidated companies - is justified by the earnings capacity of the acquired businesses;

- goodwill related to the recognition of the positive consolidation difference of the subsidiary Dyloan Bond Factory S.r.l. - comprising negative differences attributable to the indirect subsidiary Shapemode S.r.l. - amounting to approximately € 4.4 million, amortized over 10 years. This positive difference - arising from the comparison between the book value of the investments written off and the corresponding amount of the portion of the booked equity of the consolidated company - is justified by the earnings capacity of the acquired business.

B.I.7) Other intangible fixed assets

The item is broken down as follows:

Nature of asset	Gross amount	Net amount
Extraordinary leasehold improvements	3,454,081	2,280,112
Other costs with long-term useful life	308,638	123,040
Total	3,762,719	2,403,152

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%;
- lightweight 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%;
- other specific plant (B.II.2): estimated useful life 6 years, depreciation rate 17.50%;
- 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%;
- telephone equipment and systems (B.II.4): estimated useful life 4 years, depreciation rate 25%;
- 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 tangible fixed assets 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 of the newly-consolidated companies is shown separately as of the date of inclusion of each subsidiary in the consolidation scope, respectively, as detailed in the introduction to these Notes.

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible fixed assets	Tangible fixed assets in progress and advances	Total tangible fixed assets
Net amount at 31.12.21 Consolidated	778,002	4,674,789	53,976	689,019	31,390	6,227,176
Net amount at 31.12.21 Zanni Srl	684,743	646,979	4,585	39,828	22,161	1,398,296
Net amount at 30.06.22 RGB Srl	0	15,608	795	33,642	0	50,045
Net amount at 31.10.22 Dyloan Bond Factory Srl	466,547	4,947,459	264,018	106,117	0	5,784,141
Net amount at 31.10.22 Shapemode Srl	0	51,798	0	204	0	52,002
Net amount at 31.10.22 D-Manufacturing Srl	0	179,461	11,537	4,552	0	195,550
Total Net Amount	1,929,292	10,516,094	334,911	873,362	53,551	13,707,210
Acquisitions	2,458,157	944,404	40,633	202,385	426,682	4,072,261
Other increases	0	0	0	0	0	0
Disposals	0	(77,168)	(38,217)	31,472	0	(83,913)
Reclassifications	(17,589)	16,004	38,216	(11,957)	(46,783)	(22,109)
Depreciation	(70,590)	(1,353,875)	(68,477)	(245,895)	0	(1,738,837)
Other changes	0	0	0	0	0	0
Net amount at 31.12.22 Consolidated	4,299,270	10,045,459	307,066	849,367	433,450	15,934,612

The most significant increases in Tangible Fixed Assets refer to the purchase on 16 February 2022 by the Parent Company of the property complex located in Spello, already held under lease, for the price of € 2 million, as per the irrevocable offer of 30 April 2019, dedicated to the engineering and modeling of high-end women's lines, as well as expenditure in plant and machinery made by the Parent Company and the subsidiary S.M.T. S.r.l., with particular regard for the latter to the purchases of plant and laboratory machinery, resulting from the technological upgrading process started by the subsidiary already in the prior year.

The item Fixed assets in progress and advances, which amounts to € 433,450, includes the costs incurred by the subsidiary Zanni S.r.l. for the expansion of the headquarters related to the part intended for the production and/or weaving of knitwear garments.

B.II.1) Land and buildings

The item is broken down as follows:

Nature of asset	Gross amount	Net amount
Land	952,659	952,659
Buildings	3,575,656	3,342,954
Lightweight constructions	3,850	3,658
Total	4,532,165	4,299,270

B.II.2) Plant and machinery

The item is broken down as follows:

Nature of asset	Gross amount	Net amount
General plant	8,796,013	6,359,738
Photovoltaic systems	60,000	38,400
Machinery	8,644,957	3,647,321
Total	17,500,970	10,045,459

B.II.3) Industrial equipment

The item is broken down as follows:

Nature of asset	Gross amount	Net amount
Industrial and commercial equipment	1,052,118	307,066
Total	1,052,118	307,066

B.II.4) Other assets

The item is broken down as follows:

Nature of asset	Gross amount	Net amount
Furniture and ordinary office equipment	616,027	235,764
Electronic office machinery	944,292	295,500
Trucks	253,116	89,383
Motor vehicles	122,695	38,982
Internal means of transport	10,635	3,481
Telephone equipment and systems	52,415	8,361
Furniture	525,812	177,896
Total	2,524,992	849,367

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 reporting period, the residual value of the asset at the end of the reporting period, the depreciation rate and the adjustments and write-backs relating to the reporting

period under review. Commitments for and redemption rates of contracts related to leased assets which expire in subsequent years, amount to a total of approximately € 2,656,458.

	Parent company Pattern Spa (A)	Subsidiary SMT Srl (B)	Subsidiary Idee Partners Srl (C)	Subsidiary Petri & Lombardi Srl (D)	Subsidiary Zanni Srl (E)	Subsidiary RGB Srl (F)	Subsidiary Dyloan Bond Factory Srl (G)	Total Consolidated (A + B + C + D + E)
Total amount of leased financial assets at year end	2,559,122	436,766	92,137	401,877	219,104	56,793	1,166,718	4,932,517
Depreciation that would have been charged in the year	89,519	183,238	19,284	70,328	67,095	7,099	61,048	497,611
Value adjustments and write-backs that would have been posted in the year	0	0	0	0	0			0
Present amount of instalments of fees not yet due at year end	1,438,782	70,320	20,166	179,999	80,484	43,539	823,168	2,656,458
Financial expense for the year based on the effective interest rate	54,979	9,910	2,494	5,244	1,830	2,813	41,096	118,366

B.III) Financial fixed assets

B.III.1) Investments

Movements in investments under Financial Fixed Assets are shown in the table below:

	Investments in other companies	Total investments
Net amount at 31.12.21 Consolidated	0	0
Net amount at 31.12.21 Zanni Srl	535	535
Total amount	535	535
Acquisitions in the year	0	0
Amount at 31.12.22 Consolidated	535	535

The amount refers to the credit consortia investment held by Subsidiary Zanni S.r.l..

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 the long-term receivables of the newly-consolidated companies is shown separately as of the date of inclusion of each subsidiary in the consolidation scope, respectively, as detailed in the introduction to these Notes.

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	Total long-term receivables
Amount at 31.12.21 Consolidated	276,524	276,524
Net amount at 30.06.22 RGB Srl	120,058	120,058
Net amount at 31.10.22 Dyloan Bond Factory Srl	42,400	42,400
Total amount	438,982	438,982
Change in the year	59,707	59,707
Amount at 31.12.22 Consolidated	498,689	498,689
Portion due within one year	42,464	42,464
Portion due beyond one year	456,225	456,225
Of which with residual maturity of over 5 years	0	0

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

- portion due within the next year in the amount of € 42,464 of the subsidiary Dyloan Bond Factory S.r.l. with regard to security deposits on the lease agreement for D house spaces in Milan, Via Ferraris, due in 2023;
- portion due beyond one year:
 - financial receivables of the subsidiary S.M.T. S.r.l. for the amount of € 53,674 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 prior year, still outstanding as it is has not expired; security deposits totaling € 41,622 for utilities and for the existing leases on the properties in Correggio of the subsidiary SMT S.r.l.;
 - financial receivables of the subsidiary Petri & Lombardi S.r.l. totaling € 34,604, consisting of € 34,131 related to a Reale Mutua insurance policy for a savings plan, as well as € 1,800 for security deposits relating to utilities;
 - security deposits and down payments for € 14,316 relating to outstanding leases concluded by the Parent Company, the warehouse in Collegno and a property for residential use in Apulia for employees moving to the new headquarters in Santeramo in Colle (BA), opened in January 2022, as well as security deposits for utilities;
 - security deposits and down payments amounting to € 300,209 of the subsidiary R.G.B. S.r.l. relating, for € 120,000 to the existing lease agreement, € 180,000 to the down payment made at the time of the binding offer for the acquisition of the business unit under the bankruptcy proceedings of Mia Pelletterie S.r.l., as well as security deposits for utilities.

In detail:

Description	Book value
Security deposits	357,947
Financial receivables	140,742
Total	498,689

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	498,689	498,689
Total	498,689	498,689

B.III.4) Financial derivative assets

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

	Financial derivative assets
Consolidated amount 31.12.21	4,479
Fair value adjustments	597,537
Consolidated amount 31.12.22	602,016

This amount represents the positive fair value at 31 December 2022, of two IRS hedging derivative contracts entered into in prior years by the Parent Company, three IRS hedging derivative contracts entered into in prior years by the subsidiary Idee Partners Srl, and four IRS hedging derivative contracts entered into in prior years by the newly-consolidated Dyloan Bond Factory S.r.l., for specific details of which reference is made to Part V of these Notes.

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 included in current assets amounted to € 9,359,495 (€ 8,289,580 at 31 December 2021).

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 € 1,874,846, broken down as follows:

- € 771,764 as a reduction in the value of raw materials inventory;
- € 1,103,082 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 of the newly-consolidated companies is shown separately as of the date of inclusion of each subsidiary in the consolidation scope, respectively, as detailed in the introduction to these Notes.

	Raw and ancillary materials and consumables	Work in progress and semi-finished products	Finished products and goods	Total inventory
Amount at 31.12.21 Consolidated	2,928,249	3,809,730	1,551,601	8,289,580
Net amount at 31.12.21 Zanni Srl	0	0	5,411	5,411
Net amount at 30.06.22 RGB Srl	537,090	675,303	0	1,212,393
Net amount at 31.10.22 Dyloan Bond Factory Srl	252,258	418,189	20,437	690,884
Net amount at 31.10.22 Shapemode Srl	14,687	0	10,703	25,390
Net amount at 31.10.22 D-Manufacturing Srl	0	59,760	0	59,760
Total amount	3,732,284	4,962,982	1,588,152	10,283,418
Change in the year	(344,051)	24,022	(603,894)	(923,923)
Amount at 31.12.22 Consolidated	3,388,233	4,987,004	984,258	9,359,495

The overall change recorded is not due to any specific reasons, but rather to the time distribution of deliveries for assigned 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	3,965,342	471,927	3,493,415
Provision for inventory write-down of raw material	(771,764)	(153,786)	(617,978)
Raw materials in transit	194,655	141,843	52,812
Total	3,388,233	459,984	2,928,249

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	4,987,004	1,177,274	3,809,730
Provision for inventory write-down of work in progress	0	0	0
Total	4,987,004	1,177,274	3,809,730

C.I.4) Finished products and goods

Finished products and goods	Current-year amount	Change	Prior-year amount
Finished products	2,064,695	(2,672,192)	2,672,192
Provision for inventory write-down of finished products	(1,103,082)	1,123,703	(1,123,703)
Finished products in transit	22,645	(3,112)	3,112
Total	984,258	(567,343)	1,551,601

C.II) Receivables

Receivables under current assets amounted to € 36,819,858 (€ 21,151,181 at 31 December 2021).

Receivables under current assets - 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 of the newly-consolidated companies is shown separately as of the date of inclusion of each subsidiary in the consolidation scope, respectively, as detailed in the introduction to these Notes.

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 31.12.21 Consolidated	15,323,201	5,152,736	212,306	462,938	21,151,181
Net amount at 31.12.21 Zanni Srl	558,962	144,252	0	26,694	729,908
Net amount at 30.06.22 RGB Srl	2,346,037	228,170	0	836	2,575,043
Net amount at 31.10.22 Dyloan Bond Factory Srl	4,191,562	3,153,073	0	86,526	7,431,161
Net amount at 31.10.22 Shapemode Srl	115,576	(1,262)	0	(28)	114,286
Net amount at 31.10.22 D-Manufacturing Srl	844	0	0	17,742	18,586
Total amount	22,536,182	8,676,969	212,306	594,708	32,020,164
Change in the year	1,676,308	2,212,726	(109,616)	1,020,276	4,799,693
Amount at 31.12.22 Consolidated	24,212,489	10,889,695	102,690	1,614,984	36,819,858
Portion due within one year	24,212,489	9,961,589		1,393,883	35,567,961
Portion due beyond one year	0	928,106		221,101	1,149,207
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 31.12.22	Consolidated amount 31.12.21
<i>Within 12 months</i>		
Receivables from customers	24,092,763	15,543,554
Invoices to issue	140,266	58,883
Credit notes to issue	(7,074)	(78,342)
Bank receipts	479,416	189,715
Allowance for impairment	(492,882)	(390,609)
Total	24,212,489	15,323,201

The increase in receivables from customers, in addition to depending on the consolidation of new subsidiaries, is the result of the increase in business volumes in all Group companies.

C.II. 5-bis) Tax receivables

The item is broken down as follows:

Nature of receivable	Consolidated amount 31.12.22	Consolidated amount 31.12.21
<i>Within 12 months</i>		
Revenue Agency VAT a/c	6,374,749	3,803,212
IRAP receivable	171,223	105,637
IRES receivable	741,630	42,213
Other tax receivables	2,673,987	702,794
<i>Over 12 months</i>		
Other tax receivables	928,106	498,880
Total	10,889,695	5,152,736

The VAT receivable position amounts to approximately € 6.4 million and is composed as follows: € 3.3 million attributable to the parent company, € 1.8 million to the subsidiary SMT S.r.l., € 700 thousand to the subsidiary Idee Partners S.r.l., € 415 thousand to the subsidiary Dyloan Bond Factory S.r.l., € 80 thousand to the subsidiary Zanni S.r.l., € 45 thousand to the subsidiary R.G.B. S.r.l. and € 8 thousand to the subsidiary Shapemode S.r.l..

Other tax receivables come mainly in the form of the tax credit for expenditure in new capital goods, both ordinary and Industry 4.0 goods, made during the year and prior years (approximately € 1.4 million attributable to the subsidiary Dyloan Bond Factory S.r.l.), as well as the ZES tax credit under LD 91/17 (approximately € 630 thousand of the subsidiary Dyloan Bond Factory S.r.l.), in addition to the textile tax credit ("fashion bonus") and for R&D.

C.II. 5-quater) Other receivables

The item is broken down as follows:

Nature of receivable	Consolidated amount 31.12.22	Consolidated amount 31.12.21
<i>Within 12 months</i>		
Receivables from social security entities	5,628	9,382
Redundancy fund	0	1,150
Advances to suppliers	228,603	47,113
Sundry receivables	1,159,652	184,427
<i>Over 12 months</i>		
Security deposits	221,101	220,866
Total	1,614,984	462,938

Other receivables within the next year include the confirmatory deposit issued by the subsidiary SMT S.r.l. for € 1 million for the purchase of shares in Nuova Nicol S.r.l..

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	8,392,600	10,889,695	102,690	1,614,984	20,999,969
EU	7,095,444	0	0	0	7,095,444
Extra EU	8,724,446	0	0	0	8,724,446
Total	24,212,489	10,889,695	102,690	1,614,984	36,819,858

C.III) Current financial assets**Changes in current financial assets**

At year end, cash amounted to € 2,585,301 (€ zero at 31 December 2021). This refers to:

- an escrow account deposit, so-called time deposit, maturing on 30 January 2023, set up by the Parent Company with Credem Spa, in the amount of € 1 million;
- an escrow account deposit, so-called time deposit, maturing on 30 January 2023, set up by the subsidiary S.M.T. S.r.l. with Credem Spa, in the amount of € 1 million;
- an escrow account deposit, so-called time deposit, maturing on 30 January 2023, set up by the subsidiary Idee Partners S.r.l. with BPer Spa, in the amount of € 500 thousand;
- the value of mutual fund shares and other securities held by the subsidiary Dyloan Bond Factory S.r.l. in the amount of approximately € 85 thousand.

	Securities
Amount at 31.12.21 Consolidated	0
Change in the year	2,585,301
Amount at 31.12.22 Consolidated	2,585,301

C.IV) Cash

At year end, cash amounted to € 16,552,627 (€ 22,794,185 at 31 December 2021). In this regard, the net amount of each item of cash of the newly-consolidated companies is shown separately as of the date of inclusion of each subsidiary in the consolidation scope, respectively, as detailed in the introduction to these Notes.

With regard to the change in cash, 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
Amount at 31.12.21 Consolidated	22,776,524	0	17,661	22,794,185
Net amount at 31.12.21 Zanni Srl	1,330,369	0	1,009	1,331,378
Net amount at 30.06.22 RGB Srl	487,233	0	0	487,233
Net amount at 31.10.22 Dyloan Bond Factory Srl	2,195,484	0	1,779	2,197,263

Net amount at 31.10.22 Shapemode Srl	78,911	0	951	79,862
Net amount at 31.10.22 D-Manufacturing Srl	3,950	0	73	4,023
Total amount	26,872,471	0	21,473	26,893,944
Change in the year	(10,325,608)	0	(4,984)	(10,330,592)
Amount at 31.12.22 Consolidated	16,536,138	0	16,489	16,552,627

D) ACCRUED INCOME AND PREPAID EXPENSE

The breakdown of this item is shown in the table below (Article 38, paragraph I, letter f), Legislative Decree 127/91). In this regard, the amount of accrued income and prepaid expense of the newly-consolidated companies is shown separately as of the date of inclusion of each subsidiary in the consolidation scope, respectively, as detailed in the introduction to these Notes.

	Accrued income	Prepaid expense	Total accrued income and prepaid expense
Amount at 31.12.21 Consolidated	12,963	446,128	459,091
Net amount at 31.12.21 Zanni Srl	0	118,659	118,659
Net amount at 30.06.22 RGB Srl	25	18,883	18,908
Net amount at 31.10.22 Dyloan Bond Factory Srl	0	277,796	277,796
Net amount at 31.10.22 Shapemode Srl	0	51	51
Net amount at 31.10.22 D-Manufacturing Srl	0	1,404	1,404
Total amount	12,988	862,921	875,909
Change in the year	(3,058)	(25,529)	(28,587)
Amount at 31.12.22 Consolidated	9,930	837,392	847,322

A breakdown of accrued income and prepaid expense is shown below:

Accrued income	Amount
Compensation for damages	181
Interest income	3,868
GSE Incentive Tariff	5,881
Total	9,930
Prepaid expense	Amount
Rentals	88,811
Property leases	39,953
Purchase of services	52,604
Insurance	75,634
Service contracts	29,634
Software support contracts	64,985
Maxi lease fee	253,017
Other prepaid expense	45,965
Bank expense	46,399

Rental expense	133,229
Sponsorships and advertising	7,160
Total	837,392

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), 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 € 1,426,293, is made up of no. 14,262,929 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.

Additionally, on 4 April 2022 a free share capital increase in the amount of € 18,737.90 was made, following the exercise of no. 187,379 rights comprised in the third 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 € 1,426,293, is attributable to the Retained Earnings Reserve to service the free share capital increase, in the residual amount of € 10,000, resolved by the Extraordinary Shareholders' Meeting of Pattern S.p.A. on 25 June 2019.

A.II) Share premium reserve

The Share Premium Reserve was unchanged in the reporting period, amounts to € 9,548,706 and is composed 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 set up in 2021 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	9,548,706
Increase in the year	0
Balance at 31.12.22	9,548,706

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

A.IV) Legal reserve

The Legal Reserve amounts to € 281,511 and the movements in the year are as follows:

Legal reserve	Amount
Prior-year amount	281,259
Allocation of prior year's profit	252
Balance at 31.12.22	281,511

A.VI) Other equity reserves

Extraordinary reserve

The Extraordinary Reserve amounts to € 8,839,294 and the movements in the six months are as follows:

Extraordinary reserve	Amount
Prior-year amount	8,106,244
Allocation of prior year's profit	733,050
Balance at 31.12.22	8,839,294

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

The Parent Company's Shareholders' resolution of 25 June 2019 set up the restricted reserve for share capital increase to service the Stock Grant Plan approved by its shareholders (for the period 2019 - 2022), in the amount of € 40,000, through use of the extraordinary reserve. During the reporting period, as mentioned, the reserve - already used in prior years in the total amount of € 11,262 - was used for a free share capital increase of € 18,738, following allocation of the third tranche of the Stock Grant Plan.

Restricted reserve for share capital increase to service the Stock Grant Plan	Amount
Prior-year amount	28,738
Utilization for share capital increase	(18,738)
Balance at 31.12.22	10,000

A.VII) Reserve for hedges of expected cash flows

The Reserve for hedges of expected cash flows amounts to € 457,532 and refers to the fair value at 31.12.22 of two IRS derivative contracts hedging interest rate risk on loans taken out by the Parent Company in prior years, three IRS derivative contracts hedging interest rate risk on loans taken out in prior years by the subsidiary Idee Partners

S.r.l., S.r.l. and four IRS derivative contracts to hedge interest rate risk on loans entered into during prior years by the newly-consolidated Dyloan Bond Factory 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 the provisions for risks and charges of the newly-consolidated companies is shown separately as of the date of inclusion of each subsidiary in the consolidation scope, respectively, as detailed in the introduction to these Notes.

	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 31.12.21 Consolidated	3,273	0	9,223	39,415	51,911
Net amount at 31.12.21 Zanni Srl	0	0	0	0	0
Net amount at 30.06.22 RGB Srl	0	0	0	0	0
Net amount at 31.10.22 Dyloan Bond Factory Srl	0	58,587	0	0	58,587
Net amount at 31.10.22 Shapemode Srl	0	0	0	0	0
Net amount at 31.10.22 D-Manufacturing Srl	0	0	0	0	0
Total amount	3,273	58,587	9,223	39,415	110,498
Allocation for the year	568	87,394	0	1,207,907	1,295,869
Utilization in the year	(1,070)	0	(9,223)	(39,415)	(49,708)
Amount at 31.12.22 Consolidated	2,771	145,981	0	1,207,907	1,356,659

The breakdown of the closing balance of the various types of provisions 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:

	Provision for supplementary agents' indemnity
Opening balance	3,273
Allocation for the year	568
Utilization in the year	(1,070)
Closing balance	2,771

B.3) Financial derivative liabilities

Movements were as follows:

	Financial derivative liabilities
Opening balance	9,223
Recognition of fair value derivatives	0
Utilization in the year	(9,223)
Closing balance	0

With regard to movements in the provision for financial derivative liabilities, mention should be made that use of the provision refers to the positive fair value recognition at 31.12.22:

- of an IRS hedging derivative contract entered into in prior years by the Parent Company;
- of two IRS hedging derivative contracts entered into in the prior year by the consolidated company Idee Partners S.r.l..

B.4) Other provisions

Other provisions changed as follows during the year:

	Other provisions
Opening balance	39,415
Allocation for the year	1,183,113
Utilization for expense incurred	(14,621)
Utilization for provision surplus	0
Closing balance	1,207,907

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:

	Provisions for returns on sales
Opening balance	39,415
Allocation for the year	
Utilization for expense incurred	(14,621)
Utilization for provision surplus	0
Closing balance	24,794

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.

Other provisions

	Other provisions
Opening balance	0
Allocation for the year	1,183,113
Utilization for expense incurred	
Utilization for provision surplus	0
Closing balance	1,183,113

Allocations for the year refer to:

- € 1 million made by the subsidiary Idee Partners S.r.l. for the earn out to be paid under the agreements established in the contract for the acquisition of the shares of R.G.B. S.r.l.;
- € 183,113 for an allocation to the provision for risks made by the subsidiary S.M.T. S.r.l.. Specifically, on October 17, 2022, following an audit conducted in the May/September period, the Company received a tax audit report from the tax authorities, Provincial Offices of Reggio Emilia. The audit report found alleged irregularities related to ordinary taxation for approximately € 140 thousand and R&D tax credit related to the years 2015 to 2019 for approximately € 2,411 thousand. The Company has consulted with its tax professionals regarding the audit report and is currently in discussions with the tax authorities. Given the ongoing nature of the proceedings, it has determined that there is a probable risk of liability amounting to € 183 thousand related to the TAR, and has therefore set up a risk provision for this amount. The Company, with the assistance of its tax advisors and considering the arguments supporting its positions, considers the risk of losing any litigation on the remaining amount as possible and, therefore, has not allocated additional amounts to the risk provision.

C) POST-EMPLOYMENT BENEFITS

Post-employment benefits are recorded under liabilities for a total of € 4,571,406 (€ 2,805,520 at 31 December 2021).

In this regard, the amount of the provision for post-employment benefits of the newly-consolidated companies is shown separately as of the date of inclusion of each subsidiary in the consolidation scope, respectively, as detailed in the introduction to these Notes.

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 31.12.21 Consolidated	2,805,520
Net amount at 31.12.21 Zanni Srl	314,427
Net amount at 30.06.22 RGB Srl	55,070
Net amount at 31.10.22 Dyloan Bond Factory Srl	647,628
Net amount at 31.10.22 Shapemode Srl	11,744

Net amount at 31.10.22 D-Manufacturing Srl	11,685
Total amount	3,846,074
Allocation for the year	1,339,965
Utilization in the year	(614,633)
Amount at 30.6.22 Consolidated	4,571,406

D) PAYABLES

Payables are recorded under liabilities for a total of € 63,324,195 (€ 41,960,788 at 31 December 2021).

In this regard, the amount of the various payable items of the newly-consolidated companies is shown separately as of the date of inclusion of each subsidiary in the consolidation scope, respectively, as detailed in the introduction to these Notes.

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 period (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 31.12.21 Consolidated	19,104,957	602,671	13,168	17,669,125	1,533,540	1,032,104	2,005,223	41,960,788
Net amount at 31.12.21 Zanni Srl	2,527	0	0	89,647	185,322	37,431	96,177	411,104
Net amount at 30.06.22 RGB Srl	302,317	0	0	2,306,893	277,503	108,773	304,414	3,299,900
Net amount at 31.10.22 Dyloan Bond Factory Srl	4,982,128	12,854	0	4,031,151	67,017	222,100	735,795	10,051,044
Net amount at 31.10.22 Shapemode Srl	0	0	1,753	21,051	38,469	1,738	7,775	70,786
Net amount at 31.10.22 D-Manufacturing Srl	0	0	0	144,868	33,565	46,324	164,191	388,948
Total amount	24,391,929	615,525	14,921	24,262,735	2,135,416	1,448,470	3,313,575	56,182,570
Change in the year	6,667,470	(112,706)	771,646	(2,011,530)	215,481	281,011	1,330,252	7,141,623
Amount at 31.12.22 Consolidated	31,059,399	502,819	786,567	22,251,205	2,350,897	1,729,481	4,643,827	63,324,195
Portion due within one year	7,473,631	178,446	786,567	22,251,205	2,350,897	1,729,481	4,643,827	39,414,054
Portion due beyond one year	23,585,768	324,373	0	0	0	0	0	23,910,141
Of which with residual maturity of over 5 years	2,090,169	0	0	0	0	0	0	2,090,169

Payables - by geographical area

The table below shows a breakdown of payables by geographical area for each item.

Geographical area	Payables to banks	Payables to other lenders	Advances	Payables to suppliers	Tax payables	Payables to welfare and social security entities	Other payables	Total
Italy	31,059,399	502,819	786,567	20,667,131	2,350,897	1,729,481	4,643,827	61,740,121
EU	0	0	0	1,244,475	0	0	0	1,244,475
Extra EU	0	0	0	339,599	0	0	0	339,599
Total	31,059,399	502,819	786,567	22,251,205	2,350,897	1,729,481	4,643,827	63,324,195

Mention should be made that there are no payables secured by collateral on corporate assets (Article 38, paragraph 1, 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 31.12.22	Consolidated amount 31.12.21
<i>Within 12 months</i>		
Credit cards	17,308	11,627
Loans without collateral	7,451,055	4,086,634
Bank fees to settle	5,268	5,680
<i>Over 12 months</i>		
Loans without collateral	23,585,768	15,001,017
Total	31,059,399	19,104,957

D.5) Payables to other lenders

Payables to other lenders are shown below:

Nature of payable	Consolidated amount 31.12.22	Consolidated amount 31.12.21
<i>Within 12 months</i>		
Simest Spa loan	161,071	141,602
Other loans	17,375	11,177
<i>Over 12 months</i>		
Simest Spa loan	322,154	443,234
Other loans	2,219	6,659
Total	502,819	602,671

D.6) Advances

Payables for advances received are shown below:

Nature of payable	Consolidated amount 31.12.22	Consolidated amount 31.12.21
<i>Within 12 months</i>		

Customer advances	786,567	13,168
Total	786,567	13,168

These are advances received from customers on supplies of goods yet to be delivered (specifically, approximately € 69 thousand for advances received from customers by the Parent Company, approximately € 698 thousand from the subsidiary Idee Partners S.r.l., approximately € 18 thousand from the subsidiary Petri & Lombardi S.r.l., and approximately € 2 thousand from the subsidiary Shapemode S.r.l.).

D.7) Payables to suppliers

Payables to suppliers are shown below:

Nature of payable	Consolidated amount 31.12.22	Consolidated amount 31.12.21
<i>Within 12 months</i>		
Invoices received	18,966,092	15,164,735
Invoices to receive	2,941,147	2,231,350
Credit notes to receive	(13,867)	(50,797)
Payables for confirming buyer	357,833	323,837
Total	22,251,205	17,669,125

The increase in payables to suppliers versus the prior year is attributable not only to the inclusion of the newly-acquired subsidiaries in the 2022 consolidated scope, but also to the increase in 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 31.12.22	Consolidated amount 31.12.21
<i>Within 12 months</i>		
Revenue Agency withholding tax on employees a/c	874,527	577,635
Revenue Agency withholding tax on self-employment a/c	45,619	30,548
Revenue Agency withholding tax on post-employment benefits a/c	46,899	12,554
Revenue Agency VAT a/c	97,838	1,073
Revenue Agency Irap a/c	271,422	141,925
Revenue Agency Ires a/c	981,350	762,357
Revenue Agency other payables a/c	33,241	7,448
Total	2,350,897	1,533,540

D.13) Payables to welfare and social security entities

Payables to welfare and social security entities are shown below:

Nature of payable	Consolidated amount 31.12.22	Consolidated amount 31.12.21
<i>Within 12 months</i>		
Inps	1,277,954	787,160

Inail	47,994	15,238
Inps and Inail accruals	269,531	132,348
Contributions to supplementary pension funds	132,354	97,358
Enasarco	1,648	0
Total	1,729,481	1,032,104

D.14) Other payables

Other payables are shown below:

Nature of payable	Consolidated amount 31.12.22	Consolidated amount 31.12.21
<i>Within 12 months</i>		
Payables to pension funds	17,464	9,791
Accruals for holidays not taken	1,179,795	604,840
Payables for salaries to settle	1,558,178	974,790
Payables for commissions to settle	12,249	17,610
Payables for fees to settle	225,250	25,455
Other payables	1,650,890	372,737
Total	4,643,827	2,005,223

The increase in other payables is attributable mainly for approximately € 1.3 million to the price yet to be paid by the consolidated company SMT S.r.l. for the acquisition of the investee Zanni S.r.l., and for approximately € 343 thousand to the payable accrued for the purchase of the investee Dyloan Bond Factory S.r.l., as a result of the restatement of the net financial position at closing, which took place on 8 November 2022. The amount is not final.

E) ACCRUED EXPENSE AND DEFERRED INCOME

The breakdown of this item is shown in the table below (Article 38, paragraph I, letter f), Legislative Decree 127/91). In this regard, the amount of the accrued expense and deferred income of the newly-consolidated companies is shown separately as of the date of inclusion of each subsidiary in the consolidation scope, respectively, as detailed in the introduction to these Notes.

	Accrued expense	Deferred income	Total accrued expense and deferred income
Amount at 31.12.21 Consolidated	43,964	573,977	617,941
Net amount at 31.12.21 Zanni Srl	0	28,378	28,378
Net amount at 30.06.22 RGB Srl	2,925	0	2,925
Net amount at 31.10.22 Dyloan Bond Factory Srl	1,641	3,433,762	3,435,403
Net amount at 31.10.22 Shapemode Srl	0	34,247	34,247
Net amount at 31.10.22 D-Manufacturing Srl	0	0	0
Total amount	48,530	4,070,364	4,118,894
Change in the year	23,754	3,445,843	3,469,597
Amount at 31.12.22 Consolidated	67,718	4,048,198	4,115,916

The high amount of deferred income recorded in Dyloan Bond Factory stems from tax receivables accrued in the year, the accrual of which is in subsequent years.

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

Accrued expense	Amount
Insurance	38,544
Services and utilities	3,910
Interest expense on medium/long-term loans	22,509
Other	2,755
Total	67,718
Deferred income	Amount
Purchase of services	45,044
Exclusive customer contract	48,767
Grants Sabatini L.	3,054
Tax credit for capital goods	3,951,333
Total	4,048,198

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, letter i), Legislative Decree 127/91).

Business category	Amount at 31.12.22	Amount at 31.12.21
Income from production area	94,676,765	61,332,989
Income from engineering area	13,029,269	7,358,134
Other income	1,505,765	814,672
Total	109,211,799	69,505,795

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 in prior years.

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 31.12.22	Amount at 31.12.21
Italy	39,604,399	28,343,950
EU	25,626,002	5,401,623
Extra EU	43,981,398	35,760,222
Total	109,211,799	69,505,795

The largest growth is in the EU area, driven by the contribution made by the newly-consolidated companies, especially in the leather goods segment.

A.5) Other income

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

Nature	Amount at 31.12.22	Amount at 31.12.21
<i>Operating grants</i>	916,707	196,282
<i>Other revenue</i>		
Grants plants a/c	207,650	68,665
Ordinary capital gains	71,967	2,556
Compensation	961	12
Rental income, rentals	112,400	162,750
Chargeback of costs	120,089	43,731
Other revenue and income	369,641	45,912
Total	1,799,414	519,908

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

The item amounted to 28,110,572 (€ 22,590,632 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 31.12.22	Amount at 31.12.21
Production services	35,828,501	22,001,216
Commercial services	1,439,968	1,247,029
Administrative and management services	5,008,712	2,354,651
Total	42,277,181	25,602,896

B.8) Lease and rental costs

Costs are as follows:

Nature	Amount at 31.12.22	Amount at 31.12.21
Rental payments	982,199	397,795
Lease payments	883,597	658,002
Fees for software use	117,893	89,826
Car rental fees	215,898	136,193
Rental fees for other capital goods	131,311	116,881
Other costs for rentals and leases	70,690	77,566
Total	2,401,587	1,476,263

B.9) Personnel expense

Payroll costs totaled € 25,381,626 (€ 15,166,325 in the prior year). The increase is due to the payroll dynamics of the current workforce, the increase in employment and associated costs in the consolidated companies, and the consolidation of new subsidiaries.

B.14) Sundry operating expense

Costs are as follows:

Nature	Amount at 31.12.22	Amount at 31.12.21
Sundry tax and duties	170,628	86,231
Gifts	71,038	59,742
Contingent liabilities	128,613	62,769
Other sundry operating expense	427,375	93,946
Total	797,655	302,688

C) FINANCIAL INCOME AND EXPENSE**C.16) Other financial income**

Income is as follows:

Nature	Amount at 31.12.22	Amount at 31.12.21
Sundry interest income	19,258	2,145
Other income	6,657	0
Total	25,915	2,145

C.17) Interest and other financial expense

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

Nature	Amount at 31.12.22	Amount at 31.12.21
Bank interest expense	242,689	97,697
Sundry interest expense	35,710	190
Total	278,399	97,887

A detailed breakdown of financial expense is shown below:

Nature	Amount at 31.12.22	Amount at 31.12.21
Interest expense on medium-term loans	240,900	97,642
Interest expense on short-term loans	1,789	55
Other financial expense	35,710	190
Total	278,399	97,887

The increase in financial expense is explained by the larger consolidation scope and the initial effects of the rise in interest rates.

C.17 bis) Exchange gains and losses

The items are as follows:

Nature	Amount at 31.12.22	Amount at 31.12.21
Valuation exchange differences	(7,700)	(4,413)
Realized exchange gains	39,722	5,456
Realized exchange losses	(63,453)	(30,315)
Total	(31,431)	(29,272)

The increase in the amount of 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), 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 made, pursuant to Article 38, paragraph 1, letter m), 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.

Tax for the reporting period totaled € 2,534,852 and consisted of current tax (€ 2,425,138), prior year's tax (€ 98), the provision of deferred tax assets (€ -34,868) and the recognition of deferred tax liabilities (€ 144,484).

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 31.12.22	Average at 31.12.21
Executives	15	11
Managers	28	15
White collars	206	154
Blue collars	396	192
Trainees	50	33
Total Employees	693	405

Employees amounted to 826 at 31 December 2022, including 604 women and 222 men.

	In service at 31.12.22	In service at 31.12.21
Executives	14	11
Managers	31	16
White collars	227	162
Blue collars	499	190
Trainees	55	31
Total	826	410

FEES TO THE 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	700,622	66,165

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	83,050
Other non-audit services	9,500
Total fees payable to the Auditor or to the Independent Auditors	92,550

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 31.12.22	Amount at 31.12.21
Guarantee issued	85,072	85,072
Surety issued	29,142	2,411,500
Total	114,214	2,496,572

Specifically, it involves the following:

- guarantee issued by the Parent Company for the loan granted in 2019 by Simest S.p.A., in the 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.
- surety issued by Zanni S.r.l. in favour of the Municipality of Reggio Emilia to guarantee the ancillary obligations arising from the agreement for the property expansion of the headquarters in Via Cantu' 17/a, Marmiolo.

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 Parent 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 € 2,656,458.

For the sake of completeness, the property lease entered into by the subsidiary Dyloan Bond Factory S.r.l., in the remaining amount of € 914,102, is secured by a guarantee from Società cooperativa di garanzia dei fidi tra piccole e medie imprese della Sardegna (Sardafidi) and the Guarantee Fund Law no. 662 of 23/12/1996 with Medio Credito Centrale.

TRANSACTIONS WITH RELATED PARTIES

Pursuant to article 38, paragraph 1, letter o-quinquies) of Legislative Decree no. 127/1997, it should be noted that the Parent Company carried out business supply transactions with SMT S.r.l. and Dyloan Bond Factory S.r.l., as well as minor business supply transactions with the subsidiaries Zanni S.r.l. and Idee Partners S.r.l., according to market conditions.

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

- the subsidiary Idee Partners S.r.l. carried out business transactions for the supply and processing of goods according to market conditions with Petri & Lombardi S.r.l. and R.G.B. S.r.l.;
- the subsidiary Dyloan Bond Factory S.r.l. provided administrative services to Shapemode S.r.l. according to market conditions;
- the subsidiaries SMT S.r.l. and Zanni S.r.l. carried out business transactions among themselves for the processing of goods according to market conditions.

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 reporting period 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 from the Statement of Financial Position, worthy of mention of the nature, operating purpose and effect on the statement of financial position 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 the significant events after the period.

It should be noted that on 21 December 2022 - the Company signed a binding investment agreement to acquire, through its subsidiary SMT S.r.l., 100% of Nuova Nicol S.r.l., an Emilia-based company specializing in the production of women's luxury knitwear.

The price set is € 6 million. At the time of signing the agreement, a confirmatory deposit of € 1 million was paid.

The share purchase deed is expected to be signed in April.

OUTLOOK FOR THE YEAR

With regard to the outlook, reliable forecasts for 2023 are difficult to make, given the uncertainty on the markets and the severe material and economic consequences generated by the war in Ukraine, which broke out in February 2022.

The conflict in Ukraine has had minor direct impacts on the majority of luxury brands (Russia's weight on the luxury market is estimated at around 2-3%, a considerable but relatively small share), while causing however heavy consequences on a global scale, due not only to the major humanitarian crisis, but also to the possible economic effects on global markets, which have already brought a further increase in the costs of a number of raw materials, energy commodities first and foremost.

It should be noted that the Group does not operate directly in the countries involved in the conflict, and the brands it operates with are not exposed to a great extent to this market.

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

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 31.12.22
IRS Unicredit	30.6.20 – 31.3.25	61,544
IRS Intesa Sanpaolo	19.6.20 – 19.6.26	143,198
IRS Intesa Sanpaolo	31.12.20 - 30.11.26	61,516
IRS Intesa Sanpaolo	26.2.21 - 26.2.27	27,420
IRS Banco BPM	18.6.21 - 18.6.27	56,138
IRS Intesa Sanpaolo	29.01.21 – 29.01.27	51,160

IRS Intesa Sanpaolo	06.08.21 – 06.08.29	144,295
IRS BNL	24.03.21 - 24.03.26	25,970
IRS BNL	24.03.21 - 09.12.26	30,775
		602,016

For the **Board of Directors**

The Chairman

Francesco MARTORELLA

ANNEXES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (ANNEX A)

MOVEMENTS IN EQUITY

	Share capital	Share premium reserve	Legal reserve	Other reserves			Reserve for hedges of expected cash flows	Group profit (loss) for the year	Equity attributable to the owners of the parent	Equity attributable to non-controlling interests	Total equity
				Extraordinary reserve	Restricted reserve for share capital increase to service the Stock Grant Plan	Other reserves					
Balance at 31 December 2021	1,407,555	9,548,706	281,259	8,106,244	28,738	556,207	(4,743)	2,998,895	22,922,861	2,200,802	25,123,663
Allocation of the result for 2021			252	733,050		1,252,925		(1,986,227)	-		-
Free share capital increase to service the Stock Grant Plan	18,738				(18,738)				-		-
Increases in the year				-		(169,483)	462,275		292,792		292,792
Reserved capital increase		-							-		-
Dividend distribution								(1,012,667)	(1,012,667)	(200,000)	(1,212,667)
Changes in consolidation									-	1,360,869	1,360,869
Profit (loss) for the year								2,593,064	2,593,064	1,470,568	4,063,632
Balance at 31 December 2022	1,426,293	9,548,706	281,511	8,839,294	10,000	1,639,649	457,532	2,593,065	24,796,050	4,832,239	29,628,289

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

RECONCILIATION OF FINANCIAL STATEMENTS - PARENT COMPANY CONSOLIDATED FINANCIAL STATEMENTS

	Profit (loss) for the year	Equity at 31.12.2022
-		
Financial statements of the Parent Company	1,161,879	21,597,263
Adjusted results of consolidated subsidiaries and difference between adjusted equity and amount of investments	5,260,170	10,725,110
Derecognition of recorded dividends	(800,000)	-
Amortization of positive consolidation difference	(1,558,416)	(2,694,084)
Derecognition of the results of intra-group transactions and other adjustments	0	-
Consolidated financial statements	4,063,633	29,628,289
of which Group share	2,593,065	24,796,050
of which non-controlling interests	1,470,568	4,832,239

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

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022 SHOWING THE CHANGES VERSUS 31 DECEMBER 2021 FOR THE STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT

STATEMENT OF FINANCIAL POSITION - ASSETS			
	31/12/2022	31/12/2021	Change
A) SHARE CAPITAL PROCEEDS TO BE RECEIVED			
B) FIXED ASSETS			
I. Intangible fixed assets			
1) Start-up and expansion costs	39.156	23.056	16.100
2) Development costs	38.174	121.282	(83.108)
3) Industrial patent and intellectual property rights	14.252		14.252
4) Concessions, licenses, trademarks and s	703.131	321.865	381.266
5) Goodwill	16.590.345	9.364.213	7.226.132
6) Fixed assets in progress and advances	7.800	-	7.800
7) Other	2.403.152	1.527.191	875.961
<i>Total intangible fixed assets</i>	<u>19.796.010</u>	<u>11.357.607</u>	<u>8.438.403</u>
II. Tangible fixed assets			
1) Land and buildings	4.299.270	778.002	3.521.268
2) Plant and machinery	10.045.459	4.674.789	5.370.670
3) Industrial and commercial equipment	307.066	53.976	253.090
4) Other assets	849.367	689.019	160.348
5) Fixed assets in progress and advances	433.450	31.390	402.060
<i>Total tangible fixed assets</i>	<u>15.934.612</u>	<u>6.227.176</u>	<u>9.707.436</u>
III. Financial fixed assets			
2) Investments			
d) Other companies	535		535
2) Receivables			
d-bis) from others			
<i>(due within one year)</i>	42.464	25.000	17.464
<i>(due beyond one year)</i>	456.225	251.524	204.701
Total receivables	<u>499.224</u>	<u>276.524</u>	<u>222.700</u>
3) Other securities		-	-
4) Financial derivative assets	602.016	4.479	597.537
<i>Total financial fixed assets</i>	<u>1.101.240</u>	<u>281.003</u>	<u>820.237</u>
Total fixed assets	36.831.862	17.865.786	18.966.076
C) CURRENT ASSETS			
I. Inventory			
1) Raw and ancillary materials and consum	3.388.233	2.928.249	459.984
2) Work in progress and semi-finished prod	4.987.004	3.809.730	1.177.274
4) Finished products and goods	984.258	1.551.601	(567.343)
<i>Total inventory</i>	<u>9.359.495</u>	<u>8.289.580</u>	<u>1.069.915</u>
II. Receivables			
1) from customers	24.212.489	15.323.201	8.889.288
<i>(due within one year)</i>	24.212.489	15.323.201	8.889.288
5-bis) Tax receivables	10.889.695	5.152.736	5.736.959
<i>(due within one year)</i>	9.990.285	4.653.856	5.336.429
<i>(due beyond one year)</i>	899.410	498.880	400.530
5-ter) Prepaid tax	102.690	212.306	- 109.616
5-quater) from others	1.614.984	462.938	1.152.046
<i>(due within one year)</i>	1.393.883	242.072	1.151.811
<i>(due beyond one year)</i>	221.101	220.866	
<i>Total receivables</i>	<u>36.819.858</u>	<u>21.151.181</u>	<u>15.668.677</u>
III. Current financial assets			
6) Other securities	2.585.301	-	2.585.301
<i>Total financial assets</i>	<u>2.585.301</u>	<u>-</u>	<u>2.585.301</u>
IV. Cash			
1) Bank and postal deposits	16.536.138	22.776.524	- 6.240.386
2) Cheques	-	-	-
3) Cash and valuables on hand	16.489	17.661	- 1.172
<i>Total cash</i>	<u>16.552.627</u>	<u>22.794.185</u>	<u>(6.241.558)</u>
Total current assets	65.317.281	52.234.946	13.082.335
D) ACCRUED INCOME AND PREPAID EXPENSE	847.322	459.091	388.231
TOTAL ASSETS	102.996.465	70.559.823	32.436.642

STATEMENT OF FINANCIAL POSITION - LIABILITIES			
	31/12/2022	31/12/2021	Change
A) EQUITY			
I. Share capital	1.426.293	1.407.555	18.738
II. Share premium reserve	9.548.706	9.548.706	-
IV. Legal reserve	281.511	281.259	252
VI. Other reserves	10.488.943	8.691.189	1.797.754
- extraordinary reserve	8.839.294	8.106.244	733.050
- other	1.649.649	584.945	1.064.704
VII. Reserve for hedges of expected cash flows	457.532	(4.743)	462.275
VIII. Retained earnings (losses carried forward)	-	-	-
IX. Profit (loss) for the year	2.593.065	2.998.895	(405.830)
Total equity attributable to the owners of the parent	24.796.050	22.922.861	1.873.189
Share capital and reserves attributable to non-controlling inter	3.361.671	1.526.141	1.835.530
Profit (loss) attributable to non-controlling interests	1.470.568	674.661	795.907
Total equity attributable to non-controlling interests	4.832.239	2.200.802	2.631.437
Total consolidated equity	29.628.289	25.123.663	4.504.626
B) PROVISIONS FOR RISKS AND CHARGES			
1) for pensions	2.771	3.273	(502)
3) financial derivative liabilities	145.981	9.223	136.758
4) other	1.207.907	39.415	1.168.492
Total provisions for risks and charges	1.356.659	51.911	1.304.748
C) POST-EMPLOYMENT BENEFITS	4.571.406	2.805.520	1.765.886
D) PAYABLES			
4) Payables to banks	31.059.399	19.104.957	11.954.442
(due within one year)	7.473.631	4.103.940	3.369.691
(due beyond one year)	23.585.768	15.001.017	8.584.751
5) Payables to other lenders	502.819	602.671	- 99.852
(due beyond one year)	178.446	152.778	25.668
(due beyond one year)	324.373	449.893	-
6) Advances	786.567	13.168	773.399
(due within one year)	786.567	13.168	773.399
7) Payables to suppliers	22.251.205	17.669.125	4.582.080
(due within one year)	22.251.205	17.669.125	4.582.080
(due beyond one year)	-	-	0
12) Tax payables	2.350.897	1.533.540	817.357
(due within one year)	2.350.897	1.533.540	817.357
(due beyond one year)	-	-	-
13) Payables to welfare and social security e	1.729.481	1.032.104	697.377
(due within one year)	1.729.481	1.032.104	697.377
14) Other payables	4.643.827	2.005.223	2.638.604
(due within one year)	4.643.827	2.005.223	2.638.604
Total payables	63.324.195	41.960.788	21.363.407
E) ACCRUED EXPENSE AND DEFERRED INCOME	4.115.916	617.941	3.497.975
TOTAL LIABILITIES	102.996.465	70.559.823	32.436.642

INCOME STATEMENT			
	31/12/2022	31/12/2021	Change
A) VALUE OF PRODUCTION			
1) Revenue from sales and services	109.211.799	69.505.795	39.706.004
2) change in inventory of work in progress, semi-finished and f	(584.997)	2.495.576	(3.080.573)
4) Increases in internal work capitalized	-	-	-
5) other revenue and income	1.799.414	519.908	1.279.506
- operating grants	983.297	196.282	787.015
- other revenue and income	816.117	323.626	492.491
Total value of production (A)	110.426.216	72.521.279	37.904.937
B) PRODUCTION COSTS			
6) raw and anc. materials, consum. and goods	28.110.572	22.590.632	5.519.940
7) for services	42.277.181	25.602.896	16.674.285
8) for rentals and leases	2.401.587	1.476.263	925.324
9) for personnel	25.381.626	15.166.325	10.215.301
a) wages and salaries	18.374.113	10.800.475	7.573.638
b) social security expense	5.224.565	3.314.928	1.909.637
c) post-employment benefits	1.487.971	934.267	553.704
e) other costs	294.977	116.655	178.322
10) amortization, depreciation and write-downs	4.053.158	2.423.902	1.629.256
a) amortization of intangible assets	1.998.077	1.161.594	836.483
b) depreciation of tangible fixed assets	1.738.839	1.077.831	661.008
c) other write-downs of fixed assets	195.706	-	195.706
d) write-down of receivables under current assets and cash	120.536	184.477	- 63.941
11) changes in inventory of raw and ancillary materials, consumables and goods	338.924	(307.450)	646.374
12) provision for risks	183.113	-	-
14) sundry operating expense	797.655	302.688	494.967
Total production costs (B)	103.543.816	67.255.256	36.288.560
<u>DIFFERENCE BETWEEN VALUE AND PRODUCTION COSTS (A-B)</u>	6.882.400	5.266.023	1.616.377
C) FINANCIAL INCOME AND EXPENSE			
15) income from investments			-
- other income from investm.			-
	-	-	-
16) other financial income			
a) from receivables under fixed assets from	9.119	-	-
- subsidiaries	2.493	-	2.493
- other	6.626	-	-
b) from sec. under fixed assets other than invest.	-	-	-
c) from sec. under current assets other than invest.	-	-	-
d) financial income other than above:	16.796	2.145	14.651
- from others	16.796	2.145	14.651
	25.915	2.145	23.770
17) interest and other financial expense	278.399	97.887	180.512
- other	278.399	97.887	180.512
	278.399	97.887	180.512
17 bis) exchange gains (losses)	(31.431)	(29.272)	(2.159)
Total fin. income and expense (15+16-17+17bis)	(283.915)	(125.014)	(158.901)
D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS.			
19) write-downs	-	-	-
a) of investments	-	-	-
Total adjustments (18-19)	-	-	-
<u>PROFIT (LOSS) BEFORE TAX (A-B+C+D)</u>	6.598.485	5.141.009	1.457.476
20) income tax for the year	2.534.852	1.467.453	1.067.399
- current	2.425.138	1.459.921	965.217
- prior years	98	-	98
- deferred and (prepaid)	109.616	7.532	102.084
21) CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	4.063.633	3.673.556	390.077
of which PROFIT (LOSS) ATTRIBUTABLE TO THE OWNEF	2.593.065	2.998.895	(405.830)
of which PROFIT (LOSS) ATTRIBUTABLE TO NON-CONTR	1.470.568	674.661	795.907

ANALYTICAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION (ANNEX D)

	31.12.2022
ASSETS	102.996.465
A. SHARE CAPITAL PROCEEDS TO BE RECEIVED	0
B. FIXED ASSETS	36.831.862
I. INTANGIBLE FIXED ASSETS	19.796.010
1. Start-up and expansion costs	39.156
a. Start-up costs	39.156
- gross amount	93.487
- amortization fund	(54.331)
2. Development costs	38.174
- gross amount	1.054.158
- amortization fund	(1.015.984)
3. Industrial patent and intellectual property rights	14.252
- gross amount	19.169
- amortization fund	(4.917)
4. Concessions, licenses, trademarks and similar rights	703.131
a. Trademarks	387.943
- gross amount	775.369
- amortization fund	(387.426)
b. Software licenses	315.188
- gross amount	686.759
- amortization fund	(371.571)
5. Goodwill	16.590.345
a. Goodwill from acquisition of "Modalis" business unit	16.590.345
- gross amount	18.246.425
- amortization fund	(1.656.080)
6. Fixed assets in progress and advances	7.800
7. Other	2.403.152
a. Extraordinary leasehold improvements	2.280.112
- gross amount	3.454.081
- amortization fund	(1.173.969)
b. Other costs with long-term useful life	123.040
- gross amount	308.638
- amortization fund	(185.598)
II. TANGIBLE FIXED ASSETS	15.934.612
1. Land and buildings	4.299.270
a. Appurtenant land on which the buildings are erected	952.659
b. Instrumental buildings	3.342.954
- gross amount	3.575.656
- depreciation fund	(232.702)
c. Lightweight constructions	3.658
- gross amount	3.850
- depreciation fund	(193)
2. Plant and machinery	10.045.459
a. General plant	6.359.738
- gross amount	8.796.013
- depreciation fund	(2.436.275)
b. Photovoltaic systems	38.400
- gross amount	60.000
- depreciation fund	(21.600)
c. Operating machinery and specific plant	3.647.321
- gross amount	8.644.957
- depreciation fund	(4.997.636)

3. Industrial and commercial equipment	307.066
a. General equipment	307.066
- gross amount	1.052.118
- depreciation fund	(745.052)
4. Other assets	849.367
a. Furniture and ordinary office equipment	235.764
- gross amount	616.027
- depreciation fund	(380.263)
b. Electronic office machinery	295.500
- gross amount	944.292
- depreciation fund	(648.792)
c. Trucks	89.383
- gross amount	253.116
- depreciation fund	(163.732)
d. Motor vehicles	38.982
- gross amount	122.695
- depreciation fund	(83.713)
e. Internal means of transport	3.481
- gross amount	10.635
- depreciation fund	(7.154)
f. Telephone equipment and systems	8.361
- gross amount	52.415
- depreciation fund	(44.054)
g. Furniture	177.896
- gross amount	525.812
- depreciation fund	(347.916)
5. Fixed assets in progress and advances	433.450
III. FINANCIAL FIXED ASSETS	1.101.240
1. Investments in	535
a. Subsidiaries	0
b. Associates	0
c. Parent companies	0
d. Companies subject to the control of parents	0
d-bis. Other companies	535
2. Receivables	498.689
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	498.689
- Financial receivables	42.464
- Security deposits	456.225
3. Other securities	0
4. Financial derivative assets	602.016
C. CURRENT ASSETS	65.317.281
I. INVENTORY	9.359.495
1. Raw and ancillary materials and consumables	3.388.233
a. Raw materials	3.193.578
- gross amount	3.965.342
- taxed provision for inventory write-down	(771.764)
b. Raw materials in transit	194.655
2. Work in progress and semi-finished products	4.987.004
a. Work in progress	2.284.341
- gross amount	2.284.341
- taxed provision for inventory write-down	0
3. Contract work in progress	0
4. Finished products and goods	984.258

a. Finished products	961.613
- gross amount	2.064.695
- taxed provision for inventory write-down	(1.103.082)
b. Finished products in transit	22.645
5. Advances	0
II. RECEIVABLES	36.819.859
1. From customers	24.212.489
a. Customers	24.092.763
b. Customers invoices to issue a/c	140.266
c. Customers credit notes to issue a/c	(7.074)
d. Customers coll. ord. a/c accredited s.t.c.	479.416
e. Provision for risks on trade receivables	(492.882)
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	10.889.696
a. Revenue Agency VAT a/c	6.374.749
b. IRES receivable	741.630
c. IRAP receivable	171.223
d. Tax receivables	879.890
portions due within one year	0
portions due beyond one year	879.890
e. Other tax receivables	2.722.204
portions due within one year	2.673.988
portions due beyond one year	48.216
5-ter. Prepaid tax	102.690
a. Deferred tax assets	102.690
5-quater. From others	1.614.984
a. Social security entities	5.628
b. Redundancy Fund	0
c. Suppliers advances a/c	228.603
d. Other debtors	1.380.753
portions due within one year	1.159.652
portions due beyond one year	221.101
III. CURRENT FINANCIAL ASSETS	2.585.301
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	2.585.301
IV. CASH	16.552.627
1. Bank and postal deposits	16.536.138
a. bank accounts	16.536.138
2. Cheques	0
3. Cash and valuables on hand	16.489
a. Cash on hand	16.489
D. ACCRUED INCOME AND PREPAID EXPENSE	847.322
a. Accrued income	9.930
b. Prepaid expense	837.392

LIABILITIES	102.996.465
A. EQUITY	29.628.289
GROUP CONSOLIDATED EQUITY	24.796.050
I. SHARE CAPITAL	1.426.293
II. SHARE PREMIUM RESERVE	9.548.706
III. REVALUATION RESERVES	0
IV. LEGAL RESERVE	281.511
V. BYLAW RESERVES	0
VI. OTHER RESERVES	10.488.943
a. Extraordinary reserve	8.839.294
b. Other reserves	1.649.649
VII. RESERVE FOR HEDGES OF EXPECTED CASH FLOWS	457.532
VIII. RETAINED EARNINGS (LOSSES CARRIED FORWARD)	0
IX. PROFIT (LOSS) FOR THE YEAR	2.593.065
X. NEGATIVE RESERVE FOR TREASURY SHARES IN PORTFOLIO	0
NON-CONTROLLING INTERESTS' CONSOLIDATED EQUITY	4.832.240
SHARE CAPITAL AND RESERVES ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	3.361.671
PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	1.470.568
B. PROVISIONS FOR RISKS AND CHARGES	1.356.659
1. For pensions and similar obligations	2.771
a. Provision for agents' termination benefits	2.771
2. For tax, including deferred tax	145.981
3. Financial derivative liabilities	0
4. Other	1.207.907
a. Provision for risks on sales returns	1.207.907
- taxed	1.207.907
C. POST-EMPLOYMENT BENEFITS	4.571.406
a. Provision for post-employment benefits net of Inps treasury provision LD 252/2005	4.571.406
- tax	4.571.406
D. PAYABLES	63.324.195
1. Bonds	0
2. Convertible bonds	0
3. Payables for shareholder loans	0
4. Payables to banks	31.059.399
a. Bank fees to settle	5.268
b. Credit cards	17.308
c. Loans without collateral	31.036.823
portions due within one year	7.451.055

portions due beyond one year	23.585.768
5. Payables to other lenders	502.819
a. SIMEST a/c financing in support of capitalization of SMEs	502.819
portions due beyond one year	324.373
6. Advances	786.567
7. Payables to suppliers	22.251.205
a. Suppliers	19.323.925
portions due within one year	19.323.925
portions due beyond one year	0
b. Suppliers invoices to receive a/c	2.941.147
c. Suppliers credit notes to receive a/c	(13.867)
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	2.350.897
a. Revenue Agency withholding tax to pay a/c	920.146
portions due within one year	920.146
portions due beyond one year	0
b. Revenue Agency withholding tax on post-employment benefits write-backs a/c	46.899
c. Revenue Agency Irap a/c	271.422
d. Revenue Agency Ires a/c	981.350
e. Revenue Agency VAT a/c	97.838
f. Revenue Agency other payables a/c	33.241
13. Payables to welfare and social security entities	1.729.481
a. Inps	1.277.954
b. Inail	47.994
c. Other entities	132.354
d. Inps and Inail accruals	269.531
e. Enasarco	1.648
14. Other payables	4.643.827
a. Payables for salaries to settle	1.558.178
b. Payables for holidays not taken	1.179.795
c. Payables to pension funds	17.464
d. Payables for commissions to settle	12.249
e. Payables for fees to settle	225.250
f. Sundry payables	1.650.890
E. ACCRUED EXPENSE AND DEFERRED INCOME	4.115.916
a. Accrued expense	67.718
b. Deferred income	4.048.198

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

FINANCIAL STATEMENTS AT 31 DECEMBER 2022

STATEMENT OF FINANCIAL POSITION

	31/12/2022	31/12/2021
Assets		
A) Share capital proceeds to be received	-	-
B) Fixed assets		
I - Intangible fixed assets	-	-
1) start-up and expansion costs	7,542	15,084
4) concessions, licenses, trademarks and similar rights	90,790	89,843
5) goodwill	60,276	120,552
6) fixed assets in progress and advances	7,800	-
7) other	418,977	492,694
<i>Total intangible fixed assets</i>	<i>585,385</i>	<i>718,173</i>
II - Tangible fixed assets	-	-
1) land and buildings	2,638,194	577,476
2) plant and machinery	1,622,382	1,654,268
3) industrial and commercial equipment	7,174	18,026
4) other assets	408,035	420,773
5) fixed assets in progress and advances	-	31,390
<i>Total tangible fixed assets</i>	<i>4,675,785</i>	<i>2,701,933</i>
III - Financial fixed assets	-	-
1) investments in	-	-
a) subsidiaries	20,742,006	13,598,434
<i>Total investments</i>	<i>20,742,006</i>	<i>13,598,434</i>
2) receivables	-	-
d-bis) from others	14,316	36,266
due beyond one year	14,316	36,266
<i>Total receivables</i>	<i>14,316</i>	<i>36,266</i>
4) Financial derivative assets	204,742	2,770
<i>Total financial fixed assets</i>	<i>20,961,064</i>	<i>13,637,470</i>
<i>Total fixed assets (B)</i>	<i>26,222,234</i>	<i>17,057,576</i>
C) Current assets		
I - Inventory	-	-
1) raw and ancillary materials and consumables	1,717,229	1,795,822
2) work in progress and semi-finished products	2,284,341	1,621,206
4) finished products and goods	739,941	1,236,775

	31/12/2022	31/12/2021
<i>Total inventory</i>	4,741,511	4,653,803
II - Receivables	-	-
1) from customers	8,575,983	7,672,126
due within one year	8,575,983	7,672,126
2) from subsidiaries	196,997	64,385
due within one year	196,997	64,385
5-bis) tax receivables	4,040,470	2,649,568
due within one year	3,917,000	2,481,654
due beyond one year	123,470	167,914
5-ter) prepaid tax	86,011	73,869
5-quater) from others	13,418	4,673
due within one year	13,418	4,673
<i>Total receivables</i>	12,912,879	10,464,621
III - Current financial assets	-	-
6) other securities	1,000,000	-
<i>Total current financial assets</i>	1,000,000	-
IV - Cash	-	-
1) bank and postal deposits	6,829,251	13,749,579
3) cash and valuables on hand	11,799	15,343
<i>Total cash</i>	6,841,050	13,764,922
<i>Total current assets (C)</i>	25,495,440	28,883,346
D) Accrued income and prepaid expense	288,124	303,467
<i>Total assets</i>	52,005,798	46,244,389
Liabilities		
A) Equity	21,597,736	21,219,763
I - Share capital	1,426,293	1,407,555
II - Share premium reserve	9,548,706	9,548,706
III - Revaluation reserves	-	-
IV - Legal reserve	281,511	281,259
V - Bylaw reserves	-	-
VI - Other reserves, indicated separately	-	-
Extraordinary reserve	8,839,294	8,106,244
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	-	-

	31/12/2022	31/12/2021
Payment for share capital increase	-	-
Capital contributions	-	-
Payments to cover losses	-	-
Reserve for share capital reduction	-	-
Merger surplus reserve	174,449	101,764
Reserve for unrealized exchange gains	-	-
Reserve for profit adjustment in progress	-	-
Various other reserves	10,000	28,738
<i>Total other reserves</i>	<i>9,023,743</i>	<i>8,236,746</i>
VII - Reserve for hedges of expected cash flows	155,604	(474)
VIII - Retained earnings (losses carried forward)	-	-
IX - Profit (loss) for the year	1,161,879	1,745,971
Loss covered in the year	-	-
X - Negative reserve for treasury shares in portfolio	-	-
Total equity	21,597,736	21,219,763
B) Provisions for risks and charges		
1) for pensions and similar obligations	2,771	3,273
2) for tax, including deferred tax	49,138	-
3) financial derivative liabilities	-	3,244
4) other	24,794	39,415
<i>Total provisions for risks and charges</i>	<i>76,703</i>	<i>45,932</i>
C) Post-employment benefits	1,460,461	1,181,228
D) Payables		
4) payables to banks	15,506,379	12,756,867
due within one year	3,997,390	2,758,906
due beyond one year	11,508,989	9,997,961
5) payables to other lenders	366,660	411,098
due within one year	124,436	84,429
due beyond one year	242,224	326,669
6) advances	68,834	-
due within one year	68,834	-
7) payables to suppliers	10,056,299	8,587,736
due within one year	10,056,299	8,587,736
9) payables to subsidiaries	399,143	75,820
due within one year	399,143	75,820
12) tax payables	276,466	310,223

	31/12/2022	31/12/2021
due within one year	276,466	310,223
13) payables to welfare and social security entities	621,259	570,884
due within one year	621,259	570,884
14) other payables	1,329,792	860,392
due within one year	1,329,792	860,392
<i>Total payables</i>	<i>28,624,832</i>	<i>23,573,020</i>
E) Accrued expense and deferred income	246,066	224,446
<i>Total liabilities</i>	<i>52,005,798</i>	<i>46,244,389</i>

INCOME STATEMENT

	31/12/2022	31/12/2021
A) Value of production		
1) revenue from sales and services	47,039,848	43,145,451
2) changes in inventory in work in progress, semi-finished and finished products	166,302	1,125,600
5) other revenue and income	-	-
operating grants	533,840	93,108
other	229,292	29,215
<i>Total other revenue and income</i>	<i>763,132</i>	<i>122,323</i>
<i>Total value of production</i>	<i>47,969,282</i>	<i>44,393,374</i>
B) Production costs		
6) for raw and ancillary materials, consumables and goods	14,341,896	15,348,335
7) for services	20,538,367	16,522,641
8) for rentals and leases	690,502	795,040
9) for personnel	-	-
a) wages and salaries	7,628,194	6,673,734
b) social security expense	2,288,580	2,026,255
c) post-employment benefits	594,907	490,498
e) other costs	117,915	88,839
<i>Total personnel expense</i>	<i>10,629,596</i>	<i>9,279,326</i>
10) amortization, depreciation and write-downs	-	-
a) amortization of intangible fixed assets	211,110	202,214
b) depreciation of tangible fixed assets	452,790	330,884
c) other write-downs of fixed assets	195,706	-
d) write-down of receivables under current assets and cash	45,254	39,873
<i>Total amortization, depreciation and write-downs</i>	<i>904,860</i>	<i>572,971</i>

	31/12/2022	31/12/2021
11) changes in inventory of raw and ancillary materials, consumables and goods	78,592	28,695
14) sundry operating expense	186,533	182,884
<i>Total production costs</i>	<i>47,370,346</i>	<i>42,729,892</i>
Difference between value of production and production costs (A - B)	598,936	1,663,482
C) Financial income and expense		
15) income from investments	-	-
from subsidiaries	800,000	525,000
<i>Total income from investments</i>	<i>800,000</i>	<i>525,000</i>
16) other financial income	-	-
d) income other than above	-	-
from subsidiaries	3,945	-
other	4,184	208
<i>Total income other than the above</i>	<i>8,129</i>	<i>208</i>
<i>Total other financial income</i>	<i>8,129</i>	<i>208</i>
17) interest and other financial expense	-	-
other	114,828	60,836
<i>Total interest and other financial expense</i>	<i>114,828</i>	<i>60,836</i>
17-bis) exchange gains and losses	(32,325)	(28,794)
<i>Total financial income and expense (15+16-17+-17-bis)</i>	<i>660,976</i>	<i>435,578</i>
Profit (loss) before tax (A-B+C+D)	1,259,912	2,099,060
20) Income tax for the year, current, deferred and prepaid tax		
current tax	110,175	363,983
deferred tax assets and liabilities	(12,142)	(10,894)
<i>Total income tax for the year, current, deferred and prepaid tax</i>	<i>98,033</i>	<i>353,089</i>
21) Profit (loss) for the year	1,161,879	1,745,971

STATEMENT OF CASH FLOWS, INDIRECT METHOD

	Amount at 31/12/2022	Amount at 31/12/2021
A) Cash flow from operations (indirect method)		
Profit (loss) for the year	1,161,879	1,745,971
Income tax	98,033	353,089
Interest expense/(income)	106,699	60,628
(Dividends)	(800,000)	(525,000)
(Gains)/losses from disposal of assets	1,007	4,438
<i>1) Profit (loss) for the year before income tax, interest, dividends and gains/losses from disposals</i>	<i>567,618</i>	<i>1,639,126</i>
Adjustments for non-monetary items that had no balancing item in the net working capital		
Allocations to provisions	720,692	639,290
Amortization and depreciation	663,900	533,098
Impairment losses	195,706	
Other upward/(downward) adjustments for non-monetary items		45,107
<i>Total adjustments for non-monetary items that had no balancing item in the net working capital</i>	<i>1,580,298</i>	<i>1,217,495</i>
<i>2) Cash flow before changes in net working capital</i>	<i>2,147,916</i>	<i>2,856,621</i>
Changes in net working capital		
Decrease/(Increase) in inventory	(214,938)	(1,046,558)
Decrease/(Increase) in receivables from customers	(903,857)	(2,627,049)
Increase/(Decrease) in payables to suppliers	1,387,714	1,746,295
Decrease/(Increase) in accrued income and prepaid expense	12,543	75,267
Increase/(Decrease) in accrued expense and deferred income	4,828	190,368
Other decreases/(Other increases) in net working capital	(772,968)	(1,732,297)
<i>Total changes in net working capital</i>	<i>(486,678)</i>	<i>(3,393,974)</i>
<i>3) Cash flow after changes in net working capital</i>	<i>1,661,238</i>	<i>(537,353)</i>
Other adjustments		
Interest received/(paid)	(87,107)	(56,398)
(Income tax paid)	(301,980)	
Dividends received	800,000	525,000
(Utilization of provisions)	(329,353)	(589,974)
<i>Total other adjustments</i>	<i>81,560</i>	<i>(121,372)</i>
Cash flow from operations (A)	1,742,798	(658,725)
B) Cash flow from investing activities		
Tangible fixed assets		
(Purchases)	(2,350,656)	(270,205)
Disposals	1,193	9,629

	Amount at 31/12/2022	Amount at 31/12/2021
Intangible fixed assets		
(Purchases)	(64,386)	(235,345)
Financial fixed assets		
(Purchases)	(7,967,177)	(6,586,205)
Disposals	21,950	
Cash flow from investing activities (B)	(10,359,076)	(7,082,126)
C) Cash flow from financing activities		
Loan capital		
Increase/(Decrease) in short-term payables to banks	1,405	11,539
New loans	5,491,400	3,500,000
(Repayment of loans)	(2,787,731)	(1,578,122)
Equity		
(Dividends and interim dividends paid)	(1,012,668)	(394,116)
Cash flow from financing activities (C)	1,692,406	1,539,301
Increase (decrease) in cash (A ± B ± C)	(6,923,872)	(6,201,550)
Cash, beginning 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, beginning of year	13,764,922	19,966,472
Cash, end of year		
Bank and postal deposits	6,829,251	13,749,579
Cash and valuables on hand	11,799	15,343
Total cash, end of year	6,841,050	13,764,922
Balancing difference		

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 31/12/2022

FOREWORD

These financial statements for the period from 1 January 2022 to 31 December 2022, 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, were 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 were 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 9 June 2022.

Pursuant to the provisions of Articles 25 and 26 of Legislative Decree no. 127/91, the Company prepared the consolidated financial statements. The full consolidation scope includes the financial statements at 31 December 2022 of Pattern S.p.A., the 80%-owned subsidiary SMT S.r.l., Società Manifattura Tessile S.r.l., the 54%-owned subsidiary Idee Partners S.r.l. (former Idee Consulting S.r.l.), and the 70%-owned subsidiary DYLOAN Bond Factory S.r.l..

The consolidation scope at 31 December 2022 changed from 31 December 2021 due to the inclusion of:

- Zanni S.r.l., specializing in luxury knitwear - fully acquired by the subsidiary SMT S.r.l.;*
- R.G.B. S.r.l., a benefit company, specializing in leather goods - acquired 70% by the subsidiary Idee Partners S.r.l.;*

- DYLOAN Bond Factory S.r.l., specializing in clothing - acquired 70% by Pattern. DYLOAN Bond Factory S.r.l. in turn holds a 100% stake in Shapemode S.r.l. and D-Manufacturing S.r.l.

Extensive details of these transactions are provided in the Directors' Report on Operations.

Lastly, on 21 July 2022, the merger by incorporation of the wholly-owned subsidiary Pattern Project S.r.l. was also finalized.

PART I: GENERAL PRINCIPLES

1. These financial statements were 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 was deemed sufficient to give a true and fair view. However, additional information deemed appropriate for a more complete and detailed disclosure was 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 were prepared in € (Article 2423, paragraph V, Italian Civil Code).

Preparation standards

PART II: PRINCIPLES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements at 31 December 2022 were 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 were 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.

Valuation criteria applied

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 9 June 2022.

The most important valuation criteria adopted in the preparation of the financial statements at 31 December 2022 are explained below.

Intangible fixed assets

Expense 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 in progress 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 in progress 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.

Tangible fixed assets

Tangible fixed assets 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 tangible fixed assets 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).

Tangible fixed assets 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 in progress are not subject to depreciation.

Fixed assets in progress 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 tangible 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 1, no. 3, of the Italian Civil Code), except as shown below with regard to the Trademark.

The Company wrote down the residual book value of the Esemplare Trademark - acquired through the merger by incorporation of the subsidiary Pattern Project Srl - following discontinuation of its commercial use; therefore, the adjustment of the book value due to impairment in the amount of € 195,706 was charged to the income statement under item B.10 c).

Capital grants for tangible fixed assets

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 1, 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 write-backs 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 latest financial statements of the investee.

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

Receivables under financial fixed assets

Financial receivables recognized in the financial statements as from 1 January 2016 are 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 entered in the financial statements are 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.

Current financial assets

Financial assets were recorded at the lower of purchase cost, including ancillary expense, determined using the specific cost method and the value inferable from market trends at the end of the period.

Cash

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

longer considered probable, the cumulative unrealized profit or loss still recognized in equity is immediately recognized in the income statement in D18 d) or D19 d).

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

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

Other information

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.

Intangible fixed assets

B.I) Intangible fixed assets

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

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

Movements in intangible fixed assets

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

	Start-up and expansion costs	Concessions, licenses, trademarks and similar rights	Goodwill	Intangible fixed assets in progress and advances	Other intangible fixed assets	Total intangible fixed assets
Amount at beginning of year						
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
Changes in the year						
Increases from acquisitions	-	56,586	-	7,800	3,570	67,956
Amortization for the year	7,542	66,913	60,276	-	76,379	211,110
Write-downs made during the year	-	195,706	-	-	-	195,706
Other changes	-	206,980	-	-	(908)	206,072
<i>Total changes</i>	<i>(7,542)</i>	<i>947</i>	<i>(60,276)</i>	<i>7,800</i>	<i>(73,717)</i>	<i>(132,788)</i>
Amount at year end						
Cost	42,703	618,752	301,380	7,800	853,589	1,824,224
Amortization (Amortization fund)	35,161	332,256	241,104	-	434,612	1,043,133
Write-downs	-	195,706	-	-	-	195,706
Carrying amount	7,542	90,790	60,276	7,800	418,977	585,385

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.

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

Start-up and expansion costs with long-term useful life were booked under assets, with the consent of the Board of Statutory Auditors. These costs are amortized, according to a straight-line amortization schedule, over a period no higher than legally permitted (5 years).

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

Nature of asset	Gross amount	Net amount
Expansion costs	42,703	7,542
Total	42,703	7,542

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

The item is broken down as follows:

Nature of asset	Gross amount	Net amount
Trademarks and brands	399,461	20,436
Provision for write-down of trademark	(195,706)	0
Software licenses	219,291	70,354
Total	423,046	90,790

As mentioned in Part III of these Notes, in the year under review, the residual value of the Esemplare Trademark was written down; the trademark was acquired in the same year as a result of the merger by incorporation of Pattern Project.

B.I.5) Goodwill

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

The item is broken down as follows:

Nature of asset	Gross amount	Net amount
Goodwill	301,380	60,276
Total	301,380	60,276

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 item is broken down as follows:

Nature of asset	Gross amount	Net amount
Extraordinary leasehold improvements	810,225	409,368
Other costs with long-term useful life	43,364	9,609
Total	853,589	418,977

Tangible fixed assets**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 tangible fixed assets

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

	Land and buildings	Plant and equipment	Industrial commercial equipment	and Other tangible fixed assets	Tangible fixed assets in progress and advances	Total tangible fixed assets
Amount at beginning of year						
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
Changes in the year						
Increases from acquisitions	2,097,063	246,964	2,856	83,049	-	2,429,932
Reclassifications (of carrying amount)	-	1,711	-	29,820	(31,990)	(459)
Decreases due to disposals and divestments (of the carrying amount)	-	1,854	-	773	-	2,627
Depreciation for the year	36,345	277,621	13,707	125,117	-	452,790
Other changes	-	(1,086)	-	283	-	(803)
Total changes	2,060,718	(31,886)	(10,851)	(12,738)	(31,990)	1,973,253
Amount at year end						
Cost	2,717,583	2,733,713	209,634	1,116,752	-	6,777,682
Depreciation (Depreciation fund)	79,389	1,111,331	202,460	708,717	-	2,101,897
Carrying amount	2,638,194	1,622,382	7,174	408,035	-	4,675,785

The most significant increases in Tangible Fixed Assets are attributable to "Land and Buildings" - as the Company on 16 February 2022 finalized the purchase of the property complex located in Spello, already held under lease, at the price of € 2 million, as per the irrevocable offer of 30 April 2019, dedicated to the engineering and modeling of the high-end women's lines - and to "Plant and Machinery", for the acquisition of new machinery for production activities.

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 "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 write-backs relating to the year.

	Amount
Total amount of leased financial assets at year end	2,559,122
Depreciation that would have been charged in the year	89,519
Present amount of instalments of fees not yet due at year end	1,438,782
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	2,632,461
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

Financial fixed assets

Movements in investments, other securities and fixed financial derivative assets

B.III.1) Investments

On 8 November 2022, the Company acquired the 70% controlling interest in the share capital of DYLOAN Bond Factory S.r.l., a company resulting from the reverse merger of D Holding Srl, at a total price of € 7,310,572.

This price takes account of the price adjustment resulting from the calculation of the net financial position at closing, which, however, is still pending full definition between the parties.

During the year, the Company cancelled the value of the investment held in the merged company Pattern Project S.r.l. in the amount of € 167,000, against the recognition in the liabilities side of the Merger Surplus Reserve in the amount of € 72,685.

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

	Investments in subsidiaries	Total investments	Financial derivative assets
Amount at beginning of year			
Cost	13,598,434	13,598,434	2,770
Carrying amount	13,598,434	13,598,434	2,770

	Investments in subsidiaries	Total investments	Financial derivative assets
Changes in the year			
Increases from acquisitions	7,310,572	7,310,572	201,972
Other changes	(167,000)	(167,000)	-
Total changes	7,143,572	7,143,572	201,972
Amount at year end			
Cost	20,742,006	20,742,006	204,742
Carrying amount	20,742,006	20,742,006	204,742

Changes in and maturity of long-term 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	36,266	(21,950)	14,316	14,316
Total	36,266	(21,950)	14,316	14,316

B.III.2) Receivables

The item is broken down as follows:

Nature of receivable	Current-year amount	Prior-year amount
Security deposits	14,316	36,266
Total	14,316	36,266

Long-term receivables from others include security deposits of € 14,316 relating to the leases for the warehouse in Collegno, 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
DYLOAN BOND FACTORY SRL	CHIETI (CH)	01876580695	400,000	(1,644,632)	3,422,035	2,395,425	70.000	7,310,572
SMT SRL	CORREGGIO (RE)	01182020352	1,000,000	3,446,593	8,984,292	7,187,434	80.000	9,400,000
IDEE PARTNERS SRL	SCANDICCI (FI)	06165440964	100,000	1,534,003	3,048,306	1,646,085	54.000	4,031,434

The investment in the subsidiary DYLOAN Bond Factory S.r.l. (70%), 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 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. (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	14,316	14,316

Amount of financial fixed assets

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

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

Details of the value of long-term receivables from subsidiaries

Description	Book value	Fair value
Security deposits	14,316	14,316

B.III.4) Financial derivative assets

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

Financial derivative assets	Beginning year	of	Change	End of year
-----------------------------	----------------	----	--------	-------------

Recognition of fair value of derivative assets	2,770	201,972	204,742
Total	2,770	201,972	204,742

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 € 4,741,511 (€ 4,653,803 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 € 1,226,144, broken down as follows:

- € 555,912 as a reduction in the value of raw materials inventory. This provision increased versus the amount assumed by the close of the prior year (€ 238,908), due to the sharp increase in production in the last months of the year, which prevented an effective disposal of obsolete materials;
- € 670,232 as a reduction in the value of finished goods inventory. This provision decreased versus the amount assumed at the end of the prior year (€ 860,007) as a result of the disposal of finished garments from the Esemplare line, whose project is currently under review and being resized.

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	1,795,822	(78,593)	1,717,229
work in progress and semi-finished products	1,621,206	663,135	2,284,341
finished products and goods	1,236,775	(496,834)	739,941
<i>Total</i>	<i>4,653,803</i>	<i>87,708</i>	<i>4,741,511</i>

Inventory of raw materials increased slightly versus the prior year, after adjusting for obsolescence and slow movement.

Inventory of Finished Products and Goods decreased, since some of the production was in work in progress, as can be seen from the parallel growth in Inventory of Work in Progress from prior years, which increased versus 2021.

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	1,981,918	172,959	2,154,877
Provision for inventory write-down of raw materials	-238,908	-317,004	-555,912
Raw materials in transit	52,812	65,452	118,264
Total	1,795,822	-78,593	1,717,229

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	1,621,206	663,135	2,284,341
Provision for inventory write-down of work in progress	0	0	0
Total	1,621,206	663,135	2,284,341

C.I.4) Finished products and goods

Finished products and goods	Beginning of year	Change	End of year
Finished products	2,093,670	-706,142	1,387,528
Provision for inventory write-down of finished products	-860,007	189,775	-670,232
Finished products in transit	3,111	19,534	22,645
Total	1,236,774	-496,833	739,941

Receivables under current assets

Receivables under current assets amounted to € 12,912,879 (€ 10,464,621 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	7,672,126	903,857	8,575,983	8,575,983	-
Receivables from subsidiaries	64,385	132,612	196,997	196,997	-
Tax receivables	2,649,568	1,390,902	4,040,470	3,917,000	123,470
Prepaid tax	73,869	12,142	86,011	-	-
Receivables from others	4,673	8,745	13,418	13,418	-
Total	10,464,621	2,448,258	12,912,879	12,703,398	123,470

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	8,843,577	7,916,336
Invoices to issue	3,391	3,873
Credit notes to issue	(5,070)	(50,781)
Bank receipts	11,870	40,865
Allowance for impairment	(277,785)	(238,167)
Total	8,575,983	7,672,126

The increase in receivables from customers reflects a greater concentration of production and sales in the latter part of the year.

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

opening allowance for impairment	238,167
utilization in the year	(5,636)
allocation for the year	45,254
closing allowance for impairment	277,785

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 issued to Idee Consulting S.r.l.	40,870	0
Invoices to issue to Idee Consulting S.r.l.	3,945	0
Invoices issued to Dyloan Bond Factory S.r.l.	5,675	0
Invoices issued to SMT S.r.l.	146,507	64,385
Total	196,997	64,385

C.II. 5-bis) Tax receivables

The item is broken down as follows:

Nature of receivable	Current-year amount	Prior-year amount
<i>Within 12 months</i>		
Revenue Agency VAT a/c	3,340,838	2,394,780
IRAP receivable	35,425	0
IRES receivable	227,197	0
Other tax receivables	315,541	86,874

<i>Over 12 months</i>		
Other tax receivables	123,470	167,914
Total	4,040,470	2,649,568

For the sake of completeness, the item "Other tax receivables" includes the Research & Development tax credit (Article 3 of LD 145/2013) still unused for offsetting purposes at 31 December 2022, amounting to € 24,071, the tax credit for expenditure in capital goods under Article 1, paragraphs 184-197 of L 160/2019 and under Article 1, paragraphs 1051-1063 of L 178/2020 totaling € 195,080 (of which € 123,470 beyond 12 months), the fashion, textile and accessories bonus (LD 34/2020) totaling € 204,471 and the energy tax credit (LD 176/2022) totaling € 13,389.

C.II. 5-ter) Prepaid tax receivables

The item is broken down as follows:

Nature of receivable	Current-year amount	Prior-year amount
Deferred tax assets	86,011	73,869
Total	86,011	73,869

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

C.II. 5-querter) Other receivables

The item is broken down as follows:

Nature of receivable	Current-year amount	Prior-year amount
Redundancy Fund	0	1,150
Advances to suppliers	13,418	1,833
Receivables from employees	0	1,690
Total	13,418	4,673

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	811,530	196,997	4,040,470	86,011	13,418	5,148,426
EU	1,914,985	-	-	-	-	1,914,985
Extra EU	5,849,468	-	-	-	-	5,849,468
Total	8,575,983	196,997	4,040,470	86,011	13,418	12,912,879

The above breakdown shows that the amount of receivables, receivables from customers in the Eurozone and outside Europe in particular, represents approximately 91% of the total amount of receivables. The analysis clearly confirms, also for 2022, 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.

Current financial assets

Changes in current financial assets

Financial assets under current assets total € 1,000,000.

On 28 October 2022, the Company set up an escrow account deposit with Credem Spa, so-called time deposit, maturing on 30 January 2023.

The following table shows information on changes in current financial assets.

Item description	Changes in the year	Amount at year end
other securities	1,000,000	1,000,000
<i>Total</i>	<i>1,000,000</i>	<i>1,000,000</i>

Cash

At year end, cash amounted to € 6,841,050 (€ 13,764,922 in the prior year).

The decrease recorded in 2022 versus the prior year is due primarily to the expenditure made during the year, aimed at increasing the value of property assets and expanding the Group structure and reach, aligning with the strategic lines disclosed to the market since the time of listing. Specifically, in 2022 the company finalized the acquisition of the Spello Property and acquired a 70% stake in Dyloan Bond Factory Srl.

Reference is made to the Statement of Cash Flows for changes in cash flow in 2022.

	Amount at beginning of year	Changes in the year	Amount at year end
bank and postal deposits	13,749,579	(6,920,328)	6,829,251
cheques	-	-	-
cash and valuables on hand	15,343	(3,544)	11,799
<i>Total</i>	<i>13,764,922</i>	<i>(6,923,872)</i>	<i>6,841,050</i>

Accrued income and prepaid expense

	Amount at beginning of year	Change in the year	Amount at year end
Accrued income	12,963	(4,054)	8,909
Prepaid expense	290,504	(11,289)	279,215
Total accrued income and prepaid expense	303,467	(15,343)	288,124

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

Description	Detail	Current-year amount
<i>ACCRUALS AND DEFERRALS</i>		
	ACCRUED INCOME	-
	GSE Incentive Tariff	5,881

Description	Detail	Current-year amount
	Compensation for damages	181
	Interest income	2,847
	PREPAID EXPENSE	-
	Rental fees	290
	Property lease fees	18,070
	Purchase of services	49,512
	Insurance	29,881
	Service contracts	24,317
	Software support contracts	31,919
	Maxi lease fees	96,103
	Bank and miscellaneous expense	541
	Rental expense	24,703
	Sponsorships and advertising	3,879
	Total	288,124

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.1) Share capital

The subscribed and paid-up share capital, amounting to € 1,426,293, is made up of no. 14,262,929 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 4 April 2022 a free share capital increase in the amount of € 18,737.90 was made, following the exercise of no. 187,379 rights comprised in the third 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 had 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 € 1,426,293, is attributable to the Retained Earnings Reserve to service the free share capital increase, in the residual amount of € 10,000, resolved by the Extraordinary Shareholders' Meeting of Pattern S.p.A. on 25 June 2019.

A.II) Share premium reserve

The Share Premium Reserve was unchanged in the reporting period, amounts to € 9,548,706 and is composed 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 € 281,511 and the movements in the year are as follows:

Legal reserve	Amount
Prior-year amount	281,259
Allocation of prior year's profit	252
Balance at year end	281,511

A.VI) Other equity reserves

Extraordinary reserve

The Extraordinary Reserve amounts to € 8,839,294 with the following movements in the year:

Extraordinary reserve	Amount
Prior-year amount	8,106,244
Allocation of prior year's profit	733,050
Balance at year end	8,839,294

Reserve for merger surplus

The Merger Surplus Reserve amounted to € 174,449 and changed as follows:

Merger surplus reserve	Amount
Prior-year amount	101,764
Cancellation Surplus Pattern Project S.r.l.	72,685
Balance at year end	174,449

Specifically, the Reserve refers to the merger differences from the merger of Roscini Atelier S.r.l., which took place during 2019, and the merger of Pattern Project S.r.l., which took place in 2022, and is composed as follows:

- € 22,540 in exchange surplus;

- € 151,909 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 its shareholders (for the period 2019 - 2022), in the amount of € 40,000, through use of the extraordinary reserve. During the reporting period, as mentioned, the reserve - already used in prior years in the total amount of € 11,262 - was used for a free share capital increase of € 18,738, following allocation of the third tranche of the Stock Grant Plan.

Restricted reserve for share capital increase to service the Stock Grant Plan	Amount
Prior-year amount	28,738
Utilization for share capital increase	(18,738)
Balance at year end	10,000

A.VII) Reserve for hedges of expected cash flows

The Reserve for hedges of expected cash flows amounts to € 155,604 and refers to the fair value at 31.12.22 of two IRS derivative contracts to hedge the interest rate risk on loans entered into in prior years by the Company. The Reserve is recognized net of deferred tax effects of € 49,138 in accordance with OIC 32.

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.

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

Changes in equity items

Changes in the items making up equity are shown in the tables "CHANGES IN EQUITY" and "DETAILS OF OTHER RESERVES" shown below (Article 2427, paragraph 1, no. 4 and 7, Italian Civil Code)

	Amount at beginning of year	Allocation of prior year's result - granting dividends	Allocation of prior year's result of - allocations	Other changes of Other Increases	- Other changes - Reclassifications	- Profit (loss) for the year	Amount at year end
Share capital	1,407,555	-	-	-	18,738	-	1,426,293
Share premium reserve	9,548,706	-	-	-	-	-	9,548,706
Legal reserve	281,259	-	252	-	-	-	281,511
Extraordinary reserve	8,106,244	-	733,050	-	-	-	8,839,294
Merger surplus reserve	101,764	-	-	72,685	-	-	174,449

	Amount at beginning of year	Allocation of prior year's result - granting of dividends	Allocation of prior year's result - allocations	of Other Increases	Other changes - Reclassifications	Profit (loss) for the year	Amount at year end
Various reserves	other 28,738	-	-	-	(18,738)	-	10,000
Total reserves	other 8,236,746	-	733,050	72,685	(18,738)	-	9,023,743
Reserve hedges expected flows	for of cash (474)	-	-	156,078	-	-	155,604
Profit (loss) for the year	1,745,971	(1,012,669)	(733,302)	-	-	1,161,879	1,161,879
Total	21,219,763	(1,012,669)	-	228,763	-	1,161,879	21,597,736

Details of the various other reserves

Description	Amount
Restricted reserve for share capital increase to service the Stock Grant Plan	10,000
Total	10,000

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	1,426,293	Share capital		-	-
Share premium reserve	9,548,706	Share capital	A;B;C	9,548,706	-
Legal reserve	281,511	Profit	B	281,511	-
Extraordinary reserve	8,839,294	Profit	A;B;C	8,839,294	685,769
Merger surplus reserve	174,449	Profit	A;B;C	174,449	-
Various other reserves	10,000	Profit	A	10,000	30,000
Total other reserves	9,023,743	Share capital		9,023,743	705,769
Reserve for hedges of expected cash flows	155,604	Share capital		-	-
Total	20,435,857			18,853,960	715,769

Description	Amount	Origin/Nature	Eligibility for utilization	Portion available	Summary of utilizations made in the past three years - for other reasons
Non-distributable portion				302,801	
Remaining distributable portion				18,551,159	
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 years - cover losses	Summary of utilizations made in the past three years - for other reasons
Various reserves other	10,000	Profit	A	10,000	10,000	20,000
Total	10,000			-	-	-
Key: A: for capital increase; B: to cover losses; C: for distribution to shareholders; D: for other statutory obligations; E: other						

Changes in the reserve for hedges of expected cash flows

The information required by Article 2427-bis, paragraph 1, no. 1, letter b-quater) of the Italian Civil Code regarding the details of movements in the year is summarized in the table below:

	Amount at beginning of year	Changes in the year - Increase due to change in fair value	Changes in the year - Deferred tax effect	Amount at year end
Reserve for hedges of expected cash flows	(474)	205,216	(49,138)	155,604

Lastly, it should be noted that no Equity item at 31 December 2022 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	3,273	568	1,070	(502)	2,771
Provision for tax, including deferred tax	-	49,138	-	49,138	49,138
Financial derivative liabilities	3,244	-	3,244	(3,244)	-
Other provisions	39,415	-	14,621	(14,621)	24,794
Total	45,932	49,706	18,935	30,771	76,703

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	3,273	2,830
Allocation for the year	568	443
Utilization in the year	(1,070)	0
Closing balance	2,771	3,273

B.3) Financial derivative liabilities

Movements were as follows:

	Current-year amount	Prior-year amount
Opening balance	3,244	45,581
Recognition of fair value derivatives	0	0
Fair value adjustment of derivatives	(3,244)	(42,337)
Closing balance	0	3,244

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	39,415	33,329
Allocation for the year	0	6,086
Utilization for expense incurred	(14,621)	0
Closing balance	24,794	39,415

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 € 1,460,461 (€ 1,181,228 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	1,181,228	594,907	315,674	279,233	1,460,461
Total	1,181,228	594,907	315,674	279,233	1,460,461

Payables

Payables are recorded under liabilities for a total of € 28,624,832 (€ 23,573,020 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	12,756,867	2,749,512	15,506,379	3,997,390	11,508,989	1,114,758
Payables to other lenders	411,098	(44,438)	366,660	124,436	242,224	-
Advances	-	68,834	68,834	68,834	-	-
Payables to suppliers	8,587,736	1,468,563	10,056,299	10,056,299	-	-
Payables to subsidiaries	75,820	323,323	399,143	399,143	-	-
Tax payables	310,223	(33,757)	276,466	276,466	-	-
Payables to welfare and social security entities	570,884	50,375	621,259	621,259	-	-
Other payables	860,392	469,400	1,329,792	1,329,792	-	-
Total	23,573,020	5,051,812	28,624,832	16,873,619	11,751,213	1,114,758

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	Advances	Payables to suppliers	Payables to subsidiaries	Tax payables	Payables to welfare and social security entities	Other payables	Payables
Italy	15,506,379	366,660	68,834	9,279,374	399,143	276,466	621,259	1,329,792	27,847,907
EU	-	-	-	488,721	-	-	-	-	488,721
Extra EU	-	-	-	288,204	-	-	-	-	288,204
Total	15,506,379	366,660	68,834	10,056,299	399,143	276,466	621,259	1,329,792	28,624,832

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	15,506,379	15,506,379
Payables to other lenders	366,660	366,660
Advances	68,834	68,834
Payables to suppliers	10,056,299	10,056,299
Payables to subsidiaries	399,143	399,143
Tax payables	276,466	276,466
Payables to welfare and social security entities	621,259	621,259
Other payables	1,329,792	1,329,792
Total payables	28,624,832	28,624,832

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	12,020	11,627
Loans without collateral	3,983,876	2,746,797
Bank fees to settle	1,494	482
<i>Over 12 months</i>		
Loans without collateral	11,508,989	9,997,961
Total	15,506,379	12,756,867

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 31.12.2022	Debt within 12 months	Debt over 12 months
Intesa Sanpaolo	498,500	2017	2023	25,394	25,394	0
Unicredit	494,800	2017	2022	0	0	0

Banco-BPM	997,000	2018	2023	102,064	102,064	0
Banco-BPM	1,994,000	2019	2024	749,501	500,428	249,073
Unicredit	2,997,285	2020	2025	1,505,509	667,549	837,960
Intesa Sanpaolo	2,994,286	2020	2026	2,329,423	665,100	1,664,322
BNL	2,348,017	2020	2026	1,936,660	557,818	1,378,842
Intesa Sanpaolo	3,493,000	2021	2028	3,494,131	583,796	2,910,335
Banco-BPM	2,495,000	2022	2029	2,495,979	305,207	2,190,773
CREDEM	2,996,400	2022	2027	2,854,204	576,519	2,277,684
TOTAL	21,308,288			15,492,865	3,983,875	11,508,989

Bank	Remaining debt prior year	New loans	Repayments	Remaining debt current year
Intesa Sanpaolo	126,297	0	100,903	25,394
Unicredit	55,479	0	55,479	0
Banco-BPM	304,757	0	202,693	102,064
Banco-BPM	1,249,455	0	499,954	749,501
Unicredit	2,170,605	0	665,096	1,505,509
Intesa Sanpaolo	2,995,099	0	665,676	2,329,423
BNL	2,350,066	0	413,406	1,936,660
Intesa Sanpaolo	3,493,000	0	-1,131	3,494,131
Banco-BPM	0	2,495,000	-979	2,495,979
CREDEM	0	2,996,400	142,196	2,854,204
TOTAL	12,744,758	5,491,400	2,743,293	15,492,865

A medium-term loan agreement with Banco BPM Spa for € 2.5 million and a medium-term loan agreement with Credem Spa for € 3 million were entered into during the year.

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 indicates a positive Mark To Market of €: 143,198;
- IRS Unicredit indicates a positive Mark To Market of €: 61,544.

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 motor vehicle leased.

Nature of payable	Current-year amount	Prior-year amount
<i>Within 12 months</i>		
Simest Spa loan	119,997	79,990
<i>Porsche Financial Service Spa loan</i>	4,439	4,439
<i>Over 12 months</i>		
Simest Spa loan	240,005	320,010
<i>Porsche Financial Service Spa loan</i>	2,219	6,659
Total	366,660	411,098

D.6) Advances

The item is broken down as follows:

Nature of payable	Current-year amount	Prior-year amount
Customer advances	68,834	0
Total	68,834	0

D.7) Payables to suppliers

The item is broken down as follows:

Nature of payable	Current-year amount	Prior-year amount
Invoices received	8,953,103	7,739,518
Invoices to receive	1,107,760	876,078
Credit notes to receive	(4,564)	(27,860)
Total	10,056,299	8,587,736

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 Zanni S.r.l.	3,257	0
Invoices to receive from Pattern Project S.r.l.	0	46,980
Invoices received from Dyloan Bond Factory S.r.l.	390,499	0
Invoices to receive from SMT S.r.l.	5,387	28,840
Total	399,143	75,820

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	246,885	251,946

Revenue Agency withholding tax on self-employed work a/c	16,214	23,087
Revenue Agency - Substitute tax post-employment benefits a/c	12,950	6,476
Revenue Agency Irap a/c	0	11,641
Revenue Agency Ires a/c	0	15,575
Other tax payables	417	1,498
Total	276,466	310,223

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	371,660	363,946
Inail	7,540	3,928
Inps and Inail accruals	155,210	127,694
Contributions to supplementary pension funds	85,201	75,316
Enasarco	1,648	0
Total	621,259	570,884

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	428,917	388,729
Payables for commissions to settle	10,283	17,610
Payables to pension funds	8,785	8,715
Accruals for holidays not taken	538,413	443,837
Other payables	343,395	1,501
Total	1,329,793	860,392

This item includes residual amounts due for fees accrued but not yet paid, primarily to employees and, to a much lesser extent, to agents, as well as the remaining payable for the acquisition of the controlling interest in DYLOAN Bond Factory S.r.l.

Accrued expense and deferred income

The item is broken down as follows:

	Amount at beginning of year	Change in the year	Amount at year end
Accrued expense	31,519	1,651	33,170
Deferred income	192,927	19,969	212,896
Total accrued expense and deferred income	224,446	21,620	246,066

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 EXPENSE	-
	Insurance	11,431
	Services and utilities	1,313
	Interest expense	19,810
	Other	615
	DEFERRED INCOME	-
	Grants plants a/c	212,897
	Total	246,066

Notes, income statement

The income statement shows the result for the year.

It present operations by summarizing the positive and negative income components that contributed to the result. The positive and negative income components, recorded in the financial statements in accordance with the provisions of Article 2425-bis of the Italian Civil Code, are distinguished according to whether they belong to the various categories: ordinary, ancillary and financial.

The ordinary business identifies the components of income generated by transactions that occur on an ongoing basis and in the segment relevant to the performance of operations, which identify and qualify the specific and distinctive part of the business carried on by and the object of the company.

Financial activities consist of transactions that generate financial income and expense.

On a residual basis, ancillary activities consist of transactions that generate income components that are part of ordinary activities but are not part of the ordinary business and of financial activities.

Value of production

Revenue is recorded in the financial statements on an accruals basis, net of returns, allowances, discounts and rebates, as well as tax directly thereto.

Breakdown of revenue from sales and services by business category

A.1) Revenue

The Company's revenue is broken down as follows (Article 2427, paragraph I, no. 10, Italian Civil Code):

Business category	Current-year amount
Production area	42,184,887
Engineering area	4,027,319
Other revenue	827,642
Total	47,039,848

As a matter of completeness, the results of the prior year are also shown below:

Business category	Prior-year amount
Production area	39,691,491
Engineering 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 in prior years.

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

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	4,396,626
EU	10,232,413
Extra EU	32,410,809
Total	47,039,848

As a matter of completeness, the results of the prior year are also shown below:

Geographical area	Prior-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 90.6%, down slightly from 93.2% last year. The EU area saw a sharp rise due to the development of business with a customer from this area.

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	0	1,500
Advertising bonus, LD 50/2017	1,296	1,354
Fashion Bonus, LD 34/2020	396,359	0
Research and development tax credit, LD. 145/2013	0	72,213
Incentive Rate	16,563	0
Fondirigenti training plan contribution	11,074	3,200

Fondimpresa training plan contribution	75,893	14,841
Tax credit, LD 176/2022	32,655	0
<i>Other revenue</i>		
Ordinary capital gains	56	2,391
Grants plants a/c	31,266	15,394
Claims for damages	4,941	12
Other revenue and income	193,029	11,418
Total	763,132	122,323

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

Production costs

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 amounted to € 14,341,896 (€ 15,348,335 in the prior year) and includes mainly costs incurred for the procurement of raw materials and accessories used in the production of garments made 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	17,374,935	13,842,123
Commercial services	1,083,287	1,198,015
Administrative and management services	2,080,145	1,482,503
Total	20,538,367	16,522,641

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	131,821	216,932
Lease payments	259,869	257,686
Fees for software use	88,350	73,664
Car rental fees	165,472	136,193
Other costs for rentals and leases	44,990	50,565
Royalties	0	60,000
Total	690,502	795,040

B.9) Personnel expense

Payroll costs totaled € 10,629,596 (€ 9,279,326 in the prior year).

B.14) Sundry operating expense

Costs are as follows:

Nature	Current-year amount	Prior-year amount
Sundry tax and duties	77,249	63,814
Contingent liabilities	20,005	45,536
Other sundry operating expense	89,279	73,534
Total	186,533	182,884

Financial income and expense

Financial income and expense 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	800,000
Total	800,000

Income from investments refers to the dividend passed on 26 April by the subsidiary S.M.T S.r.l. by way of allocation of the prior year's result.

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
Interest from subsidiaries	3,945	0
Bank interest income	1,522	159
Interest on quarterly VAT refunds	2,654	0
Other interest income	8	49
Total	8,129	208

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	114,828	114,828

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	114,153	60,836
Other financial expense	675	0
Total	114,828	60,836

C.17 bis) Exchange gains and losses

The items are as follows:

Nature	Current-year amount	Prior-year amount
Valuation exchange differences	(7,701)	(4,413)
Realized exchange gains	35,670	5,433
Realized exchange losses	(60,294)	(29,814)
Total	(32,325)	(28,794)

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 no. 25, the table below shows the "*RECONCILIATION BETWEEN THEORETICAL AND ACTUAL TAX RATE*".

IRES		
Amounts in € thousands	2022	
Profit (loss) before tax for the year		1,259,912
Actual income tax	65,694	5.2%
Lower tax (versus theoretical rate)		
Use of taxed provisions for risks / write-downs	49,055	3.9%
Tax receivables	110,467	8.8%
Supplementary pension	2,465	0.2%
Super depreciation	13,090	1.0%
Hyper depreciation	3,101	0.2%
Membership fees	593	0.0%
Dividends	182,400	14.5%
IRAP deductions	12,256	1.0%
A.C.E.	50,506	4.0%
Higher tax (versus theoretical rate)		

Car costs	(23,401)	-1.9%
Telephone expense	(2,481)	-0.2%
Entertainment expense	(4,746)	-0.4%
Land share property lease fees	(14,466)	-1.1%
Non-deductible depreciation	(11,637)	-0.9%
Write-down of trademark	(44,762)	-3.6%
Provision for Inventory Impairment	(76,081)	-6.0%
Other increases	(8,884)	-0.7%

Theoretical income tax	303,168	24.0%
-------------------------------	----------------	--------------

302,379	24.00%
----------------	---------------

IRAP**Amounts in € thousands****2022**

Value added (IRAP taxable base)		11,460,400
Actual income tax	40,455	0.4%
Lower tax (versus theoretical rate)		0.0%
Use of taxed provisions for risks / write-downs	7,071	0.1%
Tax receivables	18,005	0.2%
Employee deductions	300,000	3.4%
Temporary worker deductions	211	0.0%
Other decreases	7,001	0.1%
Higher tax (versus theoretical rate)		
Land share property lease fees	(1,996)	0.0%
Shares financial lease fee	(2,243)	0.0%
IMU	(1,317)	0.0%
Provision for Inventory Impairment	(12,363)	0.0%
Goodwill	(1,697)	0.0%
Other increases	(5,315)	0.0%

Theoretical income tax	447,865	3.90%
-------------------------------	----------------	--------------

447,310	3.90%
----------------	--------------

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" and "DETAILS OF TAXABLE DIFFERENCES " (Article 2427, I paragraph, 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	130,557	43,519	174,076	24.00	41,778	3.90	6,790
Write-down of receivables in excess of art. 106 TUIR limit	156,014	-	156,014	24.00	37,443	-	-

Details of taxable temporary differences

Description	Amount at end of prior year	Change in the year	Amount at year end	IRES rate	IRES tax effect	IRAP rate	IRAP tax effect
Reserve for hedges of expected cash flows (derivatives)	-	204,742	204,742	24.00	49,138	-	-

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	39,415	(14,620)	24,795	24.00	5,951	3.90	967
Inventory write-down of raw materials	238,907	317,004	555,911	24.00	133,419	3.90	21,681
Inventory write-down of finished products	860,008	(189,776)	670,232	24.00	160,856	3.90	26,139
Unpaid membership fees	2,469	(2,469)	-	24.00	-	-	-
Exchange rate differences	4,413	3,288	7,701	24.00	1,848	-	-
Allowance for impairment	5,839	-	5,839	24.00	1,401	-	-

Description	Amount at end of prior year	Change in the	Amount at year end	IRES rate	IRES tax effect	IRAP rate	IRAP tax effect
Write-down of trademark	-	186,508	186,508	24.00	44,762	-	-

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	White collars	Blue collars	Other employees	Total employees
Average number	10	14	89	65	13	191

Employees amounted to 202 at 31 December 2022, including 148 women and 54 men (175 employees at 31 December 2021, including 129 women and 46 men).

The table below shows a breakdown by category of employees at 31 December 2022 and 31 December 2021:

	31.12.2022	31.12.2021
Executives	10	9
Managers	15	12
White collars	90	87
Blue collars	72	57
Trainees	15	10
Total	202	175

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 given below (Article 2427, paragraph I, no. 16, Italian Civil Code).

Statutory Auditors	
Fees	32,885

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	Total fees payable to the Auditor or to the Independent Auditors
Amount	44,211	44,211

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. 14,262,929 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 € 1,426,293, is attributable to the Retained Earnings Reserve to service the free share capital increase, in the residual amount of € 10,000, resolved by the Extraordinary Shareholders' Meeting on 25 June 2019. The free share capital increase is to service the Stock Grant Plan (for the period 2019-2022), approved by the Ordinary Shareholders' Meeting of 25 June 2019, 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.

	Initial amount, number	Shares subscribed in the year, amount	Final amount, number
Ordinary shares	14,075,550	187,379	14,262,929

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	85,072
of which collateral	-

Specifically, this is the guarantee issued by the Company for the loan granted in 2019 by Simest S.p.A., in the 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.

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 € 1,438,782.

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 1, 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 1, 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 1, letter b) of the Italian Civil Code).

Loans allocated 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.

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 the Company entered into minor business supply transactions with its subsidiaries, SMT S.r.l., Zanni S.r.l., Idee Partners S.r.l. and DYLOAN Bond Factory S.r.l., 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 Company's financial situation.

Agreements not resulting from the statement of financial position

It is acknowledged that there are no agreements not resulting from the Statement of Financial Position, worthy of mention of the nature, operating purpose and effect on the Company's statement of financial position 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.

The state of emergency related to the COVID-19 pandemic, which was extended multiple times through Resolutions of the Council of Ministers, ended on 31 March 2022.

It is acknowledged that the Company continues to take measures to contain and reduce the risk of virus transmission.

The Russian-Ukrainian conflict poses a major source of uncertainty as it has resulted in a substantial surge in energy and raw material supply prices, leading to inflationary pressures and rising interest rates. This is further compounded by the adoption of restrictive monetary policies by the Monetary Authorities.

It should be noted that on 21 December 2022, the Company signed a binding investment agreement to purchase, through its subsidiary SMT S.r.l., 100% of Nuova Nicol S.r.l., an Emilia-based company specializing in the production of women's luxury knitwear. The share purchase deed is expected to be signed in April.

As for the forecast on the current year, the company expects a consolidation of the results achieved in 2022.

For a broader description of the outlook for Pattern and the Group, reference is made to the Directors' Report on Operations.

Entities that prepare the financial statements of the larger/smaller body of entities they are part of as subsidiaries

As mentioned, the Company prepared the consolidated financial statements. The full consolidation scope includes the financial statements at 31 December 2022 of Pattern S.p.A., the subsidiaries S.M.T. S.r.l., Idee Partners S.r.l. and DYLOAN Bond Factory Srl, as well as the indirect subsidiaries Petri & Lombardi S.r.l., Zanni S.r.l., R.G.B. S.r.l., Shapemode S.r.l. and D-Manufacturing 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)	26,017,492		17,054,806	
TOTAL FIXED ASSETS	26,017,492	88.42%	17,054,806	82.71%
Inventory	4,741,511		4,653,803	
Receivables relating to working capital	12,912,879		10,464,621	
Investments not held as fixed assets	0		0	
Accrued income and prepaid expense	288,124		303,467	
Payables relating to working capital	(12,751,793)		(10,405,055)	
Accrued expense and deferred income	(246,066)		(224,446)	
Provisions for risks	(76,703)		(45,932)	
Provision for post-employment benefits	(1,460,461)		(1,181,228)	
NET WORKING CAPITAL	3,407,491	11.58%	3,565,230	17.29%
CAPITAL EMPLOYED	29,424,983	100.00%	20,620,036	100.00%
Equity (net of receivables from shareholders for payments due)	21,597,736		21,219,763	
EQUITY	21,597,736	73.40%	21,219,763	102.91%
Financial liabilities	15,873,039		13,167,965	
Financial assets	(1,204,742)		(2,770)	
Cash	(6,841,050)		(13,764,922)	
NET FINANCIAL POSITION	7,827,247	26.60%	(599,727)	-2.91%
ACQUIRED CAPITAL	29,424,983	100.00%	20,620,036	100.00%

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 31.12.22
IRS Unicredit	30.6.20 – 31.3.25	61,544
IRS Intesa Sanpaolo	19.6.20 – 19.6.26	143,198
Total		204,742

In 2020, 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 31.12.22.

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.

Summary statement of financial position of the company exercising direction and coordination

	Most recent year	Date	Prior year	Date
Date of most recent approved financial statements		31/07/2022		31/07/2021
B) Fixed assets	1,237,975		1,237,975	
C) Current assets	42,502		13,352	
D) Accrued income and prepaid expense	185		185	
Total assets	1,280,662		1,251,512	
Share capital	110,000		110,000	
Reserves	663,915		112,865	
Profit (loss) for the year	500,231		551,051	
Total equity	1,274,146		773,916	
D) Payables	5,323		476,357	
E) Accrued expense and deferred income	1,193		1,239	
Total liabilities	1,280,662		1,251,512	

Summary income statement of the company exercising direction and coordination

	Most recent year	Date	Prior year	Date
Date of most recent approved financial statements		31/07/2022		31/07/2021

	Most recent year	Date	Prior year	Date
B) Production costs	33,336		35,119	
C) Financial income and expense	533,567		586,170	
Profit (loss) for the year	500,231		551,051	

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	02/08/2022	Tax credits designed to provide support for businesses operating in the textile and fashion, footwear, and leather goods industries	396,359.00

For the sake of completeness, during the year under review, the Company took advantage of the energy tax credit pursuant to LD 176/2022, in the amount of € 32,655, 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 2022, a proposal is made to allocate profit for the year of € 1,161,878.55:

- € 5,747.58 to the legal reserve, up to the legal limit pursuant to Article 2430 of the Italian Civil Code;
- the residual amount of € 1,156,130.97 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, give 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

particular remarks to make.

The Board certifies that, during the supervisory activity carried out, no abnormal transactions referring to normal operations or facts deemed reprehensible were found, no complaints were received pursuant to Article 2408 of the Italian Civil Code, no complaints were made pursuant to Article 2409, paragraph 7, of the Italian Civil Code, and no action was taken owing to omissions by the governing body pursuant to Article 2406 of the Italian Civil Code.

During the year, the Board did not issue opinions.

In light of the above, we can confirm that the actions taken and implemented by the governing body are in compliance with both the law and the bylaws, they do not pose potential conflicts of interest or conflict with the resolutions passed at the Shareholders' Meeting, and align with the principles of proper administration.

Additionally, this Board of Statutory Auditors 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, the Board of Statutory Auditors operated by requesting and obtaining information from the heads of the departments and directors, as well as on the basis of the review of company documents, and in this regard, even taking account of the ongoing adjustment processes, there are no particular remarks to make.

No reports were made to the governing body pursuant to and for the purposes of Article 15 Law Decree no. 118/2021, until its repeal, or pursuant to and for the purposes of Article 25-octies Law Decree no. 14 of 12 January 2019. No reports were received from public creditors pursuant to and for the purposes of Article 25-novies of Legislative Decree no. 14 of 12 January 2019, or pursuant to and for the purposes of Article 30-sexies of Legislative Decree no. 152 of 6 November 2021, converted by Law no. 233 of 29 December 2021, as amended, until its repeal.

This Board of Statutory Auditors acquired all the necessary information from the Independent Auditors PwC Italia S.p.a., and in this regard, no relevant data or information was found that needs to be highlighted in this report.

This Board of Statutory Auditors met with the Supervisory Board and acquired the necessary information from it; in this regard, no relevant data and information was found that should be highlighted in this report.

On 16.02.2023, the Company's Board of Directors established the Internal Auditing department and outsourced the relevant three-year assignment.

Remarks on the financial statements

The Independent Auditors, in their Report, submitted the following opinion: "*[...] the financial statements give a true and fair view of the financial position of the Company at 31 December 2022, and of the results of its operations and cash flows for the year ended, in accordance with the Italian regulations governing the criteria for their preparation*".

The draft financial statements for the year ended 31 December 2022 were approved by the Board of Directors on 27.03.2023 and consist, as required by Article 2423 of the Italian Civil Code, of the Statement of Financial Position, Income Statement, Statement of Cash Flows, Notes to the Financial Statements and is accompanied by the Directors' Report on Operations.

The financial statements show profit for the year of € 1,161,879 summarized as follows:

Statement of financial position:

Assets	€.	52,005,798
Liabilities	€.	30,408,062
Equity	€.	20,435,857
Profit for the year	€	1,161,879

Income statement:

Value of production	€.	47,969,282
Production costs	€.	47,370,346
Difference	€.	598,936
Financial income and expense	€.	660,976
Income tax	€.	98,033
Profit for the year	€.	1,161,879

It is the responsibility of the Company's Governing Body to prepare the draft financial statements. Additionally, as this Board of Statutory Auditors is not responsible for conducting a detailed review of the content of the financial statements, we supervised the general approach and general compliance with the law as far as their preparation and structure are concerned, and in this regard there are no remarks to make.

The draft financial statements were reviewed, on which the following information is provided:

- the criteria used in the preparation of the financial statements for the year ended 31 December 2022 do not differ from those used in the preparation of the financial statements for the prior year;
- the statement of financial position and income statement formats required by the Italian Civil Code in Articles 2424 and 2425 have been complied with;

- the financial statements were prepared according to the XBRL taxonomy;
- Article 2423-ter of the Italian Civil Code was complied with, and no special items were added;
- the items are comparable with those of the prior year;
- the Notes to the Financial Statements were prepared in compliance with Article 2427 of the Italian Civil Code and provide all the necessary information, including tax-related information, for a comprehensive understanding. Moreover, the Company has fulfilled its obligation of transparency and disclosure according to Article 1, paragraphs 125-129 of Law no. 124/2017, regarding grants, contributions, and other economic benefits obtained from public administrations;
- start-up and expansion costs pursuant to Article 2426, Paragraph 1, no. 5 of the Italian Civil Code are shown in the assets side of the statement of financial position;
- goodwill costs are shown in the assets side of the statement of financial position pursuant to Article 2426, paragraph 1, no. 6 of the Italian Civil Code.

Lastly, the conformity of the Directors' Report on Operations to the annual financial statements with regard to its structure and formation was verified in accordance with the current regulations. In the Board's view, the report is consistent with the financial statements and offers further insights into the Company's operating results and financial prospects.

Remarks and proposals regarding the approval of the financial statements

Based on the results of our activities, the absence of particular critical issues reported by the previous Board of Statutory Auditors, and the findings of the Independent Auditors in their report accompanying the Financial Statements, the Board of Statutory Auditors believes there are no reasons to prevent the approval of the financial statements for the year ended 31 December 2022, as prepared by the Directors, and the proposal made by them in the Notes regarding the allocation of profit for the year.

Turin, 13 April 2023

The Board of Statutory Auditors

Davide Di Russo

Lucia Margherita Calista Rota

Lucia Starola



**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 2022**



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 2022, 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 Pattern Group as of 31 December 2022, 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

Sede legale: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 071 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via dei Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Francia 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444 393311



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 2022, 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 2022 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 2022 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 2023

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 2022



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 2022, 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 2022, 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

Sede legale: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 071 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via dei Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Francia 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444 393311



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 2022, 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 2022 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 2022 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 2023

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.