Disclaimer

The consolidated and statutory financial statements at 31 December 2021 have been translated into English solely for the convenience of the International reader. In the event of conflict or inconsistency between the terms used in the Italian Version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the official document.

CHAIRMAN'S LETTER

In a context still marked by the persistence of the health emergency linked to the Covid-19 pandemic, the Aeffe Group has been able to brilliantly face the challenges with satisfactory results for all the brands owned by the Aeffe Group, such as Alberta Ferretti, Moschino, Philosophy di Lorenzo Serafini and Pollini, as well as seizing new opportunities in line with a virtuous development path.

On the economic-financial side, the year 2021 closed with double-digit growth in revenues (+ 20.8% at constant exchange rates and + 20.6% at current exchange rates), thanks to the good performance of all the owned by the Aeffe Group, such as Alberta Ferretti, Philosophy di Lorenzo Serafini, Moschino and Pollini, across the different geographies and in the different distribution channels. Furthermore, the Group has demonstrated an ability to interpret the difficult situation through a structural efficiency of the business model with concrete benefits on the reduction of fixed costs and, consequently, on margins. We believe that the actions taken will allow for an improvement in operating leverage also in the years to come.

From a strategic point of view, 2021 was characterized by some initiatives aimed at creating solid foundations for the future of the Group, starting from the new Moschino course. In fact, we recall the extraordinary operations on the brand with the achievement of full control, following the acquisition of the remaining 30% of the capital, which will allow us to govern all activities related to the value chain, in addition to the integrated management of the related clothing license portfolio. Furthermore, in recent months we are finalizing the Moschino direct distribution management project in an area with high potential such as Mainland China, which will be fully operational from the end of June. Furthermore, continuing to look carefully at the global trends in the fashion and luxury sector and the needs of consumers, including millennials, we continue to strengthen the omnichannel strategy and the presence of all our brands on the online channel, with already very positive feedback, focusing on interaction. , dynamism and an expanded customer experience.

Despite a marginal exposure to Russia and Ukraine (with an incidence of 2.6% on consolidated turnover in 2021), it is worth considering that the concerns and uncertainty linked to geopolitical tensions may influence the market trend in the coming months, but we renew our commitment to enhance the quality, creativity and distinctiveness of our brands. We are therefore confident that the shared and adopted strategic vision can contribute to the medium-long term development of the Group.

The Chairman of the Board of Directors

Massimo Ferretti

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Corporate boards of the Parent Company

Board of Directors

Chairman
Massimo Ferretti – Member of Executive Committee

Deputy Chairman
Alberta Ferretti

Chief Executive Officer
Simone Badioli – Member of Executive Committee

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

Board of Statutory

President
Stefano Morri

Statutory Auditors
Fernando Ciotti
Carla Trotti

Alternate Auditors
Nevio Dalla Valle
Daniela Elvira Bruno

Board of Compensation Committee

President
Daniela Saitta

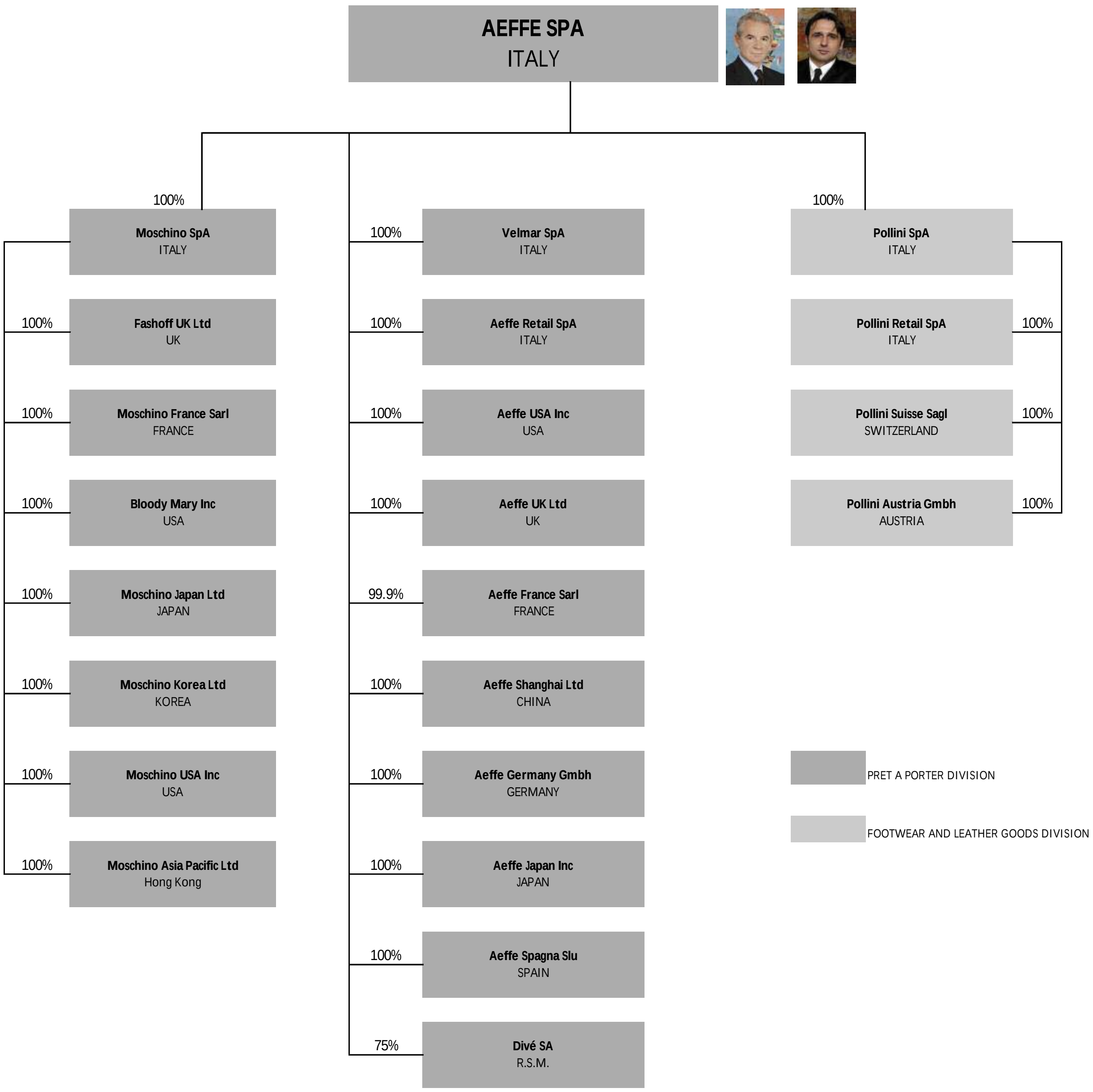
Members
Roberto Lugano
Michela Zeme

Board of Risk and Sustainability Control Committee

President
Bettina Campedelli

Members
Roberto Lugano
Daniela Saitta

Organisation chart



Brands portfolio

AEFFE
Clothing - Accessories

- ALBERTA FERRETTI
- PHILOSOPHY DI LORENZO SERAFINI
- MOSCHINO
- BOUTIQUE MOSCHINO

POLLINI
Footwear – Leather goods

- POLLINI
- ALBERTA FERRETTI
- PHILOSOPHY DI LORENZO SERAFINI
- MOSCHINO
- LOVE MOSCHINO

MOSCHINO
Licences – Design

- MOSCHINO
- BOUTIQUE MOSCHINO
- LOVE MOSCHINO

VELMAR
Beachwear - Lingerie

- MOSCHINO
- CHIARA FERRAGNI

Headquarters

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

MOSCHINO
Via San Gregorio, 28
20124 - Milan
Italy

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

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

Showrooms

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

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

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

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

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

Main flagshipstore locations under direct management

ALBERTA FERRETTI
Milan
Rome
Paris
London

POLLINI
Milan
Venice
Bolzano
Varese

SPAZIO A
Florence
Venice

MOSCHINO
Milan
Rome
Capri
Paris
London
New York
Seoul
Pusan
Daegu

Main economic-financial data

		Full Year 2021	Full Year 2020
Total revenues	(Values in millions of EUI	333.1	279.6
Gross operating margin (EBITDA) *	(Values in millions of EUI	35.3	4.5
Net operating profit (EBIT)	(Values in millions of EUI	9.2	(24.6)
Profit before taxes	(Values in millions of EUI	6.3	(27.6)
Net profit for the Group	(Values in millions of EUI	12.1	(21.4)
Basic earnings per share	(Values in units of EUR)	0.122	(0.214)
Cash Flow (net profit + depreciation)	(Values in millions of EUI	37.1	3.1
Cash Flow/Total revenues	(Values in percentage)	11.2	1.1

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

		31 December 2021	31 December 2020
Net capital invested	(Values in millions of EUR	288.9	319.7
Net financial indebtedness	(Values in millions of EUR	168.7	141.0
Group net equity	(Values in millions of EUR	120.2	148.2
Group net equity per share	(Values in units of EUR)	1.1	1.4
Current assets/ current liabilities	(Ratio)	1.8	2.1
Current assets less invent./ current liabilities (ACID test)	(Ratio)	0.9	0.9
Net financial indebtedness/ Net equity	(Ratio)	1.4	0.8
ROI: Net operating profit/ Net capital invested	(Values in percentage)	3.2	(7.7)

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2021

AEFFE

Report on operations

1. ECONOMIC BACKGROUND

Shareholders,

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

INTERNATIONAL MACROECONOMIC SITUATION

The Winter 2022 Economic Forecast of European Commission published on February 10th 2022, projects that, following a notable expansion by 5.3% in 2021, the EU economy will grow by 4.0% in 2022 and 2.8% in 2023. Growth in the euro area is also expected at 4.0% in 2022, moderating to 2.7% in 2023. The EU as a whole reached its pre-pandemic level of GDP in the third quarter of 2021 and all Member States are projected to have passed this milestone by the end of 2022.

After the robust rebound in economic activity that started in spring last year and continued unabated through early autumn, the growth momentum in the EU is estimated to have slowed to 0.4% in the last quarter of 2021, from 2.2% in the previous quarter. While a slowdown was already expected in the Autumn 2021 Economic Forecast, after the EU economy closed the gap with its pre-pandemic output level in 2021-Q3, it was sharper than projected as headwinds to growth intensified: notably, the surge in COVID-19 infections, high energy prices and continued supply-side disruptions.

Growth continues to be shaped by the pandemic, with many EU countries under pressure from a combination of increased strain on healthcare systems and staff shortages due to illness, precautionary quarantines or care duties. Logistic and supply bottlenecks, including shortages of semiconductors and some metal commodities, are also set to keep weighing on production, at least throughout the first half of the year. Last but not least, energy prices are now expected to remain elevated for longer than expected in the Autumn Forecast, thereby exerting a more protracted drag on the economy and higher inflationary pressures.

This forecast assumes that the strain on the economy caused by the current wave of infections will be short lived. Economic activity is set to regain traction, also as supply conditions normalise and inflationary pressures moderate. Looking beyond the short-term turbulence, the fundamentals underpinning this expansionary phase continue to be strong. A continuously improving labour market, high household savings, still favourable financing conditions, and the full deployment of the Recovery and Resilience Facility (RRF) are all set to sustain a prolonged and robust expansionary phase.

Even though the impact of the pandemic on economic activity has weakened over time, ongoing containment measures and protracted staff shortages could drag on economic activity. They could also dent the functioning of critical supply chains for longer than expected. By contrast, weaker demand growth in the near-term may help to resolve supply bottlenecks somewhat earlier than assumed.

On the upside, household demand could grow more strongly than expected, as already experienced with the reopening of economies in 2020, and investments fostered by the RRF could generate a stronger impulse to activity.

Inflation may turn out higher than expected if cost pressures are eventually passed on from producer to consumer prices to a larger extent than projected, amplifying the risk of second-round effects.

Risks to the growth and inflation outlook are markedly aggravated by geopolitical tensions in Eastern Europe.

MACROECONOMIC BACKGROUND TO THE CLOTHING SECTOR

The 2022 Altagamma Consensus, produced with input of leading international analysts, foresees a more organic, positive growth for 2022, albeit not as rapid as that of 2021. As shops reopen and people begin travelling once more, the average EBITDA for 2022 is estimated to be up 11%.

Clothing should see growth of +9% and this definitive return to pre-Covid levels has rekindled creativity and innovation, while cccessories continue their positive trend, +11% for leather goods and +9% for footwear.

Despite stores reopening, the distribution ecosystem is expected to continue the push towards digital, which will continue to be the fastest growing channel in 2022. Digital retail is expected to be up 15%, with many brands oriented towards a profitable strategy of single-brand digital distribution or with e-tailers (concession). Physical stores are up +9% and continue to be relevant in the luxury sector. Physical wholesale remains fragile, only growing by 4%, while 50% of online purchases are still being made in the digital wholesale channel, which will see significant growth, +13%.

2. SUMMARY OF THE GROUP'S KEY ACTIVITIES

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

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

Prêt-a-porter Division

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

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

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

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

Aeffe

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

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

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

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

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

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

In 2007, Aeffe, obtained the Consob Nulla Osta to public the offering memorandum relating to the Public Offering and the listing on the MTA – Star Segment – of Aeffe S.p.A. ordinary shares, closes successfully the Offer of shares and starts to be traded on the MTA – Star Segment – by Borsa Italiana.

Moschino

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

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

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

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

In 2021 Aeffe SpA. took over from Sinv Holding S.p.A., Sinv Real Estate S.p.A. and Sinv Lab S.r.l., the minority stake of 30% of Moschino S.p.A., thus coming to own the entire capital.

Velmar

Velmar was created in 1983 in San Giovanni in Marignano and is active in the production and distribution of lingerie, underwear, beachwear and loungewear.

In 1990, a partnership began between Velmar and designer Anna Molinari to manufacture lingerie and beachwear lines. That same year, talks began with Aeffe and Genny.

Between 1990 and 1995, Velmar worked with Genny and Fendi, producing all of the swimwear lines designed by the two fashion houses. Between 1990 and 2001, Velmar worked with Itierre and Prada on the design and production of the active and sportswear lines sold under the "Extee" and "Prada" menswear labels.

Between 1995 and 1998, Velmar produced and distributed under licence the beachwear line for Byblos menswear and womenswear.

In 1998, Velmar signed a licensing agreement with Blufin for the production and distribution of "Blugirl" lines.

In 2001, Aeffe acquired 75% of Velmar. Again, this represented a natural progression of the existing partnership between the two companies.

In 2006, Velmar obtained a licence for the production and distribution of the men's beachwear and underwear lines and women's lingerie lines under the "Moschino" brand.

In 2010, Aeffe acquires the remaining 25% of Velmar's share capital.

In 2020 Velmar signed a multi-year licensing agreement with Chiara Ferragni for the production and distribution at global level of Chiara Ferragni underwear and beachwear collections.

Aeffe USA

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

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

Aeffe Retail

Aeffe Retail operates in the retail segment of the Italian market and directly manages 12 stores, both single-brand and multi-brand, located in major Italian cities such as Milan, Rome, Venice, Florence and Capri, manages also an on-line single-brand store.

Aeffe UK

Aeffe UK is 100% owned by Aeffe S.p.A. and manages the store in London's Sloane Street, which sells clothing and accessories under the Alberta Ferretti and Philosophy di Lorenzo Serafini labels.

Aeffe France

Aeffe France is 99.9% owned by Aeffe S.p.A. and manages the store in Rue St. Honorè in Paris, selling apparel and accessories under the Alberta Ferretti. The company also acts as an agent for the French market for the brands Alberta Ferretti and Philosophy di Lorenzo Serafini.

Aeffe Shanghai

Aeffe Shanghai, based in Shanghai, is a company 100% owned by Aeffe S.p.A., and its corporate purpose is the wholesale of clothing and accessories.

Aeffe Germany

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

Aeffe Spagna

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

Aeffe Japan

Aeffe Japan, company based in Tokyo and 100% owned by Aeffe S.p.A., has sold, starting from the 1st of January 2014, the distributing and franchising activities for the collections branded "Alberta Ferretti" and "Philosophy di Lorenzo Serafini" to Woollen Co., Ltd..

In 2014 the company, as owner of a new brand, has decided to develop it in the Japanese market and to that end has licensed it to a third party for the marketing of products in the country.

Moschino Japan

Moschino Japan, company based in Tokyo and 100% owned by Moschino S.p.A., has sold starting from the 1st of January 2014, the distributing and franchising activities for the collections branded Moschino to Woollen Co., Ltd..

In 2014 the company, as owner of a new brand, has decided to develop it in the Japanese market and to that end has licensed it to a third party for the marketing of products in the country.

Moschino Korea

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

Fashoff UK

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

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

Moschino France

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

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

Bloody Mary

Bloody Mary, company based in New York and 100% owned by Moschino S.p.A., has signed, starting from 2014, a sublease contract for the management of a store placed at 401 West 14th Street New York. This contract ended in September 2018.

Moschino USA

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

Moschino Asia Pacific

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

Footwear and leather goods Division

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

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

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

Pollini

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

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

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

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

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

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

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

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

Pollini Retail

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

Pollini Suisse

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

Pollini Austria

Pollini Austria directly manages the single-brand Pollini store in Pandorf, Austria.

3. TREND OF THE GROUP MANAGEMENT

CONSOLIDATED INCOME STATEMENT

(Values in units of EUR)	Full Year 2021	% on revenues	Full Year 2020	% on revenues	Change	%
REVENUES FROM SALES AND SERVICES	**324,592,143**	**100.0%**	**269,116,774**	**100.0%**	**55,475,369**	**20.6%**
Other revenues and income	8,521,078	2.6%	10,485,768	3.9%	(1,964,690)	(18.7%)
TOTAL REVENUES	**333,113,221**	**102.6%**	**279,602,542**	**103.9%**	**53,510,679**	**19.1%**
Changes in inventory	(17,639,882)	(5.4%)	2,341,099	0.9%	(19,980,981)	(853.5%)
Costs of raw materials, cons. and goods for resale	(114,385,792)	(35.2%)	(110,162,492)	(40.9%)	(4,223,300)	3.8%
Costs of services	(93,182,942)	(28.7%)	(93,242,015)	(34.6%)	59,073	(0.1%)
Costs for use of third parties assets	(5,729,826)	(1.8%)	(6,630,888)	(2.5%)	901,062	(13.6%)
Labour costs	(63,136,252)	(19.5%)	(61,752,840)	(22.9%)	(1,383,412)	2.2%
Other operating expenses	(3,693,579)	(1.1%)	(5,661,916)	(2.1%)	1,968,337	(34.8%)
Total Operating Costs	(297,768,273)	(91.7%)	(275,109,052)	(102.2%)	(22,659,221)	8.2%
GROSS OPERATING MARGIN (EBITDA)	**35,344,948**	**10.9%**	**4,493,490**	**1.7%**	**30,851,458**	**686.6%**
Amortisation of intangible fixed assets	(4,018,582)	(1.2%)	(4,474,396)	(1.7%)	455,814	(10.2%)
Depreciation of tangible fixed assets	(4,814,328)	(1.5%)	(5,103,882)	(1.9%)	289,554	(5.7%)
Depreciation of right-of-use assets	(16,188,015)	(5.0%)	(16,889,860)	(6.3%)	701,845	(4.2%)
Revaluations/(write-downs) and provisions	(1,155,131)	(0.4%)	(2,590,616)	(1.0%)	1,435,485	(55.4%)
Total Amortisation, write-downs and provisions	(26,176,056)	(8.1%)	(29,058,754)	(10.8%)	2,882,698	(9.9%)
NET OPERATING PROFIT / LOSS (EBIT)	**9,168,892**	**2.8%**	**(24,565,264)**	**(9.1%)**	**33,734,156**	**(137.3%)**
Financial income	665,668	0.2%	638,871	0.2%	26,797	4.2%
Financial expenses	(1,535,290)	(0.5%)	(1,460,390)	(0.5%)	(74,900)	5.1%
Financial expenses on right-of-use asset	(1,980,778)	(0.6%)	(2,200,668)	(0.8%)	219,890	(10.0%)
Total Financial Income / (expenses)	(2,850,400)	(0.9%)	(3,022,187)	(1.1%)	171,787	(5.7%)
PROFIT / LOSS BEFORE TAXES	**6,318,492**	**1.9%**	**(27,587,451)**	**(10.3%)**	**33,905,943**	**(122.9%)**
Taxes	5,807,514	1.8%	4,230,874	1.6%	1,576,640	37.3%
NET PROFIT / LOSS*	**12,126,006**	**3.7%**	**(23,356,577)**	**(8.7%)**	**35,482,583**	**(151.9%)**
(Profit) / loss attributable to minority shareholders	-	0.0%	1,959,730	0.7%	(1,959,730)	(100.0%)
NET PROFIT / LOSS FOR THE GROUP	**12,126,006**	**3.7%**	**(21,396,847)**	**(8.0%)**	**33,522,853**	**(156.7%)**

** See comment on adjusted Net Profit*

Sales

In 2021 consolidated revenues amount to EUR 324,592 thousand compared to EUR 269,117 thousand of the year 2020, showing an increase of 20.6% (+20.8% at constant exchange rates).

Revenues of the prêt-à-porter division amount to EUR 220,198 thousand with an increase of 11.5% at current exchange rates (+11.7% at constant exchange rates) compared to 2020. The revenues of the footwear and leather goods division increase by 30.2% to EUR 139,862 thousand.

Sales by brand

(Values in thousands of EUR)	Full Year 2021	%	Full Year 2020	%	Change Δ	%
Alberta Ferretti	16,951	5.2%	14,544	5.4%	2,407	16.6%
Philosophy	15,760	4.9%	13,402	5.0%	2,358	17.6%
Moschino	258,418	79.6%	215,423	80.0%	42,995	20.0%
Pollini	31,186	9.6%	22,408	8.3%	8,778	39.2%
Other	2,277	0.7%	3,340	1.3%	(1,063)	(31.8%)
Total	**324,592**	**100.0%**	**269,117**	**100.0%**	**55,475**	**20.6%**

In 2021, the Alberta Ferretti brand increases by 16.5%, contributing to 5.2% of consolidated sales, while Philosophy di Lorenzo Serafini brand increases by 17.6%, contributing to 4.9% of consolidated sales.

In the same period Moschino brand increases by 20.0%, contributing to 79.6% of consolidated sales.

Pollini brand records an increase of 39.2%, generating 9.6% of consolidated sales, while brands under license decreases by 31.8%, equal to 0.7% of consolidated sales.

Sales by geographical area

(Values in thousands of EUR)	Full Year		Full Year		Change	
	2021	%	2020	%	Δ	%
Italy	132,138	40.7%	114,912	42.7%	17,226	15.0%
Europe (Italy excluded)	105,535	32.5%	84,731	31.5%	20,804	24.6%
Asia and Rest of the World	65,368	20.1%	53,926	20.0%	11,442	21.2%
America	21,551	6.7%	15,548	5.8%	6,003	38.6%
Total	**324,592**	**100.0%**	**269,117**	**100.0%**	**55,475**	**20.6%**

In 2021, the Group registered double-digit growth in all markets in which operates, with very strong increases in Europe, Asia, Rest of the World and America.

Sales in the Italian market increased by 15.0% to EUR 132,138 thousand compared to 2020, thanks to the excellent results achieved by the wholesale and e-commerce.

In 2021, sales in Europe, contributing to 32.5% of consolidated sales, increased by 24.6% mainly thanks to the positive trend of Germany, UK and Eastern Europe in the wholesale channel. The retail channel continued to be partially influenced by the limited tourists' flow.

In Asia and in the Rest of the World, the Group's sales totalled EUR 65,369 thousand, amounting to 20.1% of consolidated sales, recording an increase of 21.2% at current exchange rates compared to the same period of 2020. The Greater China area drove growth reporting a 23% increase.

Sales in America, contributing to 6.7% of consolidated sales, posted an increase of 38.6% at current exchange rates, thanks to the excellent trend of both the retail and the wholesale channels, online included.

Sales by distribution channel

(Values in thousands of EUR)	Full Year		Full Year		Change	
	2021	%	2020	%	Δ	%
Wholesale	238,805	73.6%	195,117	72.5%	43,688	22.4%
Retail	72,164	22.2%	63,527	23.6%	8,637	13.6%
Royalties	13,623	4.2%	10,473	3.9%	3,150	30.1%
Total	**324,592**	**100.0%**	**269,117**	**100.0%**	**55,475**	**20.6%**

The wholesale channel, contributing to 73.6% of consolidated sales, recorded a 22.4% growth at current exchange rates.

The sales of directly-operated stores (DOS), including direct online, (retail channel), equal to 22.2% of consolidated sales, showed a good recovery thanks to the progressive easing of the restrictions to the international travels. The retail channel showed an increase of 13.6% at current exchange rates compared to last year. E-commerce sales, considered stand alone, posted instead a very positive trend in the period, recording excellent performances across all brands and geographies.

Royalty incomes increased by 30.1% compared to the same period of 2020 and represented 4.2% of consolidated sales.

Labour costs

Labour costs change from EUR 61,753 thousand in 2020 to EUR 63,136 thousand in 2021, recording an increase of EUR 1,383 thousand, and an incidence on revenues which changes from 22.9% in 2020 to 19.5% in 2021.

The workforce increases from an average of 1,333 units in 2020 to 1,287 units in 2021.

Average number of employees by category	Full Year 2021	Full Year 2020	Change Δ	Change %
Workers	259	241	18	7.5%
Office staff-supervisors	998	1,063	(65)	(6.1%)
Executive and senior managers	30	29	1	3.4%
Total	**1,287**	**1,333**	**(46)**	**(3.5%)**

Gross Operating Margin (EBITDA)

In 2021 consolidated EBITDA is positive for EUR 35,345 thousand (with an incidence of 10.9% of consolidated sales), showing an increase of 686.6% compared to an EBITDA of EUR 4,493 thousand in 2020 (with an incidence of 1.7% of consolidated sales).

The marginality grew more than proportionally compared to the sales increase. This reflects both the significant sales increase and the positive results deriving from costs savings for personnel, rents and overheads, coming from the actions the Group put in place to face the consequences of the spread of the virus on a global scale.

EBITDA of the *prêt-à-porter* division amounts to EUR 23,049 thousand (10.5% on sales), compared to an EBITDA of EUR 3,594 thousand in 2020 (1.8% on sales), with an increase of EUR 19,455 thousand.

In 2021 EBITDA of the footwear and leather goods division is EUR 12,296 thousand (8.8% on sales), compared to an EBITDA of EUR 899 thousand in 2020 (0.8% on sales), with a EUR 11,397 thousand increase.

Net operating result (EBIT)

Consolidated EBIT is positive for EUR 9,169 thousand (2.8% on sales), recording a progress of EUR 33,734 thousand, compared to a negative value of EUR 24,565 thousand of 2020, mainly due to the increase in EBITDA.

Result before taxes

The result before taxes amounts to a profit of EUR 6,318 thousand compared with a loss of EUR 27,587 thousand in 2020, with a EUR 33,905 thousand increase.

Net result

Net result posts a profit of EUR 12,126 thousand in 2021 compared to a loss of EUR 23,357 thousand in 2020, with an improvement in absolute value of EUR 35,483 thousand.

Net result (RESULT ADJUSTED)

Net profit adjusted, net of extraordinary fiscal effects related to revaluations and realignments implemented in accordance with art. 110 of Law Decree 104/2020 (“August Decree”), and the write-down of the equity investment of a subsidiary, amounts to EUR 2.6 million.

CONSOLIDATED BALANCE SHEET

(Values in units of EUR)	31 December 2021	31 December 2020
Trade receivables	50,034,112	39,094,519
Stock and inventories	91,406,571	109,285,351
Trade payables	(78,690,149)	(69,328,170)
Operating net working capital	**62,750,534**	**79,051,700**
Other short term receivables	32,513,758	28,570,739
Tax receivables	6,636,204	10,465,392
Derivative assets	-	-
Other short term liabilities	(17,582,148)	(16,676,076)
Tax payables	(4,447,875)	(3,753,375)
Derivative liabilities	(22,223)	(349,002)
Net working capital	**79,848,250**	**97,309,378**
Tangible fixed assets	58,770,962	61,657,913
Intangible fixed assets	68,866,417	72,489,488
Right-of-use assets	85,961,940	100,471,903
Equity investments	30,069	131,558
Other fixed assets	1,565,654	2,615,956
Fixed assets	**215,195,042**	**237,366,818**
Post employment benefits	(4,478,746)	(4,900,460)
Provisions	(1,758,142)	(1,543,670)
Assets available for sale	-	-
Long term not financial liabilities	(1,120,371)	(1,768,758)
Deferred tax assets	15,164,461	21,287,015
Deferred tax liabilities	(13,945,178)	(28,016,336)
NET CAPITAL INVESTED	**288,905,316**	**319,733,987**
Share capital	24,917,359	25,043,866
Other reserves	110,437,855	131,311,933
Profits / (Losses) carried-forward	(27,320,768)	13,273,509
Profits / (Loss) for the period	12,126,006	(21,396,847)
Group interest in shareholders' equity	**120,160,452**	**148,232,461**
Minority interests in shareholders' equity	-	30,524,025
Total shareholders' equity	**120,160,452**	**178,756,486**
Short term financial receivables	(2,913,650)	(651,944)
Cash	(31,306,566)	(39,828,260)
Long term financial liabilities	90,697,332	34,348,837
Long term financial receivables	-	(2,037,324)
Short term financial liabilities	36,595,368	60,938,851
NET FINANCIAL POSITION WITHOUT IFRS 16 EFFECTS	**93,072,484**	**52,770,160**
Short term lease liabilities	13,320,667	12,974,406
Long term lease liabilities	62,351,713	75,232,935
NET FINANCIAL POSITION	**168,744,864**	**140,977,501**
SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS	**288,905,316**	**319,733,987**

NET INVESTED CAPITAL

Compared to December 31, 2020, net invested capital decreased by 9.6%.

Net working capital

Net working capital amounts to EUR 79,848 thousand (24.6% on sales) compared with EUR 97,309 thousand at 31 December 2020 (36.2% on sales).

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

- the operating net working capital decreases in all by 20.6% (EUR 16,301 thousand) with an incidence on sales that changes from 29.4% in 2020 to 19.3% in 2021;
- the sum of other receivables and payables increases in all of EUR 3,037 thousand compared with the previous year mainly for higher credits for prepaid costs;
- the sum of tax receivables and tax payables decrease in all of EUR 4,524 thousand. Such decrease is mainly due to the decrease of VAT receivable.

Fixed assets

The change in fixed assets of EUR 22,172 thousand at December 31, 2021 compared to December 31, 2020, is due to amortization of the period and to investments made in 2021.

NET FINANCIAL POSITION

The financial situation of the Group at 31 December 2021 shows a debt of EUR 168,745 thousand, including IFRS 16 effects, compared to the debt of EUR 140,978 thousand at 31 December 2020, with a worsening of EUR 27.767 thousand. The debt at 31 December 2021 relating to IFRS 16 amounts to EUR 75,672 thousand, of which EUR 13,320 thousand is current and EUR 62,352 thousand is non-current. Debt net of the IFRS 16 effect at the end of December 2021 amounts to EUR 93,072 thousand compared to the debt of EUR 52,770 thousand at the end of December 2020, recording a worsening of EUR 40,302 thousand.

During 2021, Aeffe SpA took over the 30% minority stake in Moschino SpA., for an amount of Euro 66,571 thousand and took over in advance the license for the production and distribution of "Love Moschino" women's apparel collections for an amount of EUR 3,637 thousand. Net of these extraordinary effects, the net financial position would have improved by Euro 29,906 thousand, thanks to both the better economic results achieved and the effective management of working capital.

SHAREHOLDERS' EQUITY

The shareholders' equity decreases by EUR 58,596 thousand from EUR 178,756 thousand as of 31 December 2020 to EUR 120,160 thousand as of 31 December 2021.

The Group's shareholders' equity moved mainly due to the profit for the period of EUR 12,126 thousand and the purchase of the 30% minority stake in Moschino Spa for a consideration of EUR 66,571 thousand, partially offset by the acquisition of the minority interests in shareholders' equity equal to EUR 30,524 thousand.The number of shares is 107,362,504.

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

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

(*) 7.166% of own shares held by Aeffe S.p.A.

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

Pursuant to the Consob Communication of 28 July 2006, the following table provides reconciliation between the net result and equity of Aeffe S.p.A. for the year ended 31 December 2021 and the comparable items on a consolidated basis (portion attributable to owners of Aeffe S.p.A.):

(Values in thousand of EUR)	Shareholders' equity at 31 December 2021	Net profit /loss for the full year 2021
Taken from the corporate financial statements of the parent company	**116,583**	**(15,920)**
Share of the consolidated subsidiaries's equity and profit /loss attributable to the Group, net of the carrying amount of equity interests	(25,250)	25,821
Effect of business combination reopening	31,338	2,057
Reversal of the intercompany inventory margin	(6,371)	-
Transition to parent company accounting policies	1,394	454
Other adjustments	2,466	(286)
Total consolidation adjustments	**3,577**	**28,046**
Group interest in shareholders' equity	**120,160**	**12,126**
Minority interest	**-**	**-**
Total shareholders' equity	**120,160**	**12,126**

4. RESEARCH & DEVELOPMENT ACTIVITIES

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

5. GROUP'S OBJECTIVES AND POLICIES ON FINANCIAL RISKS

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

6. CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURES

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

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

Alignment of the system of governance adopted by listed companies with the recommendations contained in the Code of Self-Regulation is not currently a legal requirement: adoption of the standards and organisational models proposed therein is therefore voluntary, and left to the discretion of the listed companies for which it is intended. Nevertheless, certain recommendations contained in the Code of Self-

Regulation are reflected in current legislation and/or regulations including, more precisely, the Italian Civil Code, Decree 58 dated 24 February 1998 as subsequently amended (the "Consolidated Finance Law"), Consob Regulation 11971 dated 14 May 1999, as amended (the "Issuers' Regulations"), the Regulations for Markets Organised and Managed by Borsa Italiana (the "Market Regulations") and the Market Instructions relating specifically to companies with shares admitted to trading in the STAR segment.

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

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

7. TREASURY SHARES

As of 31 December 2021, the Parent Company holds 7.693.067 treasury shares, par value EUR 0.25 each, totalling 7.166% of its share capital. During 2021, 506,028 treasury shares were purchased by the Parent Company for a total value of EUR 936,224.

As of 31 December 2021 the Parent Company does not hold shares of any controlling company either directly or indirectly.

8. TRANSACTIONS BETWEEN GROUP COMPANIES AND WITH RELATED PARTIES

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

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

9. INFORMATION RELATIVE TO PERSONNEL AND ENVIRONMENT

Regarding the information relative to personnel and environment, please refer to the indicated in the consolidated non-financial statement.

10. SIGNIFICANT EVENTS OF THE PERIOD

On 28 July 2021, Aeffe S.p.A. acquired from Sinv Holding S.p.A., Sinv Real Estate S.p.A. and Sinv Lab S.r.l., the minority stake of Moschino S.p.A., allowing Aeffe to take full ownership of the Company.

The transaction is part of the strategy related to the Moschino brand, which aims at the process of future integration of the womens' apparel collections into Aeffe Group to enhance their potential thanks to the exploitation of synergies.

The transaction has a high strategic value for the AEFFE Group and represents an important opportunity for business growth and development allowing an agile and flexible planning of medium-long term strategies and activities related to the Moschino brand, with the aim to strengthening its positioning and enhancing its high great growth potential.The operation is part of the development strategy focused on a completely independent business model, with full controll of the brand value chain, from product to quality and with positive effects on image, distribution and communication.

The consideration for the purchase of the shares, equal to Euro 66,571,000, was fully paid. The fairness of the price was confirmed by an independent fairness opinion issued by Deloitte Financial Advisory S.r.l. on 22 July 2021.

On October 26, 2021, Aeffe SpA has reached an agreement with Sinv S.p.A. to take over in advance the license for the production and distribution of "Love Moschino" women's apparel collections currently held by Sinv, following the acquisition of the full control of Moschino S.p.A. formalized last July.

11. SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

No significant events occurred after the end of the year.

12. OUTLOOK

Revenue growth in 2021 was significant, with a more than proportional increase in profitability. This reflects the good performance of all our brands in the various markets and distribution channels, combined with the benefits of work to improve the structural efficiency of our business model. Notably, the Fall-Winter 2022-23 sales campaign was successful, helping to mitigate the effects of the healthcare emergency linked to the Covid-19 pandemic.

Despite the uncertainties caused by geopolitical tensions (Russia and Ukraine contributed 2.6% of turnover in 2021), we remain focused on the pursuit of medium/long-term initiatives: development of the new strategic direction of Moschino, with the integrated management of all clothing licenses tied to the brand; direct management of distribution in Mainland China; significant strengthening of the on-line sales channel.

Financial statements

CONSOLIDATED BALANCE SHEET ASSETS (*)

(Values in units of EUR)	Notes	31 December 2021	31 December 2020	Change
Trademarks		68,000,906	71,494,428	(3,493,522)
Other intangible fixed assets		865,511	995,060	(129,549)
Intangible fixed assets	(1)	68,866,417	72,489,488	(3,623,071)
Lands		17,123,494	17,123,494	-
Buildings		25,763,396	26,729,357	(965,961)
Leasehold improvements		8,600,124	10,201,924	(1,601,800)
Plant and machinary		3,971,601	3,810,164	161,437
Equipment		326,581	350,754	(24,173)
Other tangible fixed assets		2,985,766	3,442,220	(456,454)
Tangible fixed assets	(2)	58,770,962	61,657,913	(2,886,951)
Right-of-use assets	(3)	85,961,940	100,471,903	(14,509,963)
Equity investments	(4)	30,069	131,558	(101,489)
Long term financial receivables	(5)	-	2,037,324	(2,037,324)
Other fixed assets	(6)	1,565,654	2,615,956	(1,050,302)
Deferred tax assets	(7)	15,164,461	21,287,015	(6,122,554)
NON-CURRENT ASSETS		**230,359,503**	**260,691,157**	**(30,331,654)**
Stocks and inventories	(8)	91,406,571	109,285,351	(17,878,780)
Trade receivables	(9)	50,034,112	39,094,519	10,939,593
Tax receivables	(10)	6,636,204	10,465,392	(3,829,188)
Derivate assets	(11)	-	-	-
Cash	(12)	31,306,566	39,828,260	(8,521,694)
Short term financial receivables	(13)	2,913,650	651,944	2,261,706
Other receivables	(14)	32,513,758	28,570,739	3,943,019
CURRENT ASSETS		**214,810,861**	**227,896,205**	**(13,085,344)**
Assets available for sale		-	-	-
TOTAL ASSETS		**445,170,364**	**488,587,362**	**(43,416,998)**
Share capital		24,917,359	25,043,866	(126,507)
Other reserves		110,437,855	131,311,933	(20,874,078)
Profits / (losses) carried-forward		(27,320,768)	13,273,509	(40,594,277)
Net profit / (loss) for the Group		12,126,006	(21,396,847)	33,522,853
Group interest in shareholders' equity		120,160,452	148,232,461	(28,072,009)
Minority interests in share capital and reserves		-	32,483,755	(32,483,755)
Net profit / (loss) for the minority interests		-	(1,959,730)	1,959,730
Minority interests in shareholders' equity		-	30,524,025	(30,524,025)
SHAREHOLDERS' EQUITY	**(15)**	**120,160,452**	**178,756,486**	**(58,596,034)**
Provisions	(16)	1,758,142	1,543,670	214,472
Deferred tax liabilities	(7)	13,945,178	28,016,336	(14,071,158)
Post employment benefits	(17)	4,478,746	4,900,460	(421,714)
Long term financial liabilities	(18)	153,049,045	109,581,772	43,467,273
Long term not financial liabilities	(19)	1,120,371	1,768,758	(648,387)
NON-CURRENT LIABILITIES		**174,351,482**	**145,810,996**	**28,540,486**
Trade payables	(20)	78,690,149	69,328,170	9,361,979
Tax payables	(21)	4,447,875	3,753,375	694,500
Derivate liabilities	(11)	22,223	349,002	(326,779)
Short term financial liabilities	(22)	49,916,035	73,913,257	(23,997,222)
Other liabilities	(23)	17,582,148	16,676,076	906,072
CURRENT LIABILITIES		**150,658,430**	**164,019,880**	**(13,361,450)**
Liabilities available for sale		-	-	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**445,170,364**	**488,587,362**	**(43,416,998)**

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

CONSOLIDATED INCOME STATEMENT (*)

(Values in units of EUR)	Notes	Full Year 2021	%	Full Year 2020	%
REVENUES FROM SALES AND SERVICES	**(24)**	**324,592,143**	**100.0%**	**269,116,774**	**100.0%**
Other revenues and income	(25)	8,521,078	2.6%	10,485,768	3.9%
TOTAL REVENUES		**333,113,221**	**102.6%**	**279,602,542**	**103.9%**
Changes in inventory		(17,639,882)	(5.4%)	2,341,099	0.9%
Costs of raw materials, cons. and goods for resale	(26)	(114,385,792)	(35.2%)	(110,162,492)	(40.9%)
Costs of services	(27)	(93,182,942)	(28.7%)	(93,242,015)	(34.6%)
Costs for use of third parties assets	(28)	(5,729,826)	(1.8%)	(6,630,888)	(2.5%)
Labour costs	(29)	(63,136,252)	(19.5%)	(61,752,840)	(22.9%)
Other operating expenses	(30)	(3,693,579)	(1.1%)	(5,661,916)	(2.1%)
Amortisation, write-downs and provisions	(31)	(26,176,056)	(8.1%)	(29,058,754)	(10.8%)
Financial Income / (expenses)	(32)	(2,850,400)	(0.9%)	(3,022,187)	(1.1%)
PROFIT / LOSS BEFORE TAXES		**6,318,492**	**1.9%**	**(27,587,451)**	**(10.3%)**
Taxes	(33)	5,807,514	1.8%	4,230,874	1.6%
NET PROFIT / LOSS		**12,126,006**	**3.7%**	**(23,356,577)**	**(8.7%)**
(Profit) / loss attributable to minority shareholders		-	0.0%	1,959,730	0.7%
NET PROFIT / LOSS FOR THE GROUP		**12,126,006**	**3.7%**	**(21,396,847)**	**(8.0%)**
Basic earnings per share	(34)	0.122		(0.214)	
Dilutive earnings per share	(34)	0.122		(0.214)	

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

COMPREHENSIVE INCOME STATEMENT

(Values in units of EUR)	Full Year 2021	Full Year 2020
Profit/(loss) for the period (A)	**12,126,006**	**(23,356,577)**
Remeasurement of defined benefit plans	(122,370)	(57,365)
Income tax relating to components of Other comprehensive income that will not be reclassified subsequently to profit or loss	-	-
Total other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1)	**(122,370)**	**(57,365)**
Gains/(losses) on cash flow hedges	235,608	(305,024)
Gains/(losses) on exchange differences on translating foreign operations	969,893	(597,314)
Income tax relating to components of Other Comprehensive income / (loss)	-	-
Total other comprehensive income that will be reclassified subsequently to profit or loss, net of tax (B2)	**1,205,501**	**(902,338)**
Totale Other comprehensive income, net of tax(B1)+(B2)=(B)	**1,083,131**	**(959,703)**
Total Comprehensive income / (loss) (A) + (B)	**13,209,137**	**(24,316,280)**
Total Comprehensive income / (loss) attributable to:	**13,209,137**	**(24,316,280)**
Owners of the parent	13,209,137	(22,285,242)
Non-controlling interests	-	(2,031,038)

CONSOLIDATED CASH FLOW STATEMENT (*)

(Values in thousands of EUR)	Notes	Full Year 2021	Full Year 2020
Opening balance		**39,828**	**28,390**
Profit before taxes		6,318	(27,587)
Amortisation / write-downs		26,176	29,059
Accrual (+)/availment (-) of long term provisions and post employment benefits		(207)	(598)
Paid income taxes		(1,447)	(2,592)
Financial income (-) and financial charges (+)		2,850	3,022
Change in operating assets and liabilities		14,964	8,963
Cash flow (absorbed) / generated by operating activity	**(35)**	**48,654**	**10,267**
Increase (-)/ decrease (+) in intangible fixed assets		(396)	(880)
Increase (-)/ decrease (+) in tangible fixed assets		(1,927)	(4,504)
Increase (-)/ decrease (+) in right-of-use assets		(1,678)	(6,648)
Investments and write-downs (-)/ Disinvestments and revaluations (+)		102	-
Cash flow (absorbed) / generated by investing activity	**(36)**	**(3,899)**	**(12,032)**
Other variations in reserves and profits carried-forward of shareholders' equity		(70,722)	(1,080)
Dividends paid		-	-
Proceeds (+)/ repayments (-) of financial payments		32,005	24,129
Proceeds (+)/ repayment (-) of lease payments		(12,535)	(7,596)
Increase (-)/ decrease (+) in long term financial receivables		826	772
Financial income (+) and financial charges (-)		(2,850)	(3,022)
Cash flow (absorbed) / generated by financing activity	**(37)**	**(53,276)**	**13,203**
Closing balance		**31,307**	**39,828**

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

STATEMENTS OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

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

(Values in thousands of EUR)	Share capital	Share premium reserve	Cash flow reserve	Other reserves	Fair Value reserve	IAS reserve	Remeasurement of defined benefit plans reserve	Translation reserve	Profits/(losses) carried-forward	Net profit / loss for the Group	Group interest in shareholders' equity	Minority interest in shareholders' equity	Total shareholders' equity
At December 31, 2019	**25,286**	**70,775**	**53**	**44,748**	**7,901**	**7,607**	**(1,286)**	**(1,976)**	**6,586**	**11,693**	**171,387**	**32,688**	**204,075**
Allocation of 2019 profit/(loss)	-	-	-	5,138	-	-	-	-	6,555	(11,693)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock (buyback)/sale	(242)	(631)	-	-	-	-	-	-	-	-	(873)	-	(873)
Total comprehensive income/(loss) of 2020	-	-	(305)	-	-	-	(57)	(526)	-	(21,397)	(22,285)	(2,031)	(24,316)
Other changes	-	-	-	(130)	-	-	-	-	133	-	3	(133)	(130)
At December 31, 2020	**25,044**	**70,144**	**(252)**	**49,756**	**7,901**	**7,607**	**(1,343)**	**(2,502)**	**13,274**	**(21,397)**	**148,232**	**30,524**	**178,756**

Ria
Grant Thornton

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

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To the shareholders of
Aeffe S.p.A.

Report on the Audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Aeffe Group (the Group), which comprise the statement of financial position as at December 31, 2021, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n.38 dated February 28, 2005.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements"* section of this report. We are independent of the Group in accordance with the ethical and independence requirements pursuant the Italian regulation for the audit of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Evaluation of Trademarks Alberta Ferretti, Moschino e Pollini

Description of the Key matter	Audit procedures in response to the Key matter
The consolidated financial statements as at 31 December 2021 include the Alberta Ferretti, Moschino and Pollini brands (collectively referred as "Trademarks") for a value of 68 million Euros, accounted as intangible assets with a finite useful utile, and systematically amortized on a straight-line basis over the estimated useful life period in 40 years. The accounting standard IAS 36 provides that the Trademarks are subjected to a verification of the recoverable value should indicators of possible loss in value occur. Management considered the Covid-19 pandemic to be an indicator of possible impairment of the Trademarks. The brands were therefore subjected to impairment tests to compare their recoverable values with their book values. In order to determine the recoverable value of the trademarks subject to impairment testing, management has applied the method of discounting royalties. This method consists of discounting to present value, over a period deemed to be reasonable, the royalty flows that the market would be willing to pay (or does pay) to the owner of an intangible asset to acquire a license to use it. Information is provided in the explanatory notes under Note 1 and in the section "Main estimates used by Management". Carrying out the impairment test involves complex assessments that require a high degree of subjective judgment. For these reasons, we have considered the valuation of Trademarks as a key aspect of the auditing activity.	The audit procedures carried out also with the involvement of experts from the Grant Thornton network comprised: – the analysis of the reasonableness of the depreciation criteria adopted; – an understanding of the process applied in preparing the impairment test on brands, approved by the directors of the Parent Company; – an understanding of the process adopted in preparing the Group's 2021 budget, approved by the Parent Company's Board of Directors on January 27th 2022 and forecasts for the period 2023-2025, used as a reference for carrying out impairment tests; – understanding of the process adopted in preparing the sales plan for the period 2022-2025 for Pollini trademark, approved by the Board of Directors of Pollini S.p.A. on March 9, 2022, used to support the impairment test of Pollini trademark; – an understanding of the calculation of royalties; – the analysis of the reasonableness of the estimates used to determine the recoverable value of the Trademarks and any impairment losses; – the examination of the sensitivity analysis with reference to the key assumptions used for the impairment tests including the interest rate and the perpetual growth rate applied; – the examination of the appropriateness of the information provided by the directors in the explanatory notes in relation to the Brands and the impairment tests.

Evaluation of inventory

Description of the Key matter	Audit procedures in response to the Key matter
The Consolidated financial statement as at December 31, 2021 includes inventory of goods equal to 91,4 million Euro, net of obsolete allowance amounting to 22,7 million Euro. The determination of the allowance for inventory write-downs represents a complex accounting estimate that requires a high degree of judgment as it is influenced by multiple factors, including: – the characteristics of the sector in which the Company operates; – the seasonality of sales; – the pricing policies adopted and the disposal capacity of the sales channels. For these reasons, we considered the valuation of inventories to be a key aspect of the audit. The information is reported in the explanatory notes under note 8 and in the paragraph “Estimation criteria”.	The audit procedures performed included: – an understanding of the business processes, the related IT environment and the relevant controls adopted by the directors to determine the valuation of inventories; – an analysis of changes in inventories during the year, considering the expected life cycle of inventories based on their age, and an analysis of the historical trend of sales and profitability by season; – verification, by means of documentary analysis and discussion with the company departments involved, of the methodology adopted for the purposes of determining the allowance for inventory obsolescence, aimed at understanding the assumptions underlying the expected dynamics of the disposal of goods; – verification of the completeness and accuracy of the database used by the directors to calculate the allowance for inventory obsolescence, as well as verification of the mathematical accuracy of the calculation; – examination of the appropriateness of the information provided by the directors in the notes to the financial statements regarding inventories.

Responsibilities of the Directors and Board of statutory auditors for the Consolidated Financial Statements

The Directors are responsible for preparing consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards adopted by the European Union, as well as the measures implementing art. 9 of Legislative Decree no. 38/05 and, within the time limits required by law, for that part of the internal control system that they consider necessary to enable the preparation of consolidated financial statements that do not contain any significant errors due to fraud or unintentional conduct or events.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriateness of the use of the going concern assumption, as well as for adequate disclosure in this regard.

The directors use the going concern assumption when preparing the consolidated financial statements, unless they have assessed that the conditions exist for the liquidation of the parent company Aeffe S.p.A. or for the discontinuance of operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for supervising, within the terms of the law, the process of preparing the Group's financial information.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standard on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, could reasonably be expected to influence the economic decisions taken by the users on the basis of these consolidated financial statements.

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

- Identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; designed and performed audit procedures responsive to those risks and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, as properly identified in accordance with ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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

We were initially engaged by the shareholders of Aeffe S.p.A. on April 16, 2016 to perform the audits of the financial statements and the consolidated financial statements of each fiscal year starting from December 31, 2016 to December 31, 2024.

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

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report, prepared in accordance with the article 11 of the EU Regulation 537/2014, submitted to the Board of Statutory Auditors.

Report on compliance with other Laws and Regulations

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

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

We have performed the procedures indicated in Auditing Standard (SA Italy) No. 700B in order to express our opinion on the conformity of the consolidated financial statements with the requirements of the Delegated Regulations.

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

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

The Directors of Aeffe S.p.A. are responsible for the preparation of the Director's Report and of the Report on Corporate Governance and Ownership Structure Aeffe S.p.A. as at December 31, 2021, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required by auditing standard (SA Italia) no. 720B in order to express an opinion on the consistency of the Director's Report and of the information set out in the Report on Corporate Governance and Ownership Structure referred to in art. 123-bis, paragraph 4 of Legislative Decree n. 58/98, with the consolidated financial statements of Aeffe S.p.A. as at December 31, 2021 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Director's Report and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure is consistent with the consolidated financial statements of Aeffe S.p.A. as at December 31, 2021 and is compliant with the applicable laws and regulations.

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

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

Management of Aeffe Group is responsible for the preparation of the consolidated non-financial statement pursuant to Legislative Decree n.254 of 30 December 2016.

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

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

Bologna, March 29, 2022

Ria Grant Thornton S.p.A.

Signed by
Marco Bassi
Partner

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.

EXPLANATORY NOTES

GENERAL INFORMATION

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

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

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

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

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

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

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

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

DECLARATION OF CONFORMITY AND REPORTING PRINCIPLES

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

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

The measurement bases were applied uniformly by all Group companies.

CONSOLIDATION PRINCIPLES

The scope of consolidation at 31 December 2021 includes the financial statements of the Parent Company Aeffe and those of the Italian and foreign companies in which Aeffe holds control either directly or through its subsidiaries and associates or in which it exerts a dominant influence.

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

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

- the book value of equity investments held by the Parent Company or other consolidated companies is written-off against the corresponding net equity at 31 December 2021 in relation to assumption of the assets and liabilities of the subsidiaries;
- the difference between historical cost and fair value of the net equity of shareholdings on the acquisition date is allocated as much as possible to the assets and liabilities of the shareholdings. The remainder is allocated to goodwill. In accordance with the transitional provisions of IFRS 3, the Group, in case it was present, has ceased to depreciate goodwill, instead subjecting it to impairment tests;
- significant transactions between consolidated companies are written-off, as are receivables and payables and earnings not yet realised from third parties arising from transactions between Group companies, excluding any tax effect;
- minority interests in shareholders' equity and net profit are reported in the relevant items of the consolidated balance sheet and income statement;
- companies acquired during the period are consolidated from the date on which majority control was achieved.

Subsidiaries

Subsidiaries are enterprises controlled by the company. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are consolidated from the date on which the Group acquires control and until the date when such control ceases.

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

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

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

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

Associates

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

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

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

SCOPE OF CONSOLIDATION

In accordance with Article 126 of Consob Regulation 11971 of 14 May 1999, as subsequently amended, a complete list of Group companies and significant investments at 31 December 2021 is provided in the following table.

Company	Location	Currency	Share capital	Direct interest	Indirect interest
Companies included in the scope of consolidation					
Italian companies					
Aeffe Retail S.p.A.	S.G. in Marignano (RN) Italy	EUR	8,585,150	100%	
Moschino S.p.A.	S.G. in Marignano (RN) Italy	EUR	66,817,108	100%	
Pollini S.p.A.	Gatteo (FC) Italy	EUR	6,000,000	100%	
Pollini Retail S.p.A.	Gatteo (FC) Italy	EUR	5,000,000		100% (i)
Velmar S.p.A.	S.G. in Marignano (RN) Italy	EUR	120,000	100%	
Foreign companies					
Aeffe France S.a.r.l.	Paris (FR)	EUR	50,000	100%	
Aeffe UK Ltd.	London (GB)	GBP	310,000	100%	
Aeffe USA Inc.	New York (USA)	USD	600,000	100%	
Aeffe Japan Inc.	Tokyo (J)	JPY	3,600,000	100%	
Aeffe Shanghai Ltd.	Shanghai (CN)	CNY	17,999,960	100%	
Aeffe Germany G.m.b.h.	Metzingen (DE)	EUR	25,000	100%	
Aeffe Spagna S.l.u.	Barcelona (E)	EUR	320,000	100%	
Divè S.a.	Galazzano (RSM)	EUR	175,000	75%	
Pollini Suisse S.a.g.l.	Chiasso (CH)	CHF	20,000		100% (i)
Pollini Austria G.m.b.h.	Vienna (A)	EUR	35,000		100% (i)
Fashoff UK Ltd.	London (GB)	GBP	1,550,000		100% (ii)
Moschino Japan Inc.	Tokyo (J)	JPY	120,000,000		100% (ii)
Moschino Korea Ltd.	Seoul (ROK)	KRW	6,192,940,000		100% (ii)
Moschino France S.a.r.l.	Paris (FR)	EUR	50,000		100% (ii)
Moschino USA Inc.	New York (USA)	USD	10,000		100% (ii)
Bloody Mary Inc.	New York (USA)	USD	100,000		100% (ii)
Moschino Asia Pacific	Hong Kong (HK)	HKD	500,000		100% (ii)

Notes (details of in direct shareholdings):

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

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

The following transactions were completed during the period:

a) acquired the residual 30% of Moschino S.p.A. by Aeffe S.p.A .;

b) foundation of Moschino Asia Pacific 100% owned by Moschino S.p.A .;

c) foundation of Aeffe Spagna wholly owned by Aeffe S.p.A .;

FOREIGN CURRENCIES

Functional and reporting currency

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

Foreign currency transactions

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

Financial statements of foreign companies

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

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

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

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

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

Currency description	Actual exchange rate 31 December 2021	Average exchange rate 2021	Actual exchange rate 31 December 2020	Average exchange rate 2020
Hong Kong Dollars	8.8333	9.1932	-	-
Chinese Renminbi	7.1947	7.6282	8.0225	7.8747
United States Dollars	1.1326	1.1827	1.2271	1.1422
United Kingdom Pounds	0.8403	0.8596	0.8990	0.8897
Japanese Yen	130.3800	129.8767	126.4900	121.8458
South Korean Won	1,346.3800	1,354.0600	1,336.0000	1,345.5800
Swiss franc	1.0331	1.0811	1.0802	1.0705

FINANCIAL STATEMENT FORMATS

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

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

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this consolidated financial statement are the same used as those used in the preparation of the consolidated financial statement as of December 31, 2020, except for the following interpretations and amendments to the accounting principles that have been mandatory since January 1, 2021.

Accounting standards, amendments and interpretations approved by the European Union, applicable from 1 January 2021, which were applied for the first time in the consolidated financial statements of the AEFFE Group closed on 31 December 2021

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Reform of the reference indices for determining interest rates - Phase 2

With regulation (EU) 2021/25 of January 13, 2021, the EU approved the document "*Reform of the reference indices for the determination of interest rates - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)* ".

In August 2020, the IASB issued amendments to IFRS9, IAS 39, IFRS 7, IFRS4 and IFRS 16. These amendments supplement those made in 2019 ("IBOR - phase 1") and focus on the effects on entities when an existing benchmark interest rate is replaced with a new benchmark rate as a result of the reform.

The IASB addressed these issues in a project divided into two phases: phase 1 addressed the pre-replacement issues (issues concerning financial reporting in the period preceding the replacement of an existing interest rate benchmark). This part of the project ended on September 26, 2019 by publishing the "*Reform of the benchmarks for determining interest rates (Amendments to IFRS 9, IAS 39 and IFRS 7)*".

Phase 2 of the project dealt with issues related to the replacement of the reference rate. In particular, the amendments included in the "Reform of the reference indices for determining interest rates - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS16)" concern the modification of financial assets, financial liabilities and leasing liabilities, specific hedge accounting requirements and disclosure requirements in application of IFRS 7, to accompany the changes introduced and hedge accounting:

- modification of financial assets, financial liabilities and leasing liabilities: the IASB has introduced a practical expedient for the modifications required by the reform (modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis). These changes are taken into account by updating the effective interest rate. All other changes are accounted for using the current IFRS requirements. A similar practical expedient has been proposed for the tenant's accounting that applies IFRS 16;
- hedge accounting requirements: based on the published amendments, hedge accounting is not interrupted due to the IBOR reform. The hedging relationships (and related documentation) must be modified to reflect the changes to the hedged item, the hedging instrument and the hedged risk. The modified hedging relationships should meet all the qualifying criteria for applying hedge accounting, including the effectiveness requirements;
- disclosures: in order to allow users to understand the nature and extent of the risks deriving from the IBOR reform to which the entity is exposed and the way in which the entity manages these risks, as well as the progress of the entity in the transition from IBORs to alternative policy rates and how the entity is managing this transition. The changes require an entity to communicate information on:
    a) the methods for managing the transition from reference rates to alternative interest rates, the progress made at the reference date and the risks deriving from the transition;
    b) quantitative information on non-derivative financial assets, non-derivative financial liabilities and derivatives that continue to refer to the reference values of the interest rates subject to the reform, broken down by significant reference indexes on interest rates;
    c) the extent to which the IBOR reform has resulted in changes to an entity's risk management strategy, a description of such changes and the way in which the entity manages these risks.

The IASB also amended IFRS 4 to require insurance companies that apply the temporary exemption from IFRS 9 to apply the changes in the accounting of the changes directly required by the IBOR reform.

The adoption of these amendments did not have any effects on the financial statements as at 31 December 2021.

Amendments to IFRS 4 - Extension of the temporary exemption from the application of IFRS 9

On 25 June 2020, the International Accounting Standards Board published the extension of the temporary exemption from the application of IFRS 9 (amendments to the International Financial Reporting Standard (IFRS) 4 Insurance Contracts).

The amendments to IFRS 4 aim to remedy the temporary accounting consequences of the mismatch between the date of entry into force of IFRS 9 Financial Instruments and the date of entry into force of the future IFRS 17 Insurance Contracts. In particular, the amendments to IFRS 4 extend the expiry of the temporary exemption from the application of IFRS 9 until 2023 in order to align the date of entry into force of IFRS 9 with the new IFRS 17.

These amendments were endorsed on 15 December 2020 with regulation (EU) 2020/2097, with mandatory application for financial statements starting from 1 January 2021 of the IFRS adopters of the member countries.

The adoption of these amendments did not have any effects on the financial statements as at 31 December 2021.

Amendments to IFRS 16 - Concessions on fees related to COVID-19 subsequent to June 30, 2021

In May 2020, the IASB issued an amendment to IFRS 16 "Concessions related to COVID-19". This change provided a practical expedient to account for the reduction in rent due to COVID-19. The 2020 practical gimmick was available for rent reductions that only affected payments originally due by 30 June 2021.

On March 31, 2021, the IASB issued the amendment "Concessions on fees related to COVID-19 after June 30, 2021", which extended the period to be able to make use of the practical expedient from June 30, 2021 to June 30, 2022.

The date of entry into force is that of the financial statements starting after 1 April 2021, but early application is allowed. The transitional provisions contained in the amendment provide for a retroactive application, therefore the lessee must apply the concessions on the rent related to COVID-19 after June 30, 2021 retrospectively, noting the cumulative effect of the first application of this amendment as an adjustment to the opening balance. retained earnings (or, if appropriate, another component of shareholders' equity) at the beginning of the year in which it applies the amendment for the first time. It is also evident that the application of the new changes is not optional but depends on whether the practical expedient of May 2020 has been applied or not. If the tenant has already applied the practical expedient of May 2020, the tenant will have to apply the new changes. If the tenant has decided not to apply the practical expedient of May 2020, the tenant will not be able to apply the new changes. If the tenant has yet to decide whether to apply the practical expedient and decides to apply the practical expedient, the application must be retrospective.

The Group also for 2021 used the practical expedient granted by the amendment of March 31, 2021 "Concessions on fees related to COVID-19 subsequent to June 30, 2021".

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

Improvements to IFRS (2018-2020 cycle) - Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41

With regulation (EU) 2021/1080 of June 28, 2021, the EU approved the document "Improvements to IFRS (2018-2020 cycle)" which amends IFRS 1, IFRS 9 and IAS 41. The document IASB also includes an amendment to IFRS 16 which has not been subject to endorsement by the EU as it refers to an amendment to an illustrative example which is not an integral part of the accounting standard. The entity must apply the aforementioned changes starting from the financial statements for the years starting from 1 January 2022 or later.

Annual improvements aim to streamline and clarify existing rules. The objective of the annual improvements is to resolve non-urgent issues relating to inconsistencies found in International Financial Reporting Standards (IFRS) or terminological clarifications, which have been discussed by the IASB during the project cycle.

Amendment to IFRS 1 "First-time adoption of International Financial Reporting Standards": as part of the 2018-2020 annual improvement process of the IFRS standards, the IASB has published an amendment to this standard that allows a subsidiary that chooses to apply paragraph D16 (a) of IFRS 1 to account for the accumulated translation differences on the basis of the amounts accounted for by the parent, considering the date of transition to IFRS by the parent. This amendment also applies to associated companies or joint ventures that choose to apply paragraph D16 (a) of IFRS 1;

Amendment to IFRS 9 "Financial instruments": the IASB has published an amendment to IFRS 9 which clarifies the fees that an entity must include in determining whether the conditions of a new or modified financial liability are substantially different from the conditions of the financial liability original. These fees include only those paid or received between the debtor and the lender, including fees paid or received by the debtor or lender on behalf of others. An entity applies this modification to financial liabilities that are modified or exchanged after the date of the first financial year in which it applies the modification for the first time;

Amendments to IAS 41 “Agriculture”: the requirement envisaged by paragraph 22 of IAS 41 is removed, according to which entities exclude cash flows for taxation in the measurement of the fair value of assets under IAS 41.

Amendments to IAS 16, Property, Plant and Equipment - Income Before Intended Use

With regulation (EU) 2021/1080 of June 28, 2021, the EU approved the document "Property, plant and equipment - Income before intended use (Amendments to IAS 16)".

The entity must apply this document starting from the financial statements of the years starting from January 1, 2022 or later.

The amendments to IAS 16 "Property, Plant and Equipment" prohibit an enterprise from deducting from the cost of property, plant and equipment the amounts received from the sale of items produced while the enterprise is preparing the asset for its intended use (such as, for example, proceeds from the sale of prototypes). Instead, a company will have to recognize such income and the related cost in the income statement;

In terms of supplementary information, the financial statements, in coordinated presentation with the principles that govern their preparation, the Company must indicate:

- the amount of expenses recognized in the book value of an item of property, plant and equipment in the course of its construction;
- the amount of contractual commitments in place for the purchase of property, plant and machinery;
- the amount of compensation from third parties charged to the profit (loss) for the year for items of property, plant and machinery that have suffered a reduction in value, have been lost or disposed of;
- the amounts of income and expenses recognized in profit or loss in accordance with paragraph 20A that relate to items produced that are not the result of the entity's ordinary activities, and which items in the statement of comprehensive income , include such income and costs.

Amendments to IAS 37, Onerous Contracts - Costs Necessary to Fulfill a Contract

With regulation (EU) 2021/1080 of June 28, 2021, the EU approved the document "Onerous contracts - Costs necessary for the fulfillment of a contract (Amendments to IAS 37)".

The amendments to IAS 37 - Provisions, liabilities and contingent assets specify which costs a company must include in assessing whether a contract will be loss-making (so-called onerous contract). The amendment defines a contract as onerous in which the non-discretionary costs necessary for the fulfillment of the obligations assumed exceed the economic benefits that are supposed to be obtained from the same contract. The non-discretionary costs provided for in a contract reflect the minimum net cost of termination of the contract, that is, the lower of the cost necessary for compliance and any compensation or penalty resulting from the non-compliance.

The entity will have to apply these changes to contracts for which it has not yet fulfilled all its obligations at the beginning of the year in which it applies the changes for the first time (the date of the first application). The entity does not have to reformulate the comparative information. The entity must instead recognize the cumulative effect of the first application of the changes as an adjustment to the opening balance of retained earnings or, if appropriate, another component of equity, at the date of the first application.

Amendments to IFRS 3 - Reference to the Conceptual Framework

With regard to IFRS 3 (Business combinations) it is clarified that the costs that the buyer expects to incur in the future, but which he is not obliged to incur, in order to carry out his plan to withdraw from an acquired business, to dispose of the employees of an acquiree, or to transfer them, are not liabilities at the acquisition date.

The buyer does not recognize those costs as part of the application of the acquisition method. Instead, the buyer recognizes those costs in the financial statements following the combination, in accordance with the provisions of other IFRSs. There are, then, some exceptions concerning liabilities and contingent liabilities falling within the scope of IAS 37 or IFRIC 21 (relating to taxes).

IFRS 17 - Insurance Contracts (including amendments published in June 2020)

The new standard establishes the principles for the recognition, evaluation, presentation and disclosure of insurance contracts under the IAS / IFRS international accounting standards. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents such contracts.

This information provides users of the financial statements with a basis for evaluating the effect that insurance contracts have on the financial position, financial results and cash flows of the entity.

IFRS 17 was issued in May 2017 and applies to annual financial years starting on or after 1 January 2023.

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

- Amendments to IAS 1 “Presentation of Financial Statements”: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued respectively on January 23, 2020 and July 15, 2020);
- Amendments to IAS 1 “Presentation of Financial Statements and IFRS Practice Statement 2”: Disclosure of Accounting policies (issued on 12 February 2021);
- Amendments to IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors": Definition of Accounting Estimates (issued on 12 February 2021);
- Amendments to IAS 12 “Income Taxes”: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021);
- Amendments to IFRS 17 "Insurance contracts": Initial Application of IFRS 17 and IFRS 9 - Comparative Information (issued on 9 December 2021).

The principles listed in this paragraph are not applicable as they are not approved by the European Union, which, during the approval process, could only partially transpose, or not transpose, these principles.

Intangible fixed assets

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

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

Goodwill

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

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

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

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

At 31 December 2021, the company has not recorded values related to goodwill in the financial statements.

Brands

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

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

Other intangible fixed assets

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

The principal amortisation rates applied are summarised below:

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

Research costs are charged to the income statement as incurred.

At 31 December 2021, the company has not recorded intangible fixed assets with an "infinite" useful life in the financial statements.

Tangible fixed assets

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

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

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

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

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

The depreciation rates applied are summarised below:

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

Land is not depreciated.

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

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

Leasing IFRS16

IFRS 16 was published in January 2016 and replaced IAS 17 Leasing, IFRIC 4, SIC-15 and SIC-27. IFRS 16 defines the principles for the recognition, measurement, presentation and disclosure of leases (contracts that give the right to use third party assets) and requires lessees to account for all leasing contracts in the financial statements on the basis of a single model similar to the one used to account for financial leases in accordance with IAS 17. The standard provides for two exemptions for the recognition by tenants - leasing contracts relating to activities of "low value / low value assets" (for example personal computers, copiers, ...)

and short term / short term leasing contracts (for example contracts with expiration within 12 months or less). At the start date of the leasing contract, the lessee recognizes a liability against non-variable payments of the lease payments (i.e. the leasing liability) and an asset that represents the right to use the underlying asset for the duration of the contract (i.e. the right of use). Lessees must separately account for interest expenses on the leasing liability and the amortization of the right of use. Lessees will also need to remeasure the lease liability upon the occurrence of certain events (for example: a change in the conditions of the lease, a change in future payments of the lease following the change in an index or rate used to determine those payments). The lessee generally recognizes the amount of the remeasurement of the leasing liability as a correction of the right to use the asset. However, the standard does not provide for significant changes for landlords.

Determination of recoverable value (Impairment)

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

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

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

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

The Covid-19 pandemic is to be considered an extraordinary event that requires assessments in relation to the risk that the book values of the aforementioned assets may have suffered permanent losses in value.

To determine the recoverable value of the trademarks recorded in the financial statements, the current value was estimated by discounting the hypothetical value of the royalties deriving from the sale to third parties of these intangible assets, for a period of time equal to the residual useful life. To calculate the values determined, the management used the 2022 Group Budget approved by the Board of Directors. For the remaining periods, management has estimated a growth in turnover with a compound annual growth rate ("CAGR") ranging from 0.15% to 1.7%. The average cost of capital (WACC) of 6.50% (7.40% as of 31/12/2020) was used as the royalty rates for the sector (10%) and as the discount rate.

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

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

Finally, the Group carried out an analysis aimed at assessing the recoverability of the right-of-use assets and of the intangible and tangible assets attributable to the individual directly operated stores (DOS) which highlighted impairment indicators linked to the Covid pandemic- 19.

In particular, for the Cash Generating Units (CGU), the recoverable value, calculated as the greater of the fair value and the value in use of the relative Cash Generating Unit, was compared with the net carrying amount ("carrying amount"). For the 2021 valuation, the expected cash flows and revenues are based on the 2022 Group Budget approved by the Board of Directors and on management estimates for subsequent years, in line with the duration of the rental contracts. The discount rate used for discounting cash flows is equal to the Group's WACC (6.50%).

No impairment situations emerged from the analysis carried out.

Reinstatement of value

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

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

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

The written down value of goodwill is never reinstated.

Equity investments

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

Assets held for sale

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

Trade and other receivables

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

Inventories

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

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

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

Cash and cash equivalents

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

Provisions

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

Employee benefits

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

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

Financial payables

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

Bank overdrafts and loans

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

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

Trade and other payables

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

Treasury shares

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

Contributions to the capital account and for overheads

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

Derivative financial instruments

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

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

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

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

Revenue

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

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

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

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

Costs

Costs and expenses are recognised on an accrual basis.

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

Financial income and expenses

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

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

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

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

Taxes

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

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

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

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

Payables for deferred taxes relate to:

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

Receivables for deferred taxes are recognised:

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

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

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

Earnings per share

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

Main estimates used by the Management

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

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

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

IFRS 16

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

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

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

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

  - divestment plans;

  - performance indicators below expectations;

  - operational losses.

  The impairment test is carried out in the following ways:

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

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

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

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

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

Brands

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

The Covid-19 pandemic is to be considered an extraordinary event that requires assessments in relation to the risk that the book values of brands may have suffered permanent losses in value.

To calculate the recoverable value of the brands entered in the financial statement, we estimated the current value, discounting the hypothetical value of the royalties deriving from the transfer in use to others of these intangible assets, for a period equal to the residual useful life. To calculate the values, the management has used the Group Budget starting from the year 2022. For the remaining periods the management has used an increase in turnover with a compound annual growth rate (“CAGR”) variable from 0.15% to 1.7%. As royalty rates we used the averages for the sector (10%) and as discount rate we used the average cost of capital (WACC) which is 6.50% (7.40% 31/12/2020).

- These estimates used for actuarial calculation serve to calculate the benefit plans in the sphere of future benefits of the working relationship:
- The inflation rate foreseen is 1.75%;
- The discount rate used is 0.44%;
- The annual rate in increase of the severance indemnity fund foreseen is 2.813%;
- The expected turn-over of employees is 6% for Aeffe S.p.A., 10% for Aeffe Retail S.p.A, 8% for Moschino S.p.A. and Pollini Retail and 5% for Pollini S.p.A and Velmar S.p.A.
- Estimates used in the actuarial calculations to determine the supplementary clientele severance indemnity fund:
- The voluntary turnover rate foreseen is 0.00%;
- The corporate turnover rate foreseen is 5.00% for all the Group’s companies;
- The discount rate used is 0.44%.

OTHER INFORMATION

Segment information

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

(i) Prêt-a-porter Division;

(ii) Footwear and leather goods Division.

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

Management of financial risk

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

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

Liquidity and market risk

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

The main goal of these guidelines consists of:

(i) **Liquidity risk**

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

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

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

(ii) **Exchange risk:**

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

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

(iii) **Rate risk:**

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

The average cost of indebtedness tends to be parametrized with the status of the EURIBOR rate at 3/6 months, plus a spread that depends mainly on the type of financial instrument used. In general, the margins applied are in line with the best market standards. As of 31 December 2021 a hypothetical upward variation of 10% in the interest rate, all other variables being equal, would have produced a higher cost before taxes (and thus a corresponding reduction in the shareholders' equity) of about EUR 42 thousand annually (EUR 45 thousand as of 31 December 2020).

The cash flow risk on interest rates has never been managed in the past through the use of derivative contracts - interest rate swaps - which transform the variable rate into a fixed rate. As of December 31, 2020, there are no interest rate risk hedging instruments.

***(iv)* Price risk**

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

Credit risk

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

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

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

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

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

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

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

As regards foreign receivables, the Group proceeds as follows:

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

The unexpired receivables, amounting to a total of EUR 31,966 thousand as of 31 December 2021, represent 64% of the receivables entered in the financial statements. This percentage increases compared to the 62% of the previous year.

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

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

(Values in thousands of EUR)	31 December 2021	31 December 2020	Change Δ	%
Trade receivables	50,034	39,095	10,939	28.0%
Other current receivables	32,514	28,571	3,943	13.8%
Other fixed assets	1,566	2,616	(1,050)	(40.1%)
Total	**84,114**	**70,282**	**13,832**	**19.7%**

See note 6 for the comment and breakdown of the item "other fixed assets" note 9 "trade receivables" and note 14 for "other current receivables".

The fair value of the above categories has not been indicated, as the book value is a reasonable approximation.

As of 31 December 2021, overdue but not written-down trade receivables amount to EUR 18,068 thousand (EUR 14,958 thousand in 2020). The breakdown by due date is as follows:

(Values in thousands of EUR)	31 December 2021	31 December 2020	Change Δ	%
By 30 days	5,777	4,786	991	20.7%
31 - 60 days	4,697	2,761	1,936	70.1%
61 - 90 days	3,149	2,495	654	26.2%
Exceeding 90 days	4,445	4,916	(471)	(9.6%)
Total	**18,068**	**14,958**	**3,110**	**20.8%**

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

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

Cash flow statement

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

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

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

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

- cash flow from operating activities: the cash flow deriving from operating activities mainly relates to income-generating activities and is presented by the Group using the indirect method; on this basis, net profit is adjusted for the effects of items that did not give rise to payments or cash inflows during the year (non-monetary transactions);
- cash flow from investing activities: investing activities are presented separately since, among other factors, they reflect the investment/disposals made in order to obtain future revenues and cash inflows;

- cash flow from financing activities: financing activities comprise the cash flows that modify the size and composition of shareholders' equity and financial payables.

COMMENTS ON THE CONSOLIDATED BALANCE SHEET

NON-CURRENT ASSETS

1. *Intangible fixed assets*

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

(Values in thousands of EUR)	Brands	Other	Total
Net book value as of 31.12.19	**74,988**	**1,095**	**76,083**
Increases	-	880	880
- increases externally acquired	*-*	*880*	*880*
- increases from business aggregations	-	-	-
Disposals	-	-	-
Translation differences and other variations	-	-	-
Amortisation	(3,494)	*(980)*	(4,474)
Net book value as of 31.12.20	**71,494**	**995**	**72,489**
Increases	-	396	396
- increases externally acquired	*-*	*396*	*396*
- increases from business aggregations	-	-	-
Disposals	-	-	-
Translation differences and other variations	-	-	-
Amortisation	(3,493)	(526)	(4,019)
Net book value as of 31.12.21	**68,001**	**865**	**68,866**

The intangible fixed assets highlight the following main variations:

- increases, equal to EUR 396 thousand, mainly related to software;
- amortisation of the period is EUR 4,019 thousand.

Brands

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

(Values in thousands of EUR)	Brand residual life	31 December 2021	31 December 2020
Alberta Ferretti	21	2,646	2,771
Moschino	23	37,987	39,914
Pollini	19	27,368	28,809
Total		**68,001**	**71,494**

Key money

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

Other

The item other mainly includes software licences.

2. *Tangible fixed assets*

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

(Values in thousands of EUR)	Lands	Buildings	Leasehold improvements	Plant and machinery	Industrial and commercial equipment	Other tangible assets	Total
Net book value as of 31.12.19	**17,123**	**25,637**	**12,568**	**3,412**	**388**	**3,697**	**62,825**
Increases	-	1,702	805	1,171	72	958	4,708
Disposals	-	-	(535)	(5)	(1)	(120)	(661)
Translation differences and other variations	-	-	(95)	(2)	-	(13)	(110)
Depreciation	-	(609)	(2,541)	(766)	(108)	(1,080)	(5,104)
Net book value as of 31.12.20	**17,123**	**26,730**	**10,202**	**3,810**	**351**	**3,442**	**61,658**
Increases	-	343	754	106	64	609	1,876
Disposals	-	-	-	-	-	(35)	(35)
Translation differences and other variations	-	(699)	74	699	-	12	86
Depreciation	-	(611)	(2,430)	(643)	(88)	(1,042)	(4,814)
Net book value as of 31.12.21	**17,123**	**25,763**	**8,600**	**3,972**	**327**	**2,986**	**58,771**

Tangible fixed assets have changed as follows:

- Increases for new investments of EUR 1,876 thousand. These mainly refer to leasehold improvements and to the purchase of plant and equipment and the purchase of electronic machines.
- Decreases, net of the accumulated depreciation, of EUR 35 thousand which mainly relates to the closure of two stores;
- Increase for differences arising on translation and other variation of EUR 86 thousand.
- Depreciation of EUR 4,814 thousand charged in relation to all tangible fixed assets, except for land, using the rates applicable to each category (see the accounting policies relating to tangible fixed assets for further details).

3. *Right-of-use assets*

The following table shows the movement of activities by right of use for the year ended 31 December 2021:

(Valori in migliaia di Euro)	Buildings	Car	Other	Total
Net book value as of 31.12.19	**109,798**	**185**	**731**	**110,714**
Increases	8,590	176	364	9,130
Disposals	(1,455)	-	-	(1,455)
Translation differences and other variations	(1,027)	-	-	(1,027)
Depreciation	(16,385)	(113)	(392)	(16,890)
Net book value as of 31.12.20	**99,521**	**248**	**703**	**100,472**
Increases	3,526	150	614	4,290
Disposals	(3,382)	-	-	(3,382)
Translation differences and other variations	770	-	-	770
Depreciation	(15,655)	(154)	(379)	(16,188)
Net book value as of 31.12.21	**84,780**	**244**	**938**	**85,962**

The item Buildings includes Activities by right of use relating mainly to shop rental contracts and to a residual extent relating to rental contracts for offices, and other spaces . The main increases recorded during the half year refer to new rental contracts signed for the points of sale. The reclassification of intangible assets attributable to individual stores within the user activities, during the transition to 01/01/2019 was equal to EUR 23.6 million.

At 31 December 2021 this value amounted to EUR 16.7 million. During the year the Group has formalized an impairment test in the manner described previously in paragraph "IFRS 16". In particular, for the Cash Generating Units (CGU), the recoverable value was calculated as the greater of the fair value and use value of the related Cash Generating Unit with the carrying amount of its net invested capital ("carrying amount"). For the 2021 valuation, the expected cash flows and revenues are based on the 2022 Budget (approved by the Board of Directors) and on the management estimates for subsequent years, consistently with the duration of the rental contracts. The discount rate used for discounting cash flows is equal to the Group WACC (6.50%).

The tests carried out did not reveal any situations of impairment.

4. *Equity Investments*

This item includes shareholdings measured at the cost.

5. *Long term financial receivables*

Non-current financial receivables change due to the reclassification among current financial receivables.

6. *Other fixed assets*

This item mainly includes receivables for security deposits related to commercial leases.

7. *Deferred tax assets and liabilities*

The table below illustrates the breakdown of this item at 31 December 2021 and at 31 December 2020:

(Values in thousands of EUR)	Receivables		Liabilities	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Tangible fixed assets	2	5	(17)	(17)
Intangible fixed assets	14	24	(144)	(144)
Provisions	5,146	4,347	(6)	(15)
Costs deductible in future periods	1,478	4,520	(18)	(174)
Income taxable in future periods	-	-	(192)	(186)
Tax losses carried forward	1,477	5,181	-	-
Other	2,603	2,571	(1,077)	(1,376)
Tax assets (liabilities) from transition to IAS	4,444	4,639	(12,491)	(26,104)
Total	**15,164**	**21,287**	**(13,945)**	**(28,016)**

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

(Values in thousands of EUR)	Opening balance	Differences arising on translation	Recorded in the income statement	Other	Closing balance
Tangible fixed assets	(12)	-	(3)	-	(15)
Intangible fixed assets	(120)	-	(10)	-	(130)
Provisions	4,332	14	794	-	5,140
Costs deductible in future periods	4,346	4	(2,833)	(57)	1,460
Income taxable in future periods	(186)	-	(6)	-	(192)
Tax losses carried forward	5,181	24	2,190	(5,918)	1,477
Other	1,195	(5)	336	-	1,526
Tax assets (liabilities) from transition to IAS	(21,465)	27	13,668	(277)	(8,047)
Total	**(6,729)**	**64**	**14,136**	**(6,252)**	**1,219**

The amount recorded in the income statement is mainly related to the extraordinary fiscal benefits related to revaluations and realignments implemented in accordance with art. 110 of Law Decree 104/2020 ("August Decree").

The decrease of EUR 6,252 thousand in the "Other" column essentially refers to the partial compensation of the payable for IRES for the year generated in Aeffe S.p.A. as a result of the subsidiaries joining the tax consolidation with the deferred tax credit accrued in some Group companies.

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

CURRENT ASSETS

8. Stocks and inventories

This item comprises:

(Values in thousands of EUR)	31 December 2021	31 December 2020	Change Δ	%
Raw, ancillary and consumable materials	9,309	10,207	(898)	(8.8%)
Work in progress	6,668	5,560	1,108	19.9%
Finished products and goods for resale	75,393	93,500	(18,107)	(19.4%)
Advance payments	37	18	19	105.6%
Total	**91,407**	**109,285**	**(17,878)**	**(16.4%)**

Inventories of raw materials and work in progress mainly relate to the production of the Spring/Summer 2022 collections, while finished products mainly concern the Autumn/Winter 2021 and the Spring/Summer 2022 collections and the Autumn/Winter 2022 sample collections.

The value of inventories is already indicated net of the obsolescence provision equal to EUR 22,660 thousand. The obsolescence provision reflects the best estimate made by management on the basis of the breakdown by year and season of inventories, on the considerations derived from the past experience of sales through alternative channels and the future prospects of sales volumes.

9. Trade receivables

This item is illustrated in the following table:

(Values in thousands of EUR)	31 December 2021	31 December 2020	Change Δ	%
Trade receivables	53,761	43,121	10,640	24.7%
(Allowance for doubtful account)	(3,727)	(4,026)	299	(7.4%)
Total	**50,034**	**39,095**	**10,939**	**28.0%**

Trade receivables amount to EUR 53,761 thousand at 31 December 2021, up 24.7% since 31 December 2020. Management considers that the fair value of amounts due from customers approximates their book value.

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

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

(Values in thousands of EUR)	31 December 2020	Increases	Decreases	31 December 2021
(Allowance for doubtful account)	4,026	1,191	(1,490)	3,727
Totale	**4,026**	**1,191**	**(1,490)**	**3,727**

10. Tax receivables

This item is illustrated in details in the following table:

(Values in thousands of EUR)	31 December 2021	31 December 2020	Change Δ	%
VAT	2,086	4,884	(2,798)	(57.3%)
Corporate income tax (IRES)	2,776	3,192	(416)	(13.0%)
Local business tax (IRAP)	452	558	(106)	(19.0%)
Amounts due to tax authority for withheld taxes	-	-	-	n.a.
Other tax receivables	1,322	1,831	(509)	(27.8%)
Total	**6,636**	**10,465**	**(3,829)**	**(36.6%)**

As of 31 December 2021, the Group's tax receivables amount to EUR 6,636 thousand. The variation of EUR 3,829 thousand compared with the value at 31 December 2020 is mainly due to the decrease of VAT receivable and to the use of the tax credit for research and development activities in the subsidiary Moschino Spa.

11. Derivate assets and liabilities

The AEFFE Group, characterized by an important presence in international markets, is exposed to exchange rate risk mainly for purchases by the subsidiary Pollini in US Dollars (USD). The Group signs forward currency derivative contracts (USD) at term (Forward) with primary credit institutions to cover the aforementioned risk. These contracts are set up to cover a specific percentage of expected purchase volumes in USD. At the balance sheet date, the notional amount of forward currency contracts stipulated is USD 23,400 thousand (USD 20,500 thousand at 31/12/2020). All contracts opened at 31/12/2021 will expire in 2022.

The composition of the derivative financial instruments in place at December 31, 2021 and December 31, 2020 is summarized below with an indication of the respective current and non-current accounting values referring to the fair value and fair value of the cash flow hedge reserve, this last shown net of the related deferred tax effect:

(Values in thousands of EUR)	31 December 2021			31 December 2020		
	Assets	Liabilities	Hedging Reserve	Assets	Liabilities	Hedging Reserve
Forward contracts for cash flow hedge exchange rate risk	-	-	-	-	-	-
TOTAL NON CURRENT	**-**	**-**	**-**	**-**	**-**	**-**
Forward contracts for cash flow hedge exchange rate risk	-	(22)	(16)	-	(349)	(252)
TOTAL CURRENT	**-**	**(22)**	**(16)**	**-**	**(349)**	**(252)**

The cash flow hedge reserve relating to forward contracts hedging the currency risk on currencies is negative for Euro 16 thousand net of the related tax effect (Euro +6 thousand).

The transfer to the 2021 income statement of the effect of the hedging transactions on exchange rate risk was equal to Euro 16 thousand brought to decrease costs.

12. Cash

This item includes:

(Values in thousands of EUR)	31 December 2021	31 December 2020	Change Δ	%
Bank and post office deposits	30,674	39,475	(8,801)	(22.3%)
Cheques	30	28	2	7.1%
Cash in hand	603	325	278	85.5%
Total	**31,307**	**39,828**	**(8,521)**	**(21.4%)**

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

The decrease in cash and cash equivalents, recorded at 31 December 2021 compared with the amount recorded at 31 December 2020, is EUR 8,521 thousand. About the reason of this variation see the Cash Flow Statement.

13. Short term financial receivables

This item includes:

(Values in thousands of EUR)	31 December 2021	31 December 2020	Change Δ	%
Financial receivables	2,914	652	2,262	346.9%
Total	**2,914**	**652**	**2,262**	**346.9%**

The item increased for the reclassification among current financial receivables of the non-current part.

14. Other receivables

This caption comprimes:

(Values in thousands of EUR)	31 December 2021	31 December 2020	Change Δ	%
Credits for prepaid costs	26,249	22,277	3,972	17.8%
Advances for royalties and commissions	25	150	(125)	(83.3%)
Advances to suppliers	321	154	167	108.4%
Accrued income and prepaid expenses	2,395	2,059	336	16.3%
Other	3,524	3,931	(407)	(10.4%)
Total	**32,514**	**28,571**	**3,943**	**13.8%**

Other short term receivables increase compared with the previous period of EUR 3,943 thousand, mainly for increase of prepaid costs.

Credits for prepaid costs relate to the costs incurred to design and make samples for the Spring/Summer 2022 and Autumn/Winter 2022 collections for which the corresponding revenues from sales have not been realised yet.

15. Shareholders' equity

Described below are main categories of shareholders' equity at 31 December 2021, while the corresponding variations are described in the prospect of shareholders' equity.

(Values in thousands of EUR)	31 December 2021	31 December 2020	Change
Share capital	24,917	25,044	(127)
Share premium reserve	69,334	70,144	(810)
Cash flow reserve	(16)	(252)	236
Other reserves	28,610	49,756	(21,146)
Fair value reserve	7,901	7,901	-
IAS reserve	7,607	7,607	-
Remeasurement of defined benefit plans reserve	(1,466)	(1,343)	(123)
Translation reserve	(1,532)	(2,502)	970
Profits / (losses) carried-forward	(27,321)	13,274	(40,595)
Net profit / (loss) for the Group	12,126	(21,397)	33,523
Minority interests	-	30,524	(30,524)
Total	**120,160**	**178,756**	**(58,596)**

Share capital

Share capital as of 31 December 2021, totally subscribed and paid, (gross of treasury shares) totals EUR 26,841 thousand, and is represented by 107,362,504 shares, par value EUR 0.25 each. At 31 December 2021 the Parent Company holds 7,693,067 treasury shares, representing the 7.166% of its share capital.

There are no shares with restricted voting rights, without voting rights or with preferential rights. During 2021, 506,028 treasury shares were purchased by the Parent Company for a total value of Euro 936,224.

Share premium reserve

The variation in the share premium reserve amounts to EUR 810 thousand and it is related to the purchase of treasury shares made during the year.

Cash flow reserve

For the change in the cash flow hedge reserve of EUR 236 thousand, please refer to note 11 of the assets and liabilities for derivatives.

Other reserves

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

Fair value reserve

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

IAS reserve

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

Remeasurement of defined benefit plans reserve

The remeasurement of defined benefit plans reserve, formed as a result of the application, from 1st January 2013 (retrospectively), of the amendment to IAS 19, changes of EUR 123 thousand compared to the value at 31 December 2020.

Translation reserve

The decrease of EUR 970 thousand related to such reserve is mainly due to the conversion of companies' financial statements in other currency than EUR.

Profits/(losses) carried-forward

The item Profits / (Losses) previous years, pursuant to IFRS 10 par. 23, recorded a negative change mainly due to the purchase of the 30% minority shareholding of Moschino Spa for a consideration equal to EUR 66,571 thousand and to the early termination agreement of the Love Moschino brand equal to EUR 3,637 thousand, partially offset by the acquisition of minority interests equal to Euro 30,524 thousand.

Minority interests

The variation in minority interests is due to the purchase of the 30% minority stake in Moschino Spa.

NON-CURRENT LIABILITIES

16. Provisions

Provisions are illustrated in the following statement:

(Values in thousands of EUR)	31 December 2020	Increases	Decreases	31 December 2021
Pensions and similar obligations	367	205	(17)	555
Other	1,177	26	-	1,203
Total	**1,544**	**231**	**(17)**	**1,758**

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

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

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

17. Post employment benefits

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

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

Changes in the provision are illustrated in the following statement:

(Values in thousands of EUR)	31 December 2020	Increases	Decreases / Other changes	31 December 2021
Post employment benefits	4,900	145	(566)	4,479
Total	**4,900**	**145**	**(566)**	**4,479**

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

18. Long-term financial liabilities

The following table contains details of long-term borrowings:

(Values in thousands of EUR)	31 December 2021	31 December 2020	Change Δ	%
Loans from financial institutions	90,697	34,349	56,348	164.0%
Lease liabilities	62,352	75,233	(12,881)	(17.1%)
Total	**153,049**	**109,582**	**43,467**	**39.7%**

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

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

Lease liabilities relate to the application of IFRS 16.

The following table contains details of bank loans as of 31 December 2021, including the current portion and the long term portion:

(Values in thousands of EUR)	Total amount	Current portion	Long term portion
Bank borrowings	99,889	9,192	90,697
Total	**99,889**	**9,192**	**90,697**

It should be noted that the amount due beyond five years amounts to EUR 12,726 thousand.

19. Long-term not financial liabilities

The item amounts to EUR 1,120 thousand at 31 December 2021, a decrease of EUR 648 thousand compared to the previous year. The change is mainly attributable to the accounting of the portion of the year under current liabilities of the substitute tax payable referring to the operations carried out as required by art. 110 of the Law Decree n. 104/2020 "August Decree".

CURRENT LIABILITIES

20. Trade payables

Tax payables are analysed in comparison with the related balances as of 31 December 2020:

(Values in thousands of EUR)	31 December 2021	31 December 2020	Change Δ	%
Trade payables	78,690	69,328	9,362	13.5%
Total	**78,690**	**69,328**	**9,362**	**13.5%**

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

21. *Tax payables*

Tax payables are analysed in comparison with the related balances as of 31 December 2020 in the following table:

(Values in thousands of EUR)	31 December 2021	31 December 2020	Change Δ	%
Local business tax (IRAP)	634	36	598	1,661.1%
Corporate income tax (IRES)	341	200	141	70.5%
Amounts due to tax authority for withheld taxes	2,344	2,742	(398)	(14.5%)
VAT due to tax authority	428	221	207	93.7%
Other	701	554	147	26.5%
Total	**4,448**	**3,753**	**695**	**18.5%**

At December 31, 2021, the Group's payables to tax institutions amounted to EUR 4,448 thousand.

22. *Short term financial liabilities*

A breakdown of this item is given below:

(Values in thousands of EUR)	31 December 2021	31 December 2020	Change Δ	%
Due to banks	36,595	60,939	(24,344)	(39.9%)
Lease liabilities	13,321	12,974	347	2.7%
Total	**49,916**	**73,913**	**(23,997)**	**(32.5%)**

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

Lease liabilities relate to the application of IFRS 16.

23. *Other liabilities*

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

(Values in thousands of EUR)	31 December 2021	31 December 2020	Change Δ	%
Due to total security organization	3,307	4,212	(905)	(21.5%)
Due to employees	5,765	4,479	1,286	28.7%
Trade debtors - credit balances	2,721	2,470	251	10.2%
Accrued expenses and deferred income	2,227	1,772	455	25.7%
Other	3,562	3,743	(181)	(4.8%)
Total	**17,582**	**16,676**	**906**	**5.4%**

The other short term liabilities amount to EUR 17,582 thousand at 31 December 2021 and increase substantially for the liabilities to employees.

SEGMENT INFORMATION REGARDING PROFIT OR LOSS, ASSETS AND LIABILITIES

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

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

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

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

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

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

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

The following table indicates the main economic data for the full year 2021 and 2020 of the *Prêt-à porter* and Footwear and leather goods Divisions:

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

(Values in thousands of EUR) 2020	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR REVENUES	**197,400**	**107,417**	**(35,700)**	**269,117**
Intercompany revenues	(11,207)	(24,493)	35,700	-
Revenues with third parties	**186,193**	**82,924**	-	**269,117**
Gross operating margin (EBITDA)	**3,594**	**899**	-	**4,493**
Amortisation	(22,049)	(4,419)	-	(26,468)
Other non monetary items:				
Write-downs	(1,297)	(1,293)	-	(2,590)
Net operating profit / loss (EBIT)	**(19,752)**	**(4,813)**	-	**(24,565)**
Financial income	701	74	(136)	639
Financial expenses	(2,838)	(959)	136	(3,661)
Profit / loss before taxes	**(21,889)**	**(5,698)**	**-**	**(27,587)**
Income taxes	2,759	1,471	-	4,230
Net profit / loss	**(19,130)**	**(4,227)**	**-**	**(23,357)**

The following tables indicate the main patrimonial and financial data at 31 December 2021 and 2020 of the *Prêt-à porter* and Footwear and leather goods Divisions:

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

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

(Values in thousands of EUR) 31 December 2020	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR ASSETS	*365,804*	*134,442*	*(43,411)*	456,835
of which non-current assets (*)				
Intangible fixed assets	*43,518*	*28,971*	*-*	*72,489*
Tangible fixed assets	*53,536*	*8,122*	*-*	*61,658*
Right-of-use assets	*92,379*	*8,093*	*-*	*100,472*
Other non-current assets	*4,471*	*447*	*(133)*	*4,785*
OTHER ASSETS	*27,327*	*4,425*	*-*	31,752
CONSOLIDATED ASSETS	**393,131**	**138,867**	**(43,411)**	**488,587**
SECTOR LIABILITIES	235,714	85,758	(43,411)	278,061
OTHER LIABILITIES	*22,476*	*9,294*	*-*	31,770
CONSOLIDATED LIABILITIES	**258,190**	**95,052**	**(43,411)**	**309,831**

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

Segment information by geographical area

The following table indicates the revenues for the full year 2021 and 2020 divided by geographical area:

(Values in thousands of EUR)	Full Year 2021	%	Full Year 2020	%	Change Δ	%
Italy	132,138	40.7%	114,912	42.7%	17,226	15.0%
Europe (Italy excluded)	105,535	32.5%	84,731	31.5%	20,804	24.6%
Asia and Rest of the World	65,368	20.1%	53,926	20.0%	11,442	21.2%
America	21,551	6.7%	15,548	5.8%	6,003	38.6%
Total	**324,592**	**100.0%**	**269,117**	**100.0%**	**55,475**	**20.6%**

COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

24. Revenues from sales and services

Accounting Policy:

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

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

Determination of the transaction price:

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

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

Breakdown of revenues from sales and services (IFRS 15)

(Values in thousands of EUR) Full Year 2021	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
Geographical area	**220,198**	**139,862**	**(35,468)**	**324,592**
Italy	93,373	69,167	(30,402)	132,138
Europe (Italy excluded)	53,023	54,164	(1,652)	105,535
Asia and Rest of the World	54,675	11,813	(1,120)	65,368
America	19,127	4,718	(2,294)	21,551
Brand	**220,198**	**139,862**	**(35,468)**	**324,592**
Alberta Ferretti	16,989	1,149	(1,187)	16,951
Philosophy	15,769	519	(528)	15,760
Moschino	184,712	106,906	(33,200)	258,418
Pollini	7	31,194	(15)	31,186
Other	2,721	94	(538)	2,277
Distribution channel	**220,198**	**139,862**	**(35,468)**	**324,592**
Wholesale	140,921	123,572	(25,688)	238,805
Retail	56,019	16,230	(85)	72,164
Royalties	23,258	60	(9,695)	13,623
Timing of goods and services transfer	**220,198**	**139,862**	**(35,468)**	**324,592**
POINT IN TIME (transfer of significant risks and benefits connected to the property of the asset)	196,940	139,802	(25,773)	310,969
POINT IN TIME (Royalties accrual on Licensee's turnover)	23,258	60	(9,695)	13,623

In 2021 consolidated revenues amount to EUR 342,592 thousand compared to EUR 269,117 thousand of the year 2020, showing an increase of 20.6% (+20.8% at constant exchange rates).

Revenues of the prêt-à-porter division amount to EUR 220,198 thousand with an increase of 11.5% at current exchange rates (+11.7% at constant exchange rates) compared to 2020. The revenues of the footwear and leather goods division increase by 30.2% to EUR 139,862 thousand.

25. Other revenues and income

This item comprises:

(Values in thousands of EUR)	Full Year 2021	Full Year 2020	Change Δ	%
Other income	8,521	10,486	(1,965)	(18.7%)
Total	**8,521**	**10,486**	**(1,965)**	**(18.7%)**

The caption other income, that amounts to EUR 8,521 thousand in 2021, is mainly composed by recovery of receivables previously written off, Co-branding activities, revenues from previous years, exchange gains on commercial transaction, rental income, sales of raw materials and packaging.

26. Costs of raw materials

(Values in thousands of EUR)	Full Year 2021	Full Year 2020	Change Δ	%
Raw, ancillary and consumable materials and goods for resale	114,386	110,162	4,224	3.8%
Total	**114,386**	**110,162**	**4,224**	**3.8%**

The entry purchase of raw materials increase of EUR 4,224 thousand.

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

27. Costs of services

This item comprises:

(Values in thousands of EUR)	Full Year 2021	Full Year 2020	Change Δ	%
Subcontracted work	21,516	26,338	(4,822)	(18.3%)
Consultancy fees	21,524	21,053	471	2.2%
Advertising	13,650	13,938	(288)	(2.1%)
Commission	10,275	8,240	2,035	24.7%
Transport	9,944	7,660	2,284	29.8%
Utilities	2,256	1,720	536	31.2%
Directors' and auditors' fees	3,738	3,461	277	8.0%
Insurance	776	625	151	24.2%
Bank charges	1,183	1,160	23	2.0%
Travelling expenses	766	1,120	(354)	(31.6%)
Other services	7,555	7,927	(372)	(4.7%)
Total	**93,183**	**93,242**	**(59)**	**(0.1%)**

The costs for services remain substantially in line with the previous period, going from EUR 93,242 thousand in the year 2020 to EUR 93,183 thousand in the year 2021.

28. Costs for use of third parties assets

This item comprises:

(Values in thousands of EUR)	Full Year 2021	Full Year 2020	Change Δ	Change %
Rental expenses	4,314	5,236	(922)	(17.6%)
Royalties	649	554	95	17.1%
Hire charges and similar	767	841	(74)	(8.8%)
Total	**5,730**	**6,631**	**(901)**	**(13.6%)**

The costs for use of third parties assets decreases by EUR 901 thousand from EUR 6,631 thousand in 2020 to EUR 5,730 thousand in 2021.

29. Labour costs

Labour costs increase by EUR 1,383 thousand from EUR 61,753 thousand in 2020 to EUR 63,136 thousand in 2021, recording an incidence on revenues which changes from 22.9% in 2020 to 19.5% in 2021.

This item comprises:

(Values in thousands of EUR)	Full Year 2021	Full Year 2020	Change Δ	Change %
Labour costs	63,136	61,753	1,383	2.2%
Total	**63,136**	**61,753**	**1,383**	**2.2%**

In 2021 the average number of employees of the Group is:

Average number of employees by category	Full Year 2021	Full Year 2020	Change Δ	Change %
Workers	259	241	18	7.5%
Office staff-supervisors	998	1,063	(65)	(6.1%)
Executive and senior managers	30	29	1	3.4%
Total	**1,287**	**1,333**	**(46)**	**(3.5%)**

30. Other operating expenses

This item includes:

(Values in thousands of EUR)	Full Year 2021	Full Year 2020	Change Δ	%
Taxes	1,007	961	46	4.8%
Gifts	320	287	33	11.5%
Contingent liabilities	87	619	(532)	(85.9%)
Write-down of current receivables	233	779	(546)	(70.1%)
Foreign exchange losses	1,355	2,070	(715)	(34.5%)
Other operating expenses	692	946	(254)	(26.8%)
Total	**3,694**	**5,662**	**(1,968)**	**(34.8%)**

The other operating costs item went from EUR 5,662 thousand in 2020 to EUR 3,694 thousand in 2021 with a decrease of EUR 1,968 thousand, mainly due to a decrease in contingent liabilities, receivables write-downs and foreign exchange losses.

31. Amortisation, write-downs and provisons

This item includes:

(Values in thousands of EUR)	Full Year 2021	Full Year 2020	Change Δ	%
Amortisation of intangible fixed assets	4,019	4,474	(455)	(10.2%)
Depreciation of tangible fixed assets	4,814	5,104	(290)	(5.7%)
Depreciation of right-of-use assets	16,188	16,890	(702)	(4.2%)
Write-downs and provisions	1,155	2,591	(1,436)	(55.4%)
Total	**26,176**	**29,059**	**(2,883)**	**(9.9%)**

The item goes from EUR 29,059 thousand in 2020 to EUR 26,176 thousand in 2021 mainly due to the decrease in the item write-downs and provisions, which in 2020 mainly referred to the write-down of the Pollini France investment and the write-off of assets relating to closed shops.

32. Financial income/expenses

This item include:

(Values in thousands of EUR)	Full Year 2021	Full Year 2020	Change Δ	%
Interest income	141	256	(115)	(44.9%)
Foreign exchange gains	448	311	137	44.1%
Financial discounts	77	72	5	6.9%
Financial income	**666**	**639**	**27**	**4.2%**
Bank interest expenses	375	305	70	23.0%
Other interest expenses	163	203	(40)	(19.7%)
Foreign exchange losses	281	427	(146)	(34.2%)
Other expenses	716	525	191	36.4%
Financial expenses	**1,535**	**1,460**	**75**	**5.1%**
Leasing interest expenses	1,981	2,201	(220)	(10.0%)
Leasing interest expenses	**1,981**	**2,201**	**(220)**	**(10.0%)**
Total	**2,850**	**3,022**	**(172)**	**(5.7%)**

The decrease in financial income/expenses amounts to EUR 172 thousand, mainly related to the decline in leasing interest.

33. *Income taxes*

This item includes:

(Values in thousands of EUR)	Full Year 2021	Full Year 2020	Change Δ	Change %
Current income taxes	8,073	3,620	4,453	123.0%
Deferred income (expenses) taxes	(14,136)	(7,606)	(6,530)	85.9%
Taxes related to previous years	255	(245)	500	n.a.
Total taxes	**(5,808)**	**(4,231)**	**(1,577)**	**37.3%**

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

The reconciliation between actual and theoretical taxation for 2021 and 2020 is illustrated in the following table:

(Values in thousands of EUR)	Full Year 2021	Full Year 2020
Profit / loss before taxes	6,318	(27,587)
Theoretical tax rate	24.0%	24.0%
Theoretical income taxes (IRES)	**1,516**	**(6,621)**
Fiscal effect	(8,647)	1,609
Effect of foreign tax rates	1,833	744
Total income taxes excluding IRAP (current and deferred)	**(5,298)**	**(4,268)**
IRAP (current and deferred)	**(510)**	**37**
Total income taxes (current and deferred)	**(5,808)**	**(4,231)**

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

34. *Result per share*

Reference earning/(loss)

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

(Values in thousands of EUR)	Full Year	Full Year
From continuing and discontinued activities	2021	2020
From continuing activities		
Earning/(loss) for determining basic result per share	12,126	(21,397)
Earning/(loss) for determing result per share	**12,126**	**(21,397)**
Dilutive effects	-	-
Earning/(loss) for determing dilutive result per share	**12,126**	**(21,397)**
From continuing and discontinued activities		
Earning/(loss) for the period	12,126	(21,397)
Earning/(loss) from discontinued operations	-	-
Earning/(loss) for determining basic result per share	**12,126**	**(21,397)**
Dilutive effects	-	-
Earning/(loss) for determing dilutive result per share	**12,126**	**(21,397)**
Number of reference share		
Average number of shares for determing result per share	**99,669**	**101,175**
Share options	-	-
Average number of shares for determing diluted result per share	**99,669**	**101,175**

Basic earning/(loss) per share

Group net profit attributable to holders of ordinary shares of parent company AEFFE S.p.A., amounts to EUR 12,126 thousand compared to a loss of EUR 21,397 thousand in 2020.

Dilutive earning/(loss) per share

The calculation of diluted loss per share for the period January - December 2021, matches with the calculation of basic loss per share, as there are no tools with potential dilutive effects.

COMMENTS ON THE CONSOLIDATED CASH FLOW STATEMENT

The cash flow absorbed during 2021 is EUR 8,521 thousand.

(Values in thousands of EUR)	Full Year 2021	Full Year 2020
Opening balance (A)	**39,828**	**28,390**
Cash flow (absorbed)/ generated by operating activity (B)	48,654	10,267
Cash flow (absorbed)/ generated by investing activity (C)	(3,899)	(12,032)
Cash flow (absorbed)/ generated by financing activity (D)	(53,276)	13,203
Increase (decrease) in cash flow (E)=(B)+(C)+(D)	**(8,521)**	**11,438**
Closing balance (F)=(A)+(E)	**31,307**	**39,828**

35. *Cash flow (absorbed)/ generated by operating activity*

The cash flow generated by operating activity during 2021 amounts to EUR 48,654 thousand.

The cash flow from operating activity is analysed below:

(Values in thousands of EUR)	Full Year 2021	Full Year 2020
Profit before taxes	6,318	(27,587)
Amortisation / write-downs	26,176	29,059
Accrual (+)/availment (-) of long term provisions and post employment benefits	(207)	(598)
Paid income taxes	(1,447)	(2,592)
Financial income (-) and financial charges (+)	2,850	3,022
Change in operating assets and liabilities	14,964	8,963
Cash flow (absorbed) / generated by operating activity	**48,654**	**10,267**

36. *Cash flow (absorbed)/ generated by investing activity*

The cash flow absorbed by investing activity during 2021 amounts to EUR 3,899 thousand.

The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	Full Year 2021	Full Year 2020
Increase (-)/ decrease (+) in intangible fixed assets	(396)	(880)
Increase (-)/ decrease (+) in tangible fixed assets	(1,927)	(4,504)
Increase (-)/ decrease (+) in right-of-use assets	(1,678)	(6,648)
Investments ans write-downs (-)/ Disinvestments and revaluations (+)	102	-
Cash flow (absorbed) / generated by investing activity	**(3,899)**	**(12,032)**

37. *Cash flow (absorbed)/ generated by financing activity*

The cash flow absorbed by financing activity during 2021 amounts to EUR 53,276 thousand.

The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	Full Year 2021	Full Year 2020
Other variations in reserves and profits carried-forward of shareholders' equity	(70,722)	(1,080)
Dividends paid	-	-
Proceeds (+)/ repayments (-) of financial payments	32,005	24,129
Proceeds (+)/repayment (-) of leasing payments	(12,535)	(7,596)
Increase (-)/ decrease (+) in long term financial receivables	826	772
Financial income (+) and financial charges (-)	(2,850)	(3,022)
Cash flow (absorbed) / generated by financing activity	**(53,276)**	**13,203**

OTHER INFORMATION

38. Incentive plans

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

39. Statement of indebtedness

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

(Values in thousands of EUR)	31 December 2021	31 December 2020
A - Cash	31,306	39,828
B - Cash equivalents	2,914	652
C - Other current financial assets	-	-
D - Liquidity (A + B + C)	**34,220**	**40,480**
E - Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)	27,403	43,514
F - Current portion of non-current financial debt	22,513	30,399
G - Current financial indebtedness (E + F)	**49,916**	**73,913**
H - Net current financial indebtedness (G - D)	**15,696**	**33,433**
I - Non-current financial debt (excluding current portion and debt instruments)	153,049	109,581
J - Debt instruments	-	(2,037)
K - Non-current trade and other payables	-	-
L - Non-current financial indebtedness (I + J + K)	**153,049**	**107,544**
M - Total financial indebtedness (H + L)	**168,745**	**140,977**

The financial situation of the Group at 31 December 2021 shows a debt of EUR 168,745 thousand, including IFRS 16 effects, compared to the debt of EUR 140,978 thousand at 31 December 2020, with a worsening of EUR 27.767 thousand. The debt at 31 December 2021 relating to IFRS 16 amounts to EUR 75,672 thousand, of which EUR 13,320 thousand is current and EUR 62,352 thousand is non-current. Debt net of the IFRS 16 effect at the end of December 2021 amounts to EUR 93,072 thousand compared to the debt of EUR 52,770 thousand at the end of December 2020, recording a worsening of EUR 40,302 thousand.

During 2021, Aeffe SpA took over the 30% minority stake in Moschino SpA., for an amount of Euro 66,571 thousand and took over in advance the license for the production and distribution of “Love Moschino” women’s apparel collections for an amount of EUR 3,637 thousand. Net of these extraordinary effects, the net financial position would have improved by Euro 29,906 thousand, thanks to both the better economic results achieved and the effective management of working capital.

40. *Related party transactions*

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

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

(Values in thousands of EUR)	Full Year 2021	Full Year 2020	Nature of the transactions
Shareholder Alberta Ferretti with Aeffe S.p.a.			
Contract for the sale of artistic assets and design	1,000	1,000	Cost
Commerciale Valconca with Aeffe S.p.a.			
Commercial	207	284	Revenue
Property rental	50	50	Cost
Cost of services	75	75	Cost
Commercial	658	597	Receivable
Commercial	114	-	Payable
Ferrim with Aeffe S.p.a.			
Property rental	887	887	Cost
Aeffe USA with Ferrim USA			
Financial income	118	60	Financial income
Commercial	765	594	Receivable
Commercial	121	112	Payable
Non current financial	-	2,037	Receivable
Current financial	2,914	652	Receivable

The following table indicates the data related on the incidence of related party transactions on the income statement, balance sheet, cash flow and indebtedness as of 31 December 2021 and 31 December 2020.

(Values in thousands of EUR)	Balance Full Year	Value rel. party 2021	%	Balance Full Year	Value rel. party 2020	%
Incidence of related party transactions on the income statement						
Revenues from sales and services	324,592	207	0.1%	269,117	284	0.1%
Costs of services	93,183	1,075	1.2%	93,242	1,075	1.2%
Costs for use of third party assets	5,730	942	16.4%	6,631	937	14.1%
Financial Income / expenses	2,850	118	4.1%	3,022	60	2.0%
Incidence of related party transactions on the balance sheet						
Non current financial receivables	-	-	0.0%	2,037	2,037	100.0%
Trade receivables	50,034	1,423	2.8%	39,095	1,191	3.0%
Current financial receivables	2,914	2,914	100.0%	652	652	100.0%
Trade payables	78,690	235	0.3%	69,328	112	0.2%
Incidence of related party transactions on the cash flow						
Cash flow (absorbed) / generated by operating activities	48,654	(1,802)	n.a.	10,267	(1,731)	n.a.
Cash flow (absorbed) / generated by financing activities	(53,276)	(224)	0.4%	13,203	248	1.9%
Incidence of related party transactions on the indebtedness						
Net financial indebtedness	(168,745)	(2,026)	1.2%	(140,977)	(1,483)	1.1%

41. Atypical and/or unusual transactions

Pursuant to Consob communication DEM/6064293 dated 28th July 2006, it is confirmed that in 2021 the Group did not enter into any atypical and/or unusual transactions, as defined in that communication.

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

On 28 July 2021, Aeffe S.p.A. acquired from Sinv Holding S.p.A., Sinv Real Estate S.p.A. and Sinv Lab S.r.l., the minority stake of Moschino S.p.A., allowing Aeffe to take full ownership of the Company.

The transaction is part of the strategy related to the Moschino brand, which aims at the process of future integration of the womens' apparel collections into Aeffe Group to enhance their potential thanks to the exploitation of synergies.

The transaction has a high strategic value for the AEFFE Group and represents an important opportunity for business growth and development allowing an agile and flexible planning of medium-long term strategies and activities related to the Moschino brand, with the aim to strengthening its positioning and enhancing its high great growth potential.The operation is part of the development strategy focused on a completely independent business model, with full controll of the brand value chain, from product to quality and with positive effects on image, distribution and communication.

The consideration for the purchase of the shares, equal to Euro 66,571,000, was fully paid. The fairness of the price was confirmed by an independent fairness opinion issued by Deloitte Financial Advisory S.r.l. on 22 July 2021.

To pay the consideration, Aeffe has used and will use active cash, credit lines already in place and new medium / long-term loans.

43. Guarantees and commitments

As of 31 December 2021, the Group has given performance guarantees to third parties totaling EUR 7,123 thousand (EUR 8,870 thousand as of 31 December 2020).

44. Contingent liabilities

Fiscal disputes

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

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

The following table, prepared in accordance with art. 149-duodecies of the "Regolamento Emittenti" issued by Consob, reports the amount of fees charged in 2021 for the audit and audit related services provided by the Audit Firm.

(Values in thousand of EUR)	Service provider	2021 fees
Audit	RIA GRANT THORNTON	124
Audit	BDO ITALIA	70
Audit	WARD DIVECHA	9
Audit	ARI AUDIT	4
Audit	GEREC	4
Audit	SHANGHAI XINGAOXIN	1
Audit	GRANT THORNTON HO	8
R&D tax credit certification	RIA GRANT THORNTON	9
R&D tax credit certification	BDO ITALIA	9
Audit non-financial statement (DNF)	BDO ITALIA	23
Consolidated ESEF financial statements	BDO ITALIA	8
Total		**269**

ATTACHMENTS TO THE EXPLANATORY NOTES

ATTACHMENT I	Consolidated Balance Sheet with related parties.
ATTACHMENT II	Consolidated Income Statement with related parties.
ATTACHMENT III	Consolidated Cash Flow Statement with related parties.
ATTACHMENT IV	Prospect of crucial data from the statutory financial statements of Fratelli Ferretti Holding at 31 December 2020.

ATTACHMENT I

Consolidated Balance Sheet with related parties

Pursuant to Consob Resolution n. 15519 of 27 July 2006

(Values in units of EUR)	Notes	31 December 2021	of which Related parties	31 December 2020	of which Related parties
Trademarks		68,000,906		71,494,428	
Other intangible fixed assets		865,511		995,060	
Intangible fixed assets	(1)	68,866,417		72,489,488	
Lands		17,123,494		17,123,494	
Buildings		25,763,396		26,729,357	
Leasehold improvements		8,600,124		10,201,924	
Plant and machinary		3,971,601		3,810,164	
Equipment		326,581		350,754	
Other tangible fixed assets		2,985,766		3,442,220	
Tangible fixed assets	(2)	58,770,962		61,657,913	
Right-of-use assets	(3)	85,961,940		100,471,903	
Equity investments	(4)	30,069		131,558	
Long term financial receivables	(5)	-		2,037,324	2,037,324
Other fixed assets	(6)	1,565,654		2,615,956	
Deferred tax assets	(7)	15,164,461		21,287,015	
NON-CURRENT ASSETS		**230,359,503**		**260,691,157**	
Stocks and inventories	(8)	91,406,571		109,285,351	
Trade receivables	(9)	50,034,112	1,423,980	39,094,519	1,191,289
Tax receivables	(10)	6,636,204		10,465,392	
Derivative assets	(11)	-		-	
Cash	(12)	31,306,566		39,828,260	
Short term financial receivables	(13)	2,913,650	2,913,650	651,944	651,944
Other receivables	(14)	32,513,758		28,570,739	
CURRENT ASSETS		**214,810,861**		**227,896,205**	
Assets available for sale					
TOTAL ASSETS		**445,170,364**		**488,587,362**	
Share capital		24,917,359		25,043,866	
Other reserves		110,437,855		131,311,933	
Profits / (losses) carried-forward		(27,320,768)		13,273,509	
Net profit / (loss) for the Group		12,126,006		(21,396,847)	
Group interest in shareholders' equity		120,160,452		148,232,461	
Minority interests in share capital and reserves		-		32,483,755	
Net profit / (loss) for the minority interests		-		(1,959,730)	
Minority interests in shareholders' equity		-		30,524,025	
SHAREHOLDERS' EQUITY	**(15)**	**120,160,452**		**178,756,486**	
Provisions	(16)	1,758,142		1,543,670	
Deferred tax liabilities	(7)	13,945,178		28,016,336	
Post employment benefits	(17)	4,478,746		4,900,460	
Long term financial liabilities	(18)	153,049,045		109,581,772	
Long term not financial liabilities	(19)	1,120,371		1,768,758	
NON-CURRENT LIABILITIES		**174,351,482**		**145,810,996**	
Trade payables	(20)	78,690,149	235,119	69,328,170	112,257
Tax payables	(21)	4,447,875		3,753,375	
Derivative liabilities	(11)	22,223		349,002	
Short term financial liabilities	(22)	49,916,035		73,913,257	
Other liabilities	(23)	17,582,148		16,676,076	
CURRENT LIABILITIES		**150,658,430**		**164,019,880**	
Liabilities available for sale		-		-	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**445,170,364**		**488,587,362**	

ATTACHMENT II

Consolidated Income Statement with related parties

Pursuant to Consob Resolution N. 15519 of 27 July 2006

(Values in units of EUR)	Notes	Full Year 2021	of which Related parties	Full Year 2020	of which Related parties
REVENUES FROM SALES AND SERVICES	**(24)**	**324,592,143**	**206,570**	**269,116,774**	**283,995**
Other revenues and income	(25)	8,521,078		10,485,768	
TOTAL REVENUES		**333,113,221**		**279,602,542**	
Changes in inventory		(17,639,882)		2,341,099	
Costs of raw materials, cons. and goods for resale	(26)	(114,385,792)		(110,162,492)	
Costs of services	(27)	(93,182,942)	(1,075,330)	(93,242,015)	(1,075,504)
Costs for use of third parties assets	(28)	(5,729,826)	(942,000)	(6,630,888)	(937,000)
Labour costs	(29)	(63,136,252)		(61,752,840)	
Other operating expenses	(30)	(3,693,579)		(5,661,916)	
Amortisation, write-downs and provisions	(31)	(26,176,056)		(29,058,754)	
Financial Income / (expenses)	(32)	(2,850,400)	117,189	(3,022,187)	60,331
PROFIT / LOSS BEFORE TAXES		**6,318,492**		**(27,587,451)**	
Taxes	(33)	5,807,514		4,230,874	
NET PROFIT / LOSS		**12,126,006**		**(23,356,577)**	
(Profit) / loss attributable to minority shareholders		-		1,959,730	
NET PROFIT / LOSS FOR THE GROUP		**12,126,006**		**(21,396,847)**	

ATTACHMENT III

Consolidated Cash Flow Statement with related parties

Pursuant to Consob Resolution N. 15519 of 27 July 2006

(Values in thousands of EUR)	Notes	Full Year 2021	of which Related parties	Full Year 2020	of which Related parties
Opening balance		**39,828**		**28,390**	
Profit before taxes		6,318	(1,692)	(27,587)	(1,668)
Amortisation / write-downs		26,176		29,059	
Accrual (+)/availment (-) of long term provisions and post employment benefits		(207)		(598)	
Paid income taxes		(1,447)		(2,592)	
Financial income (-) and financial charges (+)		2,850		3,022	
Change in operating assets and liabilities		14,964	(110)	8,963	(63)
Cash flow (absorbed) / generated by operating activity	**(35)**	**48,654**		**10,267**	
Increase (-)/ decrease (+) in intangible fixed assets		(396)		(880)	
Increase (-)/ decrease (+) in tangible fixed assets		(1,927)		(4,504)	
Increase (-)/ decrease (+) in right-of-use assets (1)		(1,678)		(6,648)	
Investments and write-downs (-)/ Disinvestments and revaluations (+)		102		-	
Cash flow (absorbed) / generated by investing activity	**(36)**	**(3,899)**		**(12,032)**	
Other variations in shareholders' equity		(70,722)		(1,080)	
Dividends paid		-		-	
Proceeds (+)/ repayments (-) of financial payments		32,005		24,129	
Proceeds (+)/ repayment (-) of lease payments (2)		(12,535)		(7,596)	
Increase (-)/ decrease (+) in long term financial receivables		826	(224)	772	248
Financial income (+) and financial charges (-)		(2,850)		(3,022)	
Cash flow (absorbed) / generated by financing activity	**(37)**	**(53,276)**		**13,203**	
Closing balance		**31,307**		**39,828**	

ATTACHMENT IV

Prospect of crucial data from the statutory financial statements of Fratelli Ferretti Holding at 31 December 2020

(Values in units of EUR)	STATUTORY FINANCIAL STATEMENTS 2020	STATUTORY FINANCIAL STATEMENTS 2019
BALANCE SHEET		
Intangible fixed assets	71,599	72,506
Tangible fixed assets	1,610,526	1,790,683
Equity investments	54,741,025	65,369,333
Non current assets	**56,423,150**	**67,232,522**
Trade receivables	213,145	313,677
Tax receivables	1,165,820	620,737
Cash	30,921	29,433
Other receivables	3,134	3,020
Current assets	**1,413,020**	**966,867**
Total assets	**57,836,170**	**68,199,389**
Share capital	100,000	100,000
Share premium reserve	51,025,433	61,152,036
Other reserves	15,038	15,038
Profits / (losses) carried-forward	-	-
Net profit / loss	(573,169)	(122,941)
Shareholders' equity	**50,567,302**	**61,144,133**
Provisions	90,107	113,613
Long term financial liabilities	-	-
Non-current liabilities	**90,107**	**113,613**
Trade payables	7,178,761	6,941,643
Current liabilities	**7,178,761**	**6,941,643**
Total shareholders' equity and liabilities	**57,836,170**	**68,199,389**
INCOME STATEMENT		
Revenues from sales and services	**355,387**	**393,231**
Other revenues and income	-	-
Total revenues	**355,387**	**393,231**
Operating expenses	(448,887)	(448,566)
Costs for use of third parties assets	-	-
Amortisation and write-downs	(263,591)	(254,019)
Other operating expenses	(66,024)	(15,880)
Financial income / (expenses)	(313,642)	125,779
Profit / (loss) before taxes	**(736,757)**	**(199,455)**
Income taxes	163,588	76,514
Net profit / (loss)	**(573,169)**	**(122,941)**

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

The undersigned Massimo Ferretti as President of the Board of Directors, and Simone Badioli as manager responsible for preparing Aeffe S.p.A.'s financial reports, pursuant to the provisions of art. 154 bis, clauses 3 and 4, of Legislative Decree n. 58 of 1998, hereby attest:

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

of the administrative and accounting procedures applied in the preparation of the consolidated financial statements at 31 December 2021.

The undersigned moreover attest that the consolidated financial statements:

a) have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Council, dated 19 July 2002;

b) correspond to the amounts shown in Company's accounts, books and records;

c) provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.

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

17 March 2022

President of the board of directors

Massimo Ferretti

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

Simone Badioli

STATUTORY FINANCIAL STATEMENTS AT 31 DECEMBER 2021

AEFFE SPA

Report on operations

1. ECONOMIC BACKGROUND

Shareholders,

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

INTERNATIONAL MACROECONOMIC SITUATION

The Winter 2022 Economic Forecast of European Commission published on February 10th 2022, projects that, following a notable expansion by 5.3% in 2021, the EU economy will grow by 4.0% in 2022 and 2.8% in 2023. Growth in the euro area is also expected at 4.0% in 2022, moderating to 2.7% in 2023. The EU as a whole reached its pre-pandemic level of GDP in the third quarter of 2021 and all Member States are projected to have passed this milestone by the end of 2022.

After the robust rebound in economic activity that started in spring last year and continued unabated through early autumn, the growth momentum in the EU is estimated to have slowed to 0.4% in the last quarter of 2021, from 2.2% in the previous quarter. While a slowdown was already expected in the Autumn 2021 Economic Forecast, after the EU economy closed the gap with its pre-pandemic output level in 2021-Q3, it was sharper than projected as headwinds to growth intensified: notably, the surge in COVID-19 infections, high energy prices and continued supply-side disruptions.

Growth continues to be shaped by the pandemic, with many EU countries under pressure from a combination of increased strain on healthcare systems and staff shortages due to illness, precautionary quarantines or care duties. Logistic and supply bottlenecks, including shortages of semiconductors and some metal commodities, are also set to keep weighing on production, at least throughout the first half of the year. Last but not least, energy prices are now expected to remain elevated for longer than expected in the Autumn Forecast, thereby exerting a more protracted drag on the economy and higher inflationary pressures.

This forecast assumes that the strain on the economy caused by the current wave of infections will be short lived. Economic activity is set to regain traction, also as supply conditions normalise and inflationary pressures moderate. Looking beyond the short-term turbulence, the fundamentals underpinning this expansionary phase continue to be strong. A continuously improving labour market, high household savings, still favourable financing conditions, and the full deployment of the Recovery and Resilience Facility (RRF) are all set to sustain a prolonged and robust expansionary phase.

Even though the impact of the pandemic on economic activity has weakened over time, ongoing containment measures and protracted staff shortages could drag on economic activity. They could also dent the functioning of critical supply chains for longer than expected. By contrast, weaker demand growth in the near-term may help to resolve supply bottlenecks somewhat earlier than assumed.

On the upside, household demand could grow more strongly than expected, as already experienced with the reopening of economies in 2020, and investments fostered by the RRF could generate a stronger impulse to activity.

Inflation may turn out higher than expected if cost pressures are eventually passed on from producer to consumer prices to a larger extent than projected, amplifying the risk of second-round effects.

Risks to the growth and inflation outlook are markedly aggravated by geopolitical tensions in Eastern Europe.

MACROECONOMIC BACKGROUND TO THE CLOTHING SECTOR

The 2022 Altagamma Consensus, produced with input of leading international analysts, foresees a more organic, positive growth for 2022, albeit not as rapid as that of 2021. As shops reopen and people begin travelling once more, the average EBITDA for 2022 is estimated to be up 11%.

Clothing should see growth of +9% and this definitive return to pre-Covid levels has rekindled creativity and innovation, while cccessories continue their positive trend, +11% for leather goods and +9% for footwear.

Despite stores reopening, the distribution ecosystem is expected to continue the push towards digital, which will continue to be the fastest growing channel in 2022. Digital retail is expected to be up 15%, with many brands oriented towards a profitable strategy of single-brand digital distribution or with e-tailers (concession). Physical stores are up +9% and continue to be relevant in the luxury sector. Physical wholesale remains fragile, only growing by 4%, while 50% of online purchases are still being made in the digital wholesale channel, which will see significant growth, +13%.

2. TREND OF THE COMPANY MANAGEMENT

INCOME STATEMENT

(Values in thousands of EUR)	Full Year 2021	% on revenues	Full Year 2020	% on revenues	Change	%
REVENUES FROM SALES AND SERVICES	**114.173.149**	**100,0%**	**114.378.980**	**100,0%**	**(205.831)**	**(0,2%)**
Other revenues and income	7.766.600	6,8%	7.728.299	6,8%	38.301	0,5%
TOTAL REVENUES	**121.939.749**	**106,8%**	**122.107.279**	**106,8%**	**(167.530)**	**(0,1%)**
Changes in inventory	(1.551.381)	(1,4%)	1.925.900	1,7%	(3.477.281)	(180,6%)
Costs of raw materials, cons. and goods for resale	(47.110.540)	(41,3%)	(49.489.428)	(43,3%)	2.378.888	(4,8%)
Costs of services	(35.865.950)	(31,4%)	(41.841.511)	(36,6%)	5.975.561	(14,3%)
Costs for use of third parties assets	(8.375.343)	(7,3%)	(8.126.140)	(7,1%)	(249.203)	3,1%
Labour costs	(28.111.640)	(24,6%)	(27.496.153)	(24,0%)	(615.487)	2,2%
Other operating expenses	(1.252.730)	(1,1%)	(1.957.443)	(1,7%)	704.713	(36,0%)
Total Operating Costs	(122.267.584)	(107,1%)	(126.984.775)	(111,0%)	4.717.191	(3,7%)
GROSS OPERATING MARGIN (EBITDA)	**(327.835)**	**(0,3%)**	**(4.877.496)**	**(4,3%)**	**4.549.661**	**(93,3%)**
Amortisation of intangible fixed assets	(505.026)	(0,4%)	(541.365)	(0,5%)	36.339	(6,7%)
Depreciation of tangible fixed assets	(1.306.484)	(1,1%)	(1.542.553)	(1,3%)	236.069	(15,3%)
Depreciation of right-of-use assets	(1.871.768)	(1,6%)	(1.826.556)	(1,6%)	(45.212)	2,5%
Revaluations / (write-downs) and provisions	(13.102.480)	(11,5%)	(13.974.439)	(12,2%)	871.959	(6,2%)
Total Amortisation, write-downs and provisions	(16.785.758)	(14,7%)	(17.884.913)	(15,6%)	1.099.155	(6,1%)
NET OPERATING PROFIT / LOSS (EBIT)*	**(17.113.593)**	**(15,0%)**	**(22.762.409)**	**(19,9%)**	**5.648.816**	**(24,8%)**
Financial income	68.061	0,1%	489.290	0,4%	(421.229)	(86,1%)
Financial expenses	(840.066)	(0,7%)	(671.020)	(0,6%)	(169.046)	25,2%
Leasing interest expenses	(427.998)	(0,4%)	(461.095)	(0,4%)	33.097	(7,2%)
Total Financial Income/(expenses)	(1.200.003)	(1,1%)	(642.825)	(0,6%)	(557.178)	86,7%
PROFIT / LOSS BEFORE TAXES	**(18.313.596)**	**(16,0%)**	**(23.405.234)**	**(20,5%)**	**5.091.638**	**(21,8%)**
Taxes	2.393.359	2,1%	2.376.490	2,1%	16.869	0,7%
NET PROFIT / LOSS	**(15.920.237)**	**(13,9%)**	**(21.028.744)**	**(18,4%)**	**5.108.507**	**(24,3%)**

Revenues from sales and services

In fiscal 2021, revenues amounted to €114,173 at nearly constant exchange rates compared to fiscal 2020.

49% of revenues are earned in Italy while 51% come from foreign markets.

Labour costs

Labour costs increase from EUR 27,496 thousand in 2020 to EUR 28,111 thousand in 2021, with an increase of 2.2% deriving from the lower use in 2021 of labor support instruments.

Gross Operating Margin (EBITDA)

EBITDA moves from EUR -4,877 thousand in 2020 to EUR -327 thousand in 2021.

In percentage terms MOL changes from -4,3% in 2020 to -0.3% in 2021.

This change is attributable to the increase in gross margins on sales, resulting from the lower discounts exceptionally granted to customers in 2020 due to the Pandemic from Covid19 and the further contraction of fixed costs as a result of the policies of rationalization and optimization of processes and overhead costs.

Net operating profit (EBIT)

Net operating profit moves from EUR -22,762 thousand in 2020 to EUR -17,113 thousand in 2021, mainly due to the improvement in EBITDA.

Net operating profit (EBIT ADJUSTED)

Adjusted Ebit, net of non-recurring costs of EUR 12,397 thousand, is negative for EUR 4,716 thousand, compared to the negative value of EUR 9,418 thousand in 2020, with an increase of EUR 4,702 thousand, mainly due to the increase in Ebitda.

Non-recurring costs of EUR 12,397 thousand include the write-downs relating to the equity investments of the subsidiaries Aeffe Retail S.p.A. (EUR 6,740 thousand), Aeffe France S.a.r.l. (€4,078 thousand), Aeffe UK L.t.d. (€1,007 thousand), Aeffe Japan L.t.d. (€492 thousand) and Aeffe Shangai L.t.d. (€80 thousand).

Result before taxes

Pre-tax profit moves from EUR -23,405 thousand in 2020 to EUR -18,313 thousand in 2021, a positive change in absolute value of EUR 5,092 thousand mainly due to the increase in EBITDA.

Result before taxes ADJUSTED

The result before taxes adjusted, net of non-recurring costs of EUR 12,397 thousand, change from a loss of EUR 10,061 thousand in 2020 to a loss of EUR 5,917 thousand in 2021, with a positive change in absolute value of EUR 4,144 thousand, due to the improvement in EBITDA.

Net result

Net income for the year moves from EUR -21,029 thousand in 2020 to EUR -15,920 thousand in 2021, recording a positive change of €5,108 thousand attributable to the improvement in EBITDA.

Net result ADJUSTED

Net result adjusted moves from a loss of EUR 7,685 thousand in 2020 to a loss of EUR 3,523 thousand in 2021, recording a positive change of EUR 4,162 thousand attributable to the improvement in EBITDA.

BALANCE SHEET

(Values in units of EUR)	31 December 2021	31 December 2020
Trade receivables	37.215.640	44.101.240
Stock and inventories	29.328.258	30.915.844
Trade payables	(71.145.844)	(63.513.129)
Operating net working capital	**(4.601.946)**	**11.503.955**
Other short term receivables	12.766.418	11.821.581
Tax receivables	4.949.448	7.583.374
Other short term liabilities	(8.075.135)	(6.513.344)
Tax payables	(1.441.944)	(1.689.764)
Net working capital	**3.596.841**	**22.705.802**
Tangible fixed assets	41.816.631	42.440.613
Intangible fixed assets	3.286.218	3.440.390
Right-of-use assets	12.012.282	13.139.335
Equity investments	202.298.682	135.942.554
Other fixed assets	977.745	2.345.643
Fixed assets	**260.391.558**	**197.308.535**
Post employment benefits	(3.076.827)	(3.238.057)
Provisions	(5.505.593)	(1.004.948)
Long term not financial liabilities	(206.935)	(379.767)
Deferred tax assets	2.756.646	5.666.870
Deferred tax liabilities	(6.800.786)	(7.735.169)
NET CAPITAL INVESTED	**251.154.904**	**213.323.266**
Share capital	24.917.359	25.043.866
Other reserves	105.238.328	127.274.012
Profits/(Losses) carried-forward	2.347.959	2.347.959
Profits/(Loss) for the period	(15.920.238)	(21.028.744)
Shareholders' equity	**116.583.409**	**133.637.093**
Cash	(3.991.604)	(6.240.284)
Long term financial liabilities	100.048.986	24.701.826
Short term financial liabilities	24.684.088	46.282.102
NET FINANCIAL POSITION WITHOUT IFRS 16 EFFECTS	**120.741.470**	**64.743.644**
Short term lease liabilities	1.794.165	1.626.185
Long term lease liabilities	12.035.860	13.316.344
NET FINANCIAL POSITION	**134.571.495**	**79.686.173**
SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS	**251.154.904**	**213.323.266**

NET CAPITAL INVESTED

Compared to December 31, 2020, net invested capital increased by 17.7% eual to EUR 37,832 thousand.

Net working capital

Net working capital amounts to EUR 3,597 thousand at 31 December 2021 compared with EUR 22,706 thousand at 31 December 2020.

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

- the operating net working capital decreases by a total of EUR 16,106 thousand. Such change is mainly due to the increase of trade payables and the decrease in trade receivables;
- the sum of other short term receivables and payables changes in all of EUR 617 thousand compared with the previous period, primarily due to the increase in prepaid costs;
- the sum of tax receivables and tax payables changes in all of EUR -2,386 thousand mainly due to the decrease of group VAT credit.

Fixed assets

Fixed assets increase by EUR 63,083 thousand since 31 December 2021, mainly as a result of the purchase of 30% minority shareholding in Moschino S.p.A.

The changes in the main items are described below:

- tangible fixed assets decrease of EUR 624 thousand as a consequence of:
  - investments for EUR 716 thousand for buildings, leasehold improvements, information tools and general and specific plant and machinery;
  - decreases of EUR 34 thousand for information tools and general plant and machinery
  - depreciations for EUR 1,306 thousand;
- intangible fixed assets decrease of EUR 154 thousand as a consequence of:
  - investments for EUR 351 thousand in software;
  - amortisations for EUR 505 thousand;
- equity investments moves of EUR 66,356 thousand due to the following write-downs:
  - increase in the shareholding in Moschino S.p.A. for Euro 67,092 thousand due to the purchase of the minority shareholding of 30%;
  - capitalization and simultaneous write-down of the equity investment Aeffe Retail for Euro 6,739 thousand through the waiver of trade receivables in order to strengthen the subsidiary's equity as a capital contribution without the obligation to repay. This amount was recorded by the subsidiary as a capital reserve under shareholders' equity to cover losses;
  - capitalization of the equity investment Aeffe Germany G.m.b.h. for 500 thousand euros;
  - subscription of the equity investment Aeffe Spain S.l.u. for € 320 thousand;
  - write-down of the equity investment Aeffe France S.a.r.l. for €1,556 thousand.

NET FINANCIAL POSITION

The net financial debt of the Company amounted to EUR 134,571 thousand at December 31, 2021 compared to EUR 79,686 thousand at December 31, 2020. The increase is mainly due to the purchase of the minority shareholding in Moschino S.p.A..

The financial debt net of the effect of the application of IFRS 16 is equal to EUR 120,741 thousand at December 31, 2021 compared to EUR 64,744 thousand at December 31, 2020.

SHAREHOLDERS' EQUITY

Total shareholders' equity decreases by EUR 17,054 thousand. The reasons of this decrease refer to the loss of the year and the purchase of own shares.

3. RESEARCH & DEVELOPMENT

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

These costs, totalling EUR 16,738 thousand, have been charged to the 2021 Income Statement.

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

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

Financing requirements and the related risks are managed by the central treasury.

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

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

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

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

5. INFORMATION ABOUT SHARE CAPITAL

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

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

Main shareholders	%
Fratelli Ferretti Holding S.r.l.	61,797%
Other shareholders(*)	38,203%

(*) 7,166% of own shares held by Aeffe S.p.A.

6. TREASURY SHARES

As of 31 December 2021, the Company holds 7.693.067 treasury shares, par value EUR 0.25 each, totalling 7.166% of its share capital. During 2021, 506,028 treasury shares were purchased by the Company for a total value of Euro 936,224.

As of 31 December 2021 the Company does not hold shares of any controlling company either directly or indirectly.

7. TRANSACTIONS BETWEEN GROUP COMPANIES AND WITH RELATED PARTIES

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

8. INFORMATION RELATIVE TO PERSONNEL AND THE ENVIRONMENT

Regarding the information relative to personnel and environment, please refer to the indicated in the consolidated non-financial statement.

9. SIGNIFICANT EVENTS OF THE PERIOD

On 28 July 2021, Aeffe S.p.A. acquired from Sinv Holding S.p.A., Sinv Real Estate S.p.A. and Sinv Lab S.r.l., the minority stake of Moschino S.p.A., allowing Aeffe to take full ownership of the Company.

The transaction is part of the strategy related to the Moschino brand, which aims at the process of future integration of the womens' apparel collections into Aeffe Group to enhance their potential thanks to the exploitation of synergies.

The transaction has a high strategic value for the AEFFE Group and represents an important opportunity for business growth and development allowing an agile and flexible planning of medium-long term strategies and activities related to the Moschino brand, with the aim to strengthening its positioning and enhancing its high great growth potential.The operation is part of the development strategy focused on a completely independent business model, with full controll of the brand value chain, from product to quality and with positive effects on image, distribution and communication.

The consideration for the purchase of the shares, equal to Euro 66,571,000, was fully paid. The fairness of the price was confirmed by an independent fairness opinion issued by Deloitte Financial Advisory S.r.l. on 22 July 2021.

On October 26, 2021, Aeffe SpA has reached an agreement with Sinv S.p.A. to take over in advance the license for the production and distribution of "Love Moschino" women's apparel collections currently held by Sinv, following the acquisition of the full control of Moschino S.p.A. formalized last July.

10. SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

No significant events occurred after the end of the year.

11. OUTLOOK

Revenue growth in 2021 was significant, with a more than proportional increase in profitability. This reflects the good performance of all our brands in the various markets and distribution channels, combined with the benefits of work to improve the structural efficiency of our business model. Notably, the Fall-Winter 2022-23 sales campaign was successful, helping to mitigate the effects of the healthcare emergency linked to the Covid-19 pandemic. Despite the uncertainties caused by geopolitical tensions (Russia and Ukraine contributed 2.4% of turnover in 2021), we remain focused on the pursuit of medium/long-term initiatives: development of the new strategic direction of Moschino, with the integrated management of all clothing licenses tied to the brand; direct management of distribution in Mainland China; significant strengthening of the on-line sales channel.

12. PROPOSALS TO APPROVE THE FINANCIAL STATEMENTS AND ALLOCATE THE RESULT FOR THE YEAR 2021

Shareholders,

In presenting the financial statements as of 31 December 2021 for your approval, we propose to cover the loss of the year of EUR 15,920,237 through the use of the extraordinary reserve.

17 March 2022

For the Board of Directors

Chairman Massimo Ferretti

Financial Statements

BALANCE SHEET (*)

(Values in units of EUR)	Notes	31 dicembre 2021	31 dicembre 2020	Change
Trademarks		2.645.627	2.771.388	(125.761)
Other intangible fixed assets		640.591	669.002	(28.411)
Intangible fixed assets	(1)	3.286.218	3.440.390	(154.172)
Lands		17.319.592	17.319.592	-
Buildings		21.848.306	22.111.725	(263.419)
Leasehold improvements		684.507	766.741	(82.234)
Plant and machinary		1.284.944	1.534.750	(249.806)
Equipment		50.239	64.443	(14.204)
Other tangible fixed assets		629.043	643.362	(14.319)
Tangible fixed assets	(2)	41.816.631	42.440.613	(623.982)
Right-of-use assets	(3)	12.012.282	13.139.335	(1.127.053)
Equity investments	(4)	202.298.682	135.942.554	66.356.128
Other fixed assets	(5)	977.745	2.345.643	(1.367.898)
Deferred tax assets	(6)	2.756.646	5.666.870	(2.910.224)
NON-CURRENT ASSETS		**263.148.204**	**202.975.405**	**60.172.799**
Stocks and inventories	(7)	29.328.258	30.915.844	(1.587.586)
Trade receivables	(8)	37.215.640	44.101.240	(6.885.600)
Tax receivables	(9)	4.949.448	7.583.374	(2.633.926)
Cash	(10)	3.991.604	6.240.284	(2.248.680)
Other receivables	(11)	12.766.418	11.821.581	944.837
CURRENT ASSETS		**88.251.368**	**100.662.323**	**(12.410.955)**
TOTAL ASSETS		**351.399.572**	**303.637.728**	**47.761.844**
Share capital		24.917.359	25.043.866	(126.507)
Other reserves		105.238.328	127.274.012	(22.035.684)
Profits / (Losses) carried-forward		2.347.959	2.347.959	-
Net profit / loss		(15.920.238)	(21.028.744)	5.108.507
SHAREHOLDERS' EQUITY	**(12)**	**116.583.409**	**133.637.093**	**(17.053.685)**
Provisions	(13)	5.505.593	1.004.948	4.500.645
Deferred tax liabilities	(5)	6.800.786	7.735.169	(934.383)
Post employment benefits	(14)	3.076.827	3.238.057	(161.230)
Long term financial liabilities	(15)	112.084.846	38.018.170	74.066.676
Long term not financial liabilities	(16)	206.935	379.767	(172.832)
NON-CURRENT LIABILITIES		**127.674.987**	**50.376.111**	**77.298.876**
Trade payables	(17)	71.145.844	63.513.129	7.632.715
Tax payables	(18)	1.441.944	1.689.764	(247.820)
Short term financial liabilities	(19)	26.478.253	47.908.287	(21.430.034)
Other liabilities	(20)	8.075.135	6.513.344	1.561.791
CURRENT LIABILITIES		**107.141.176**	**119.624.524**	**(12.483.348)**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**351.399.572**	**303.637.728**	**47.761.844**

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

INCOME STATEMENT (*)

(Values in units of EUR)	Notes	Full year 2021	%	Full year 2020	%
REVENUES FROM SALES AND SERVICES	**(21)**	**114.173.149**	**100,0%**	**114.378.980**	**100,0%**
Other revenues and income	(22)	7.766.600	6,8%	7.728.299	6,8%
TOTAL REVENUES		**121.939.749**	**106,8%**	**122.107.279**	**106,8%**
Changes in inventory		(1.551.381)	(1,4%)	1.925.900	1,7%
Costs of raw materials, cons. and goods for resale	(23)	(47.110.540)	(41,3%)	(49.489.428)	(43,3%)
Costs of services	(24)	(35.865.950)	(31,4%)	(41.841.511)	(36,6%)
Costs for use of third parties assets	(25)	(8.375.343)	(7,3%)	(8.126.140)	(7,1%)
Labour costs	(26)	(28.111.640)	(24,6%)	(27.496.153)	(24,0%)
Other operating expenses	(27)	(1.252.730)	(1,1%)	(1.957.443)	(1,7%)
Amortisation and write-downs	(28)	(16.785.758)	(14,7%)	(17.884.913)	(15,6%)
Financial Income / (expenses)	(29)	(1.200.003)	(1,1%)	(642.825)	(0,6%)
PROFIT / LOSS BEFORE TAXES		**(18.313.596)**	**(16,0%)**	**(23.405.234)**	**(20,5%)**
Income Taxes	(30)	2.393.359	2,1%	2.376.490	2,1%
NET PROFIT / LOSS		**(15.920.237)**	**(13,9%)**	**(21.028.744)**	**(18,4%)**
Basic earning / (loss) per share	(31)	(0,159)		(0,210)	
Dilutive earning / (loss) per share	(31)	(0,159)		(0,210)	

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

COMPREHENSIVE INCOME STATEMENT

(Values in units of EUR)	Full Year 2021	Full Year 2020
Profit/(loss) for the period (A)	**(15.920.237)**	**(21.028.744)**
Remeasurement of defined benefit plans	(33.782)	(33.782)
Income tax relating to components of Other comprehensive income that will not be reclassified subsequently to profit or loss	-	-
Total other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1)	**(33.782)**	**(33.782)**
Gains/(losses) on cash flow hedges	-	-
Gains/(losses) on exchange differences on translating foreign operations	-	-
Income tax relating to components of Other Comprehensive income / (loss)	-	-
Total other comprehensive income that will be reclassified subsequently to profit or loss, net of tax (B2)	**-**	**-**
Totale Other comprehensive income, net of tax(B1)+(B2)=(B)	**(33.782)**	**(33.782)**
Total Comprehensive income / (loss) (A) + (B)	**(15.954.019)**	**(21.062.526)**

CASH FLOW STATEMENT (*)

(Values in thousands of EUR)	Notes	Full Year 2021	Full Year 2020
Opening balance		**6.240**	**6.946**
Profit before taxes		(18.314)	(23.405)
Amortisation / write-downs		16.786	17.885
Accrual (+)/availment (-) of long term provisions and post employment benefits		1.597	(147)
Paid income taxes		4.121	(342)
Financial income (-) and financial charges (+)		1.200	643
Change in operating assets and liabilities		18.478	(1.735)
Cash flow (absorbed) / generated by operating activity	**(32)**	**23.868**	**(7.101)**
Increase (-)/ decrease (+) in intangible fixed assets		(351)	(324)
Increase (-)/ decrease (+) in tangible fixed assets		(682)	(425)
Increase (-)/ decrease (+) in right-of-use assets (1)		(745)	(540)
Investments and write-downs (-)/ Disinvestments and revaluations (+)		(76.009)	(5.468)
Cash flow (absorbed) / generated by investing activity	**(33)**	**(77.787)**	**(6.757)**
Other variations in reserves and profits carried-forward of shareholders' equity		(1.134)	(907)
Proceeds (+)/repayments (-) of financial payments		53.749	15.322
Proceeds (+)/ repayment (-) of lease payments		(1.112)	(1.240)
Increase (-)/ decrease (+) in long term financial receivables		1.368	620
Financial income (+) and financial charges (-)		(1.200)	(643)
Cash flow (absorbed) / generated by financing activity	**(34)**	**51.671**	**13.152**
Closing balance		**3.992**	**6.240**

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Values in thousands of EUR)	Share capital	Share premium reserve	Other reserves	Fair Value reserve	IAS reserve	Legal reserve	Extraordinary reserve from realignment of D.L. 104/2020	Remeasurement of defined benefit plans reserve	Profits / (Losses) carried-forward	Net profit / loss	Total shareholders' equity
At December 31, 2020	**25.044**	**70.144**	**46.257**	**7.742**	**(116)**	**4.032**		**(785)**	**2.348**	**(21.029)**	**133.637**
Allocation of 2019 profit			(21.029)							21.029	-
Total comprehensive income/(loss) of 2020								(79)		(15.920)	(15.999)
Other variations	(127)	(810)	(3.925)				3.807				(1.055)
At December 31, 2021	**24.917**	**69.334**	**21.303**	**7.742**	**(116)**	**4.032**	**3.807**	**(864)**	**2.348**	**(15.920)**	**116.583**

(Values in thousands of EUR)	Share capital	Share premium reserve	Other reserves	Fair Value reserve	IAS reserve	Legal reserve	Remeasurement of defined benefit plans reserve	Profits / (Losses) carried-forward	Net profit / loss	Total shareholders' equity
At December 31, 2019	**25.286**	**70.775**	**41.377**	**7.742**	**(116)**	**3.775**	**(751)**	**2.348**	**5.137**	**155.573**
Allocation of 2019 profit			4.880			257			(5.137)	-
Total comprehensive income/(loss) of 2020							(34)		(21.029)	(21.063)
Other variations	(242)	(631)								(873)
At December 31, 2020	**25.044**	**70.144**	**46.257**	**7.742**	**(116)**	**4.032**	**(785)**	**2.348**	**(21.029)**	**133.637**

Report of the Board of Statutory Auditors to the Shareholders' Meeting called to approve the financial statements as of 31st December 2021

pursuant to article 153 of Italian Legislative Decree 58/98

Shareholders,

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

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

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

The Board of Statutory Auditors

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

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

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

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

* * * * * * * * *

We confirm that the financial statements of the Company as of 31st December 2021 were prepared in accordance with the international accounting standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB), endorsed by the European Union and in force on 31st December 2021, and with the measures issued to implement art. 9 of Decree 38/2005.

The separate and consolidated financial statements of AEFFE as of 31st December 2021 contain the required declarations of conformity from the Chairman of the Board of Directors and the Executive responsible for preparing the Company's accounting documentation, pursuant to Law 262/2005.

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

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

Significant non-recurring transactions

No significant non-recurring transactions were identified during the year.

Impairment Test Methodology

As envisaged in the joint document issued by the Bank of Italy/Consob/ISVAP on 3rd March 2010, the Board of Directors confirmed on 17th March 2022 that the impairment test methodology adopted complies with the requirements of IAS 36.

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

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

The Board of Statutory Auditors believes that the impairment test methodology adopted by the Company is adequate.

Atypical or unusual transactions

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

Intercompany and related-party transactions

Pursuant to art. 2391-*bis* of the Italian Civil Code and Consob Decision 17221 of 12th March 2010 on the "Regulation of Related-Party Transactions", as later amended by Consob Decision 17389 of 23rd June 2010, the Board of Directors approved the "Procedure for related-party transactions" (the "**Procedure**") on 10th November 2010.

We confirm that the Procedure adopted by the Company for the transactions carried out during 2021 is consistent with the principles contained in the Consob Regulation, as updated by Decision 21396 of 10th June 2020, and is published on the website of the Company (www.AEFFE.com).

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

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

Work performed by the Board of Statutory Auditors during 2021

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

- monitored compliance with the law and the Articles of Association;
- monitored compliance with the principles of proper administration;
- attended the meetings of the Board of Directors and, via the Chairman of Statutory Auditors or the assigned Statutory Auditor, the meetings of the Control, Risks and Sustainability Committee and the Compensation Committee, obtaining periodic information from the Directors, at least every quarter, on the general results of operations and the outlook for the future, as well as on the principal economic, financial and equity transactions carried out by AEFFE and its Group of companies (the "**Group**"), and ensuring that the resolutions adopted and implemented were not obviously imprudent, reckless, subject to potential conflicts of interest, in contrast with shareholders' resolutions or likely to generate heavy losses;
- monitored the adequacy of the organizational structure by direct observation, by the collection of information from the Managers of Business Functions and by attendance at the meetings of the Board Committees;
- monitored the adequacy and functioning of the system of internal control and risk management by attendance at the meetings of the Control, Risks and Sustainability Committee and by obtaining information from the Chief Executive Officer, the Executive Director, the Director responsible for the system of internal control and risk management, the Managers of Business Functions, the representatives of the Auditing Firm and he Supervisory Body, to which this Board also belongs. This Board also met with the Internal Audit Managers of the Company, obtaining information about the implementation status of the Audit Plan for the year;
- monitored the adequacy of the administrative-accounting system by meeting regularly with the Chief Financial Officer who, until last year, was also the Executive responsible for preparing the Company's accounting documentation, and with RIA GRANT THORNTON S.p.A., the Auditing Firm, in order to exchange data and information;
- monitored implementation of the rules of Corporate Governance adopted by the Company, in compliance with the principles embodied in the Code. In particular, this Board:

    - checked proper application of the verification criteria adopted by the Board of Directors in order to assess the independence of its members;
    - checked the independence of the Auditing Firm;
    - assessed the independence of the members of the Control Body;
- monitored the adequacy of the instructions given by the Company to its subsidiaries pursuant to art. 114, para. 2, TUF. These instructions enabled the subsidiaries to provide, on a timely basis, the information needed by the Company to comply with the disclosure requirements imposed by law;
- monitored the related-party and intercompany transactions; in this regard, the Board considers the information provided in the report on operations to be adequate;
- monitored proper application of the requirements placed on the Company by the Market Abuse Regulation, including those relating to internal dealing, investor protection and corporate disclosures.

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

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

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

Monitoring the process of financial disclosure

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

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

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

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

Monitoring the process of non-financial disclosure

The Board of Statutory Auditors has monitored compliance with the provisions of Decree 254/2016, verifying that appropriate regulations govern the process through which non-financial information is collected, prepared and presented.

The Board of Statutory Auditors therefore considers that the process followed to prepare non-financial disclosures is adequate, having regard for the strategic objectives of the Group in socio-environmental terms, and that there are no matters to be reported to the Shareholders' Meeting. When preparing the Non-Financial Declaration, the Company did not elect to omit information about imminent developments and ongoing negotiations, as would be allowed pursuant to art. 3, para. 8, of Decree 254/2016.

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

During 2021, the Board of Statutory Auditors did not receive any statements and/or complaints, pursuant to art. 2408 of the Italian Civil Code, and did not identify any censurable facts, omissions or irregularities.

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

During 2021, the Board of Statutory Auditors expressed a favorable opinion, pursuant and consequent to art. 2389, para. 3, of the Italian Civil Code, on the remuneration of the Director appointed in December.

Other opinions expressed by the Board of Statutory Auditors

During 2021, the Board of Statutory Auditors expressed a favorable opinion on the appointment of the Chief Executive Officer as the Executive responsible for preparing the Company's accounting documentation, pursuant to Law 262/05.

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

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

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

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

This Board also examined the annual transparency report prepared, pursuant to art. 18 of Decree 39/2010, by RIA GRANT THORNTON in December and published on the website of the Auditing Firm.

The work performed by the Auditing Firm for the Group during 2021 is described in the explanatory notes to the consolidated financial statements. The Board of Statutory Auditors confirms that the consideration recognized for the above activities was appropriate, considering the extent, complexity and characteristics of the work performed, and that the engagements to provide non-audit services were not such as to undermine the independence of the Auditing Firm.

Observations on the report of the Auditing Firm

It is confirmed that, today, RIA GRANT THORNTON S.p.A. issued:

- as the Legal Auditor, the reports envisaged in art. 14 of Decree 39/2010 and art. 10 of Regulation (EU) 537/2014, prepared in conformity with the instructions contained in the above Decree, as amended by Decree 135/2016; the reports express an unqualified opinion on the separate and consolidated financial statements and certify that they provide a true and fair view of the financial positions of the Company and Group as of 31st December 2021 and the results of their operations and the cash flows for the year then ended, in conformity with the applicable accounting standards.
- the additional report required by art. 11 of Regulation (EU) 537/2014, stating that there are no significant weaknesses in the system of internal control and risk management with regard to the process followed for making financial disclosures, and attaching the declaration envisaged in art. 6 of Regulation (EU) 537/2014, which does not identify any situations that might compromise the independence of the Auditing Firm.

It is confirmed that, today, BDO ITALIA S.p.A. communicated to the Board of the issuance, as the Designated Auditor, of the limited assurance on the conformity of the consolidated Non-Financial Declaration as of 31st December 2021; in that opinion, the Designated Auditor - anticipating the outcome of the activity carried out - concluded that no elements had come to its attention to suggest that the Consolidated Non-Financial Declaration for the year ended 31st December 2021 had not been prepared, in all significant respects, in accordance with the provisions of Decree 254/2016 and the GRI Standards. The report already prepared will be released upon signature by the manager in charge.

Self-assessment of the Board of Statutory Auditors

In compliance with the *"Rules of Conduct for Boards of Statutory Auditors of listed companies"* issued by the Italian Accounting Profession, which require the Board of Statutory Auditors to carry out, following appointment and annually thereafter, a self-assessment of its work on the joint planning of its activities, of the suitability of its members, of their adequacy with reference to the professionalism, skill, honesty and ethics, and independence requirements, and of the adequacy of the time and resources available considering the complexity of the appointment (the **"Self-assessment"**), the Board of Statutory Auditors confirms that it has carried out the Self-assessment for 2021, the outcome of which is specifically documented in the *"Report on corporate governance and the ownership structure 2021"* pursuant to art. 123-bis TUF of the Company, which was made available to the public by the legal deadline on the website of AEFFE (www.AEFFE.com) and in the other ways envisaged in the current regulations.

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

During 2021:

- the Board of Statutory Auditors held 9 meetings, each with a duration of about 2 hours and 35 minutes;
- the Board of Statutory Auditors held periodic meetings and exchanged information with the representatives of RIA GRANT THORNTON S.p.A.;
- the Board of Directors held 10 meetings. In this regard, it is noted that the Board of Directors has nine members, five of whom are independent; four of the nine directors are female;
- the Control, Risks and Sustainability Committee held 9 meetings, while the Compensation Committee held 3.

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

Lastly, this Board confirms that it attended the Shareholders' Meeting held on 28th April 2021.

* * * * * * * * *

On 17th March 2022, the Chairman of the Board of Directors and the Executive responsible for preparing the Company's accounting documentation issued the declarations required pursuant to art. 154-Bis TUF, attesting that:

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

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

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

* * * * * * * * *

Conclusions

Based on the supervisory activities carried out during the year and the results of the work performed by the legal auditor of the accounts, RIA GRANT THORNTON S.p.A., contained in the auditors' report on the financial statements prepared pursuant to arts. 14 and 16 of Decree 39 dated 27th January 2010, issued today - expressing an unqualified opinion - the Board of Statutory Auditors, pursuant to art. 153, para. 2, of

Decree 58 dated 24th February 1998, believes that the financial statements present a true and fair view of the financial position of the Company as of 31st December 2021 and represent fully the business reality of AEFFE S.p.A. as of 31st December 2021, and has no objections to express with regard to the following resolutions proposed by the Board of Directors:

- approval of the separate financial statements as of 31st December 2021;
- coverage of the loss for the year of Euro 15,920,237 by use of the extraordinary reserve.

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

San Giovanni in Marignano, 29th March 2022

The Board of Statutory Auditors

Stefano MORRI

Fernando CIOTTI

Carla TROTTI

"Free translation from the original in Italian".

Ria Grant Thornton S.p.A.
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Independent auditors' report
in accordance with article 14 of Legislative Decree
n. 39 of January 27, 2010 and article 10
of EU Regulation n. 537 dated April 16th, 2014

To the shareholders of
Aeffe S.p.A.

Report on the Audit of the financial statements

Opinion

We have audited the financial statements of Aeffe S.p.A.. (hereinafter also referred as "Company"), which comprise the statement of financial position as at December 31, 2021, the statement of income, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows for the year then ended and explanatory notes to the financial statements which also include a summary of the most significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2021 and of its economic performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n.38/2005.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company in accordance with the ethical and independence requirements applicable in the Italian regulation to audit of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Evaluation of investments in subsidiaries

Description of the Key matter	Audit procedures performed in response to the Key matter
The financial statements as at 31 December 2021 include assets related to investments in subsidiaries for 202,3 million Euros, with an increase of 66,4 million Euro as a consequence of the purchase of the residual minority interest of 30% of Moschino S.p.A.. As reported in the explanatory notes, equity investments are accounted for at historical cost, which is reduced by permanent losses as required by IAS 36. Should the reasons for the write-down do not apply any longer, the original value is restored in subsequent years. As in previous years, the Directors have carried out impairment tests to identify the estimated recoverable value of certain investments in subsidiary of particular importance, to verify the appropriateness of their carrying amount. This recoverable value is based on the value in use, determined using the discounted cash flow method. The information is reported in the explanatory notes under note 4, 13, 28 as well as in the summary of the accounting principles adopted and, in the paragraph, "*Main estimates adopted by the Management*". Due to the complexity of these valuation processes, we have considered the valuation of equity investments as a key aspect of the auditing activity.	Audit procedures carried out comprise: – an understanding of the process adopted in preparing the impairment tests of the affiliated companies; – an understanding of the process adopted in the preparation of the Aeffe Group's 2022 budget, which was approved by the Company's Board of Directors on January 27, 2022, and of management's estimates for the 2023-2026 financial years taken as reference for carrying out the impairment tests; – an estimate of the recoverable value based on the enterprise value, obtained by applying the EV/Ebitda or EV/Sales multiples to the key figures of the companies subject to the test. The results obtained were adjusted to consider the net financial position at the date of the test; – examination of the appropriateness of the information and disclosures provided by the Directors in the explanatory notes in relation to equity investments and impairment tests.

Evaluation of inventory

Description of the Key matter	Audit procedures performed in response to the Key matter
The Financial statement as at December 31, 2021 includes inventory of goods equal to 29,3 million Euro, net of obsolete allowance amounting to 2,3 million Euro. The determination of the allowance for inventory write-downs represents a complex accounting	The audit procedures performed included: – an understanding of the business processes, the related IT environment and the relevant controls adopted by the directors in order to determine the valuation of inventories

estimate that requires a high degree of judgment as it is influenced by multiple factors, including:

- the characteristics of the sector in which the Company operates;
- the seasonality of sales;
- the pricing policies adopted and the disposal capacity of the sales channels.

For these reasons, we considered the valuation of inventories to be a key aspect of the audit.

The information is reported in the explanatory notes under note 7 and in the paragraph “Estimation criteria”.

- an analysis of changes in inventories during the year, considering the expected life cycle of inventories based on their age, and an analysis of the historical trend of sales and profitability by season
- verification, by means of documentary analysis and discussion with the company departments involved, of the methodology adopted for the purposes of determining the allowance for inventory obsolescence, aimed at understanding the assumptions underlying the expected dynamics of the disposal of goods
- verification of the completeness and accuracy of the database used by the directors to calculate the allowance for inventory obsolescence, as well as verification of the mathematical accuracy of the calculation;
- examination of the appropriateness of the information provided by the directors in the notes to the financial statements regarding inventories.

Responsibilities of Directors and Board of statutory auditors for the Financial Statements

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

In preparing the financial statements, the Directors are responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Statutory Auditors is responsible, within the terms provided by the law, for overseeing 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 auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standard on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, could reasonably influence the economic decisions of users taken on the basis of these financial statements.

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

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; designed and performed audit procedures responsive to those risks and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtained an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control;
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors including related disclosures;
- Concluded on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

We have communicated with those charged with governance, as properly identified in accordance with ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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

We were initially engaged by the shareholders of Aeffe S.p.A. on April 16, 2016 to perform the audits of the financial statements and the consolidated financial statements of each fiscal year starting from December 31, 2016 to December 31, 2024.

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

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report, prepared in accordance with the article 11 of the EU Regulation 537/2014, submitted to the Board of Statutory Auditors.

Report on compliance with other Laws and Regulations

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

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

We have performed the procedures indicated in Auditing Standard (SA Italy) No. 700B in order to express our opinion on the conformity of the financial statements with the requirements of the Delegated Regulations.

In our opinion, the financial statements have been prepared in accordance with the XHTML format and comply with the requirements of the Delegated Regulations.

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

The Directors of Aeffe S.p.A. are responsible for the preparation of the Director's Report and of the Report on Corporate Governance and Ownership Structure Aeffe S.p.A. as at December 31, 2021, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required by auditing standard (SA Italia) no. 720B in order to express an opinion on the consistency of the Director's Report and of the information set out in the Report on Corporate Governance and Ownership Structure referred to in art. 123-bis, paragraph 4 of Legislative Decree n. 58/98, with the financial statements of Aeffe S.p.A. as at December 31, 2021 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Director's Report and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure is consistent with the financial statements of Aeffe S.p.A. as at December 31, 2021 and is compliant with the applicable laws and regulations.

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

Bologna, March 29, 2022

Ria Grant Thornton S.p.A.

Signed by
Marco Bassi
Socio

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.

EXPLANATORY NOTES

GENERAL INFORMATION

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

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

The Company has the following branch offices and local units:

1) Office and showroom in Donizetti street n.48 – Milan (MI);

2) Storage in Olmi street – San Giovanni in Marignano (RN);

3) Office and showroom in Donizetti street n.47 – Milan (MI);

4) Storage in Tavollo snc street – San Giovanni in Marignano (RN);

5) Storage in Erbosa I street n. 92 – Gatteo (FC);

6) Storage in Raibano n. 55/A street – Coriano (RN):

7) Storage in Tamerici 9 street – San Giovanni in Marignano (RN);

8) Storage in Chieri 107 street – Andenzeno (TO).

9) Storage in Lorenzatti 10 street – Vallefoglia (PU);

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

The financial statements are accompanied by notes that explain the Company's economic and financial position as of and for the year ended 31 December 2021. This information is presented on a comparative basis, after adjusting the prior year's financial statements for consistency.

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

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

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

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

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

DECLARATION OF CONFORMITY AND BASIS OF PRESENTATION

Pursuant to art. 3 of Decree 38/2005 dated 28 February 2005, these financial statements have been prepared in accordance with International Accounting Standards (IAS/IFRS). The explanatory notes, also prepared in accordance with IAS/IFRS, have been supplemented by the additional information requested by CO.N.SO.B and by its instructions issued in accordance with art. 9 of Decree 38/2005 (resolutions 15519 and 15520 dated 27 July 2006 and communication DEM/6064293 dated 28 July 2006, pursuant to art. 114.5 of the Consolidated Finance Law), by art. 78 of the Issuers' Regulations, by the EC document issued in November

2003 and, where applicable, by the Italian Civil Code. Consistent with last year's annual report, some of the required information is presented in the Directors' Report (Report on operations).

FINANCIAL STATEMENT FORMATS

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

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

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this consolidated financial statement are the same used as those used in the preparation of the consolidated financial statement as of December 31, 2020, except for the following interpretations and amendments to the accounting principles that have been mandatory since January 1, 2021.

Accounting standards, amendments and interpretations approved by the European Union, applicable from 1 January 2021, which were applied for the first time in the consolidated financial statements of the AEFFE Group closed on 31 December 2021

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Reform of the reference indices for determining interest rates - Phase 2

With regulation (EU) 2021/25 of January 13, 2021, the EU approved the document "*Reform of the reference indices for the determination of interest rates - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)* ".

In August 2020, the IASB issued amendments to IFRS9, IAS 39, IFRS 7, IFRS4 and IFRS 16. These amendments supplement those made in 2019 ("IBOR - phase 1") and focus on the effects on entities when an existing benchmark interest rate is replaced with a new benchmark rate as a result of the reform.

The IASB addressed these issues in a project divided into two phases: phase 1 addressed the pre-replacement issues (issues concerning financial reporting in the period preceding the replacement of an existing interest rate benchmark). This part of the project ended on September 26, 2019 by publishing the "*Reform of the benchmarks for determining interest rates (Amendments to IFRS 9, IAS 39 and IFRS 7)*".

Phase 2 of the project dealt with issues related to the replacement of the reference rate. In particular, the amendments included in the "Reform of the reference indices for determining interest rates - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS16)" concern the modification of financial assets, financial liabilities and leasing liabilities, specific hedge accounting requirements and disclosure requirements in application of IFRS 7, to accompany the changes introduced and hedge accounting:

- modification of financial assets, financial liabilities and leasing liabilities: the IASB has introduced a practical expedient for the modifications required by the reform (modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis). These changes are taken into account by updating the effective interest rate. All other changes are accounted for using the current IFRS requirements. A similar practical expedient has been proposed for the tenant's accounting that applies IFRS 16;

- hedge accounting requirements: based on the published amendments, hedge accounting is not interrupted due to the IBOR reform. The hedging relationships (and related documentation) must be modified to reflect the changes to the hedged item, the hedging instrument and the hedged risk. The modified hedging relationships should meet all the qualifying criteria for applying hedge accounting, including the effectiveness requirements;
- disclosures: in order to allow users to understand the nature and extent of the risks deriving from the IBOR reform to which the entity is exposed and the way in which the entity manages these risks, as well as the progress of the entity in the transition from IBORs to alternative policy rates and how the entity is managing this transition. The changes require an entity to communicate information on:
    a) the methods for managing the transition from reference rates to alternative interest rates, the progress made at the reference date and the risks deriving from the transition;
    b) quantitative information on non-derivative financial assets, non-derivative financial liabilities and derivatives that continue to refer to the reference values of the interest rates subject to the reform, broken down by significant reference indexes on interest rates;
    c) the extent to which the IBOR reform has resulted in changes to an entity's risk management strategy, a description of such changes and the way in which the entity manages these risks.

The IASB also amended IFRS 4 to require insurance companies that apply the temporary exemption from IFRS 9 to apply the changes in the accounting of the changes directly required by the IBOR reform.

The adoption of these amendments did not have any effects on the financial statements as at 31 December 2021.

Amendments to IFRS 4 - Extension of the temporary exemption from the application of IFRS 9

On 25 June 2020, the International Accounting Standards Board published the extension of the temporary exemption from the application of IFRS 9 (amendments to the International Financial Reporting Standard (IFRS) 4 Insurance Contracts).

The amendments to IFRS 4 aim to remedy the temporary accounting consequences of the mismatch between the date of entry into force of IFRS 9 Financial Instruments and the date of entry into force of the future IFRS 17 Insurance Contracts. In particular, the amendments to IFRS 4 extend the expiry of the temporary exemption from the application of IFRS 9 until 2023 in order to align the date of entry into force of IFRS 9 with the new IFRS 17.

These amendments were endorsed on 15 December 2020 with regulation (EU) 2020/2097, with mandatory application for financial statements starting from 1 January 2021 of the IFRS adopters of the member countries.

The adoption of these amendments did not have any effects on the financial statements as at 31 December 2021.

Amendments to IFRS 16 - Concessions on fees related to COVID-19 subsequent to June 30, 2021

In May 2020, the IASB issued an amendment to IFRS 16 "Concessions related to COVID-19". This change provided a practical expedient to account for the reduction in rent due to COVID-19. The 2020 practical gimmick was available for rent reductions that only affected payments originally due by 30 June 2021.

On March 31, 2021, the IASB issued the amendment "Concessions on fees related to COVID-19 after June 30, 2021", which extended the period to be able to make use of the practical expedient from June 30, 2021 to June 30, 2022.

The date of entry into force is that of the financial statements starting after 1 April 2021, but early application is allowed. The transitional provisions contained in the amendment provide for a retroactive application, therefore the lessee must apply the concessions on the rent related to COVID-19 after June 30, 2021 retrospectively, noting the cumulative effect of the first application of this amendment as an adjustment to the opening balance. retained earnings (or, if appropriate, another component of shareholders' equity) at the beginning of the year in which it applies the amendment for the first time. It is also evident that the application of the new changes is not optional but depends on whether the practical expedient of May 2020 has been applied or not. If the tenant has already applied the practical expedient of May 2020, the tenant will have to apply the new changes. If the tenant has decided not to apply the practical expedient of May 2020, the tenant will not be able to apply the new changes. If the tenant has yet to decide whether to apply the practical expedient and decides to apply the practical expedient, the application must be retrospective.

The Company also for 2021 used the practical expedient granted by the amendment of March 31, 2021 "Concessions on fees related to COVID-19 subsequent to June 30, 2021".

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

Improvements to IFRS (2018-2020 cycle) - Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41

With regulation (EU) 2021/1080 of June 28, 2021, the EU approved the document "Improvements to IFRS (2018-2020 cycle)" which amends IFRS 1, IFRS 9 and IAS 41. The document IASB also includes an amendment to IFRS 16 which has not been subject to endorsement by the EU as it refers to an amendment to an illustrative example which is not an integral part of the accounting standard. The entity must apply the aforementioned changes starting from the financial statements for the years starting from 1 January 2022 or later.

Annual improvements aim to streamline and clarify existing rules. The objective of the annual improvements is to resolve non-urgent issues relating to inconsistencies found in International Financial Reporting Standards (IFRS) or terminological clarifications, which have been discussed by the IASB during the project cycle.

Amendment to IFRS 1 "First-time adoption of International Financial Reporting Standards": as part of the 2018-2020 annual improvement process of the IFRS standards, the IASB has published an amendment to this standard that allows a subsidiary that chooses to apply paragraph D16 (a) of IFRS 1 to account for the accumulated translation differences on the basis of the amounts accounted for by the parent, considering the date of transition to IFRS by the parent. This amendment also applies to associated companies or joint ventures that choose to apply paragraph D16 (a) of IFRS 1;

Amendment to IFRS 9 "Financial instruments": the IASB has published an amendment to IFRS 9 which clarifies the fees that an entity must include in determining whether the conditions of a new or modified financial liability are substantially different from the conditions of the financial liability original. These fees include only those paid or received between the debtor and the lender, including fees paid or received by the debtor or lender on behalf of others. An entity applies this modification to financial liabilities that are modified or exchanged after the date of the first financial year in which it applies the modification for the first time;

Amendments to IAS 41 “Agriculture”: the requirement envisaged by paragraph 22 of IAS 41 is removed, according to which entities exclude cash flows for taxation in the measurement of the fair value of assets under IAS 41.

Amendments to IAS 16, Property, Plant and Equipment - Income Before Intended Use

With regulation (EU) 2021/1080 of June 28, 2021, the EU approved the document "Property, plant and equipment - Income before intended use (Amendments to IAS 16)".

The entity must apply this document starting from the financial statements of the years starting from January 1, 2022 or later.

The amendments to IAS 16 "Property, Plant and Equipment" prohibit an enterprise from deducting from the cost of property, plant and equipment the amounts received from the sale of items produced while the enterprise is preparing the asset for its intended use (such as, for example, proceeds from the sale of prototypes). Instead, a company will have to recognize such income and the related cost in the income statement;

In terms of supplementary information, the financial statements, in coordinated presentation with the principles that govern their preparation, the Company must indicate:

- the amount of expenses recognized in the book value of an item of property, plant and equipment in the course of its construction;
- the amount of contractual commitments in place for the purchase of property, plant and machinery;
- the amount of compensation from third parties charged to the profit (loss) for the year for items of property, plant and machinery that have suffered a reduction in value, have been lost or disposed of;
- the amounts of income and expenses recognized in profit or loss in accordance with paragraph 20A that relate to items produced that are not the result of the entity's ordinary activities, and which items in the statement of comprehensive income , include such income and costs.

Amendments to IAS 37, Onerous Contracts - Costs Necessary to Fulfill a Contract

With regulation (EU) 2021/1080 of June 28, 2021, the EU approved the document "Onerous contracts - Costs necessary for the fulfillment of a contract (Amendments to IAS 37)".

The amendments to IAS 37 - Provisions, liabilities and contingent assets specify which costs a company must include in assessing whether a contract will be loss-making (so-called onerous contract). The amendment defines a contract as onerous in which the non-discretionary costs necessary for the fulfillment of the obligations assumed exceed the economic benefits that are supposed to be obtained from the same contract. The non-discretionary costs provided for in a contract reflect the minimum net cost of termination of the contract, that is, the lower of the cost necessary for compliance and any compensation or penalty resulting from the non-compliance.

The entity will have to apply these changes to contracts for which it has not yet fulfilled all its obligations at the beginning of the year in which it applies the changes for the first time (the date of the first application). The entity does not have to reformulate the comparative information. The entity must instead recognize the cumulative effect of the first application of the changes as an adjustment to the opening balance of retained earnings or, if appropriate, another component of equity, at the date of the first application.

Amendments to IFRS 3 - Reference to the Conceptual Framework

With regard to IFRS 3 (Business combinations) it is clarified that the costs that the buyer expects to incur in the future, but which he is not obliged to incur, in order to carry out his plan to withdraw from an acquired business, to dispose of the employees of an acquiree, or to transfer them, are not liabilities at the acquisition date.

The buyer does not recognize those costs as part of the application of the acquisition method. Instead, the buyer recognizes those costs in the financial statements following the combination, in accordance with the provisions of other IFRSs. There are, then, some exceptions concerning liabilities and contingent liabilities falling within the scope of IAS 37 or IFRIC 21 (relating to taxes).

IFRS 17 - Insurance Contracts (including amendments published in June 2020)

The new standard establishes the principles for the recognition, evaluation, presentation and disclosure of insurance contracts under the IAS / IFRS international accounting standards. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents such contracts.

This information provides users of the financial statements with a basis for evaluating the effect that insurance contracts have on the financial position, financial results and cash flows of the entity.

IFRS 17 was issued in May 2017 and applies to annual financial years starting on or after 1 January 2023.

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

- Amendments to IAS 1 "Presentation of Financial Statements": Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued respectively on January 23, 2020 and July 15, 2020);
- Amendments to IAS 1 "Presentation of Financial Statements and IFRS Practice Statement 2": Disclosure of Accounting policies (issued on 12 February 2021);
- Amendments to IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors": Definition of Accounting Estimates (issued on 12 February 2021);
- Amendments to IAS 12 "Income Taxes": Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021);
- Amendments to IFRS 17 "Insurance contracts": Initial Application of IFRS 17 and IFRS 9 - Comparative Information (issued on 9 December 2021).

The principles listed in this paragraph are not applicable as they are not approved by the European Union, which, during the approval process, could only partially transpose, or not transpose, these principles.

Intangible fixed assets

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

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

Brands

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

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

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

In order to calculate the recoverable value of the brand registered in the balance sheet, we estimated the current value, discounting the hypothetical value of the royalties deriving from the transfer in use to others of this intangible asset, for a period equal to residual useful life. To calculate the value, the management has used the Group budget starting from the year 2022. For the remaining periods the management has used an increase in turnover with a compound annual growth rate ("CAGR") ranging from 0.15% to 1.7%. As royalty rates we used the averages for the sector (10%) and as discount rate we used the average cost of capital (WACC) which is 6.50% (7.40% at 31 December 2020).

The impairment test was performed in a scenario that acknowledged the expected economic-financial effects and did not reveal any losses in value. The test carried out revealed that the impact of the pandemic on the recoverable value of the brand is limited and, in any case, included in the scenarios assumed for the usual sensitivity analyzes. It follows that the value of the intangible asset recorded at 31 December 2020 is confirmed, net of the relative amortization charge for 2021.

Other intangible fixed assets

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

The principal amortisation rates applied are summarised below:

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

Research costs are charged to the income statement as incurred.

At 31 December 2021 the Company has not recorded intangible fixed assets with an "infinite" useful life in the intangible fixed assets.

Tangible fixed assets

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

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

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

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

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

The depreciation rates applied are summarised below:

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

Land is not depreciated.

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

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

Leasing IFRS16

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

Determination of recoverable value (Impairment)

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

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

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

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

The Covid-19 pandemic is to be considered an extraordinary event that requires assessments in relation to the risk that the book values of the aforementioned assets may have suffered permanent losses in value.

To determine the recoverable value of the trademarks recorded in the financial statements, the current value was estimated by discounting the hypothetical value of the royalties deriving from the sale to third parties of these intangible assets, for a period of time equal to the residual useful life. To calculate the values determined, the management used the 2022 Group Budget approved by the Board of Directors. For the remaining periods, management has estimated a growth in turnover with a compound annual growth rate ("CAGR") ranging from 0.15% to 1.7%. The average cost of capital (WACC) of 6.50% (7.40% as of 31/12/2020) was used as the royalty rates for the sector (10%) and as the discount rate.

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

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

Finally, the Company carried out an analysis aimed at assessing the recoverability of the right-of-use assets and of the intangible and tangible assets attributable to the individual directly operated stores (DOS) which highlighted impairment indicators linked to the Covid pandemic- 19.

In particular, for the Cash Generating Units (CGU), the recoverable value, calculated as the greater of the fair value and the value in use of the relative Cash Generating Unit, was compared with the net carrying amount ("carrying amount"). For the 2021 valuation, the expected cash flows and revenues are based on the 2022 Group Budget approved by the Board of Directors and on management estimates for subsequent years, in line with the duration of the rental contracts. The discount rate used for discounting cash flows is equal to the Group's WACC (6.50%).

No impairment situations emerged from the analysis carried out.

Reinstatement of value

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

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

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

The written down value of goodwill is never reinstated.

Equity investments

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

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

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

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

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

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

The management uses the budget (2022) as the basis for calculation and prepares on the basis of the latter a further 4 forecast years (Economic Accounts and Balance Sheet). In relation to the plans, a schedule of post-tax operating cash flows is then prepared which, on the basis of an estimated post-tax discounting rate (WACC of 6.50%), is subsequently discounted.

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

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

For the company subjected to impairment test Aeffe Retail S.p.A., it is confermed the values recorded in the financial statements, as no impairment losses have emerged.

Trade and other receivables

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

Inventories

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

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

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

Cash and cash equivalents

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

Provisions

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

Employee benefits

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

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

Financial payables

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

Bank overdrafts and loans

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

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

Trade and other payables

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

Treasury shares

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

Contributions to the capital account and for overheads

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

Revenues

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

Most of the Company's revenues derive from list prices that can vary depending on the type of product, brand and geographical region. Some contracts with the Group's Retail Companies provide for the transfer of control with the right of return.

Costs

Costs and expenses are recorded on an accruals basis.

The costs incurred during the year for the creation and production of samples are matched with revenues from the sales of the related collections; accordingly, they are charged to the income statement in proportion to the revenues earned. The residual costs to be expensed when the related revenues are earned are classified as other current assets.

Financial income and expense

This comprises all the financial items recorded in the income statement for the year, including the interest accrued on financial payables using the effective interest method (mainly bank overdrafts, long-term loans), exchange gains and losses, dividend income, and the lease interest identified using finance lease accounting (IAS 17).

Interest income and expense is recorded in the income statement in the year in which it is earned/incurred.

Dividends are recognised in the year in which the Company's right to collect them is established (when they are declared).

Taxes

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

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

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

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

Payables for deferred taxes relate to:

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

Receivables for deferred taxes are recognised:

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

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

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

Earnings per share

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

Main estimates used by the Management

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

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

For the purposes of ascertaining any impairment of value of assets other than current assets entered in the financial statement, the Company applied the method described above in the paragraph entitled "Determination of recoverable value (Impairment)".

In particular, regarding the impairment tests related to equity investments, the main estimations used are the following:

Equity investment in Aeffe Retail S.p.A.: the evaluation emerges from the cash flow analysis of the individual companies. The cash flows have been gathered, for the year 2022, by the Group budget. It has been also estimated cash flow projections for the years 2023, 2024, 2025 and 2026 at an average growth flat basically stable compared to that used for the 2022 budget. The terminal value has been determined using the formula of perpetual annuity and assuming, prudentially, a growth rate G equal to 0. The cash flow useful to determine the terminal value has been gathered by the latest year of the cash flow projections, that is 2026. The rate used for the cash flow discounting back is the weighted average cost of capital (WACC), equal to 6.50% (7.40% as of 31/12/20).

IFRS 16

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

- Lease term: the identification of the duration of the rental contract is a very relevant issue since the form, legislation and commercial practices on property rental contracts vary significantly from one jurisdiction to another and the assessment of the effects of the renewal options at the end of the non-cancellable period on the lease term estimate entails the use of assumptions. In fact, for the definition of the lease term, the Group considered the presence of renewal and cancellation options respectively for the lessee, the lessor or both. In the presence of renewal options exercisable by both contractual parties, it considered the existence or not of significant economic disincentives in refusing the renewal request as required by paragraph B34 of IFRS 16. In the presence of options exercisable only by one of the two parties considered paragraph B35 of IFRS 16. The application of the above, taking into account the specific facts and circumstances as well as the estimate that the option is reasonably certain, has meant that, for contracts with an annual duration renewable automatically unless canceled, an average duration of ten years was considered, basing this choice on historical evidence while in other cases if it is only the Group that can exercise the option, a duration was considered until the second renewal provided for in the contract, based on the historical evidence and the fact that renewal beyond the second period cannot be considered reasonably certain.
- Definition of the discount rate: since in most of the rental contracts stipulated by the Group, there is no implicit interest rate, the Group has calculated an incremental Borrowing Rate-IBR. In order to determine the IBR to be used for discounting future rent payments, the Group has identified each country as a portfolio of contracts with similar characteristics and has determined the relative IBR as the rate of a risk-free instrument of the respective country in which the contract was stipulated, based on the different contractual deadlines. The weighted average IBR applied during the transition was

2.22%.

- Activities by right of use: the Group detects activities by right of use on the lease start date (ie on the date on which the underlying asset is available for use). The right of use activities that fall under the definition of investments in real estate activities are classified in this balance sheet item. The assets by right of use are measured at cost, net of accumulated depreciation, of accumulated impairment losses and modified for any re-measurement of the leasing liability. The cost of the assets by right of use includes the initially recognized value of the leasing liability, initial direct costs incurred, the payments due for the leasing made on the date or before the effective date net of the leasing incentives received. Unless the Group is reasonably certain that it purchases the leased asset at the end of the lease contract, the assets by right of use are amortized linearly in the shorter period between the duration of the contract and the useful life of the leased asset. The value of the asset by right of use is subject to verification to detect any impairment.
- Leasing liabilities: at the start date of the leasing contract, the Group recognizes the leasing liability measured as the present value of future residual payments until the end of the contract. Future payments include fixed payments, net of any leasing incentives to be received, variable payments that depend on an index or rate and the amounts that the Group is expected to pay as guarantees of the residual value. Future payments also include the exercise price of the purchase option, if the Group has reasonable certainty to exercise the option and the leasing termination penalty payments, if the Group has reasonable certainty to exercise the resolution option. . Variable payments, which do not depend on an index or rate, but which for the Group mainly depend on the volume of sales, continue to be recorded as costs in the income statement, among the costs for services. To calculate the present value of future payments, the Group uses the Incremental Borrowing rate (IBR) on the contract start date. Subsequently, the leasing liability is increased for interest and decreased for payments made. In addition, the leasing liability is remeasured to take into account changes to the terms of the contract.
- Short term leases and low value assets leases: the Group avails itself of the exemption from the application of IFRS 16 for short-term contracts (less than 12 months) and for contracts in which the individual leased asset is of small value . The payments of the fees of these contracts are accounted for linearly as costs in the income statement, based on the terms and conditions of the contract.
- As of 2019, IFRS 16 requires the recognition of an asset for the right of use and a liability for the obligation to pay leasing installments in the financial statements. Any impairment of the asset for the right of use must be calculated and recognized in accordance with the provisions of IAS 36. The "rights of use" of each individual CGU are subjected to impairment tests in the presence of triggering events (in to the individual CGU) identified by a possible loss of value and reported by the following key performance indicators:

  - divestment plans;
  - performance indicators below expectations;
  - operational losses.

  The impairment test is carried out in the following ways:

  - calculation of the value in use of the CGUs excluding from cash flows those connected to the leasing liability;
  - calculation of the fair value of the CGU by discounting future rental rates at market value
  - calculation of the recoverable value as the greater of value in use and fair value
  - comparison of the recoverable value with the book value of the CGU, the latter calculated net of the book value of the leasing liability.

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

- **Estimates used for actuarial calculation serve to calculate the benefit plans in the sphere of future benefits of the working relationship:**

– The inflation rate foreseen is 1.75%;
– The discount rate used is 0.44%;
– The annual rate in increase of the severance indemnity fund foreseen is 2.813%;
– The expected Company's turn-over of employees is 6%.

- **Estimates used in the actuarial calculations to determine the supplementary clientele severance indemnity fund:**

– The voluntary turnover rate foreseen is 0.00%;
– The corporate turnover rate foreseen is 5.00%;
– The discount rate used is 0.44%;

OTHER INFORMATION

Management of financial risk

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

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

Liquidity and market risk

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

The main goal of these guidelines consists of:

(i) **Liquidity risk**

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

(ii) **Exchange risk:**

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

The mode of management of this risk consists of minimizing the risk connected with exchange rates by using operating coverage. Alternatively, the Company, if exposed to the exchange risk, covers itself by loans in foreign currency.

(iii) **Rate risk:**

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

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

As of 31 December 2021 a hypothetical upward variation of 10% in the interest rate, all other variables being equal, would have produced a higher cost before taxes (and thus a corresponding reduction in the shareholders' equity) of about EUR 34 thousand annually (EUR 24 thousand as of 31 December 2020).

The *cash flow risk* on interest rates has never been managed in the past with recourse to derivative contracts - *interest rate swaps* - that would transform the variable rate into a fixed rate. As of 31 December 2021 there are no instruments that hedge interest-rate risk.

(iv) **Price risk**

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

Credit risk

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

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

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

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

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

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

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

As regards foreign receivables, the Company proceeds as follows:

a) some of foreign receivables are guaranteed by primary credit insurance companies.
b) the residual uninsured part of receivables is managed:
    a. Most of them by request of letter of credit and 30% advances within two weeks of the order confirmation;
    b. The remaining uninsured receivables not covered by insurance nor by request of letter of credit or by advance, are specifically authorized and managed following the procedure for Italian receivables.

This procedure serves to define the rules and operating mechanisms that guarantee a flow of payments sufficient to ensure the solvency of the client and guarantee the Company an income from the relationship.
As of the reference date of the financial statement, the maximum credit risk exposure was equal to the value of each category of receivable indicated here below:

(Values in thousands of EUR)	31 December	31 December	Change	
	2021	2020	Δ	%
Trade receivables	37.216	44.101	(6.885)	(15,6%)
Other current receivables	12.766	11.822	944	8,0%
Total	**49.982**	**55.923**	**(5.941)**	**(10,6%)**

See note 8 for the comment and breakdown of the item "trade receivables" and note 11 for "other current receivables".

The fair value of the above categories has not been indicated, as the book value is a reasonable approximation.

As of 31 December 2021, overdue but not written-down trade receivables amount to EUR 30,051 thousand (EUR 26,638 thousand in 2020). The breakdown by due date is as follows:

(Values in thousands of EUR)	31 December	31 December	31 December	Change
	2021	2020	Δ	%
By 30 days	8.086	899	7.187	799,4%
31 - 60 days	1.886	7.071	(5.185)	(73,3%)
61 - 90 days	2.353	4.758	(2.405)	(50,5%)
Exceeding 90 days	17.726	13.910	3.816	27,4%
Total	**30.051**	**26.638**	**3.413**	**12,8%**

The increase in past due receivables of EUR 3,413 thousand mainly relates to receivables from group companies with an improvement in the collection periods of 2021 compared to 2020, a year strongly affected by the Covid 19 Pandemic.

No risks of default with respect to such overdue receivables have to be highlighted.

Cash flow statement

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

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

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

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

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

(ii) cash flow from investing activities: investing activities are presented separately since, among other factors, they reflect the investment/disposals made in order to obtain future revenues and cash inflows;

(iii) cash flow from financing activities: financing activities comprise the cash flows that modify the size and composition of shareholders' equity and financial payables.

COMMENTS ON THE BALANCE SHEET

NON-CURRENT ASSETS

1. Intangible fixed assets

The composition of intangible fixed assets is analysed in the following table, together with the changes that took place during the year:

(Values in thousands of EUR)	**Brands**	**Other**	**Total**
Net book value as of 01.01.20	**2.897**	**761**	**3.658**
Increases externally acquired	-	324	324
Disposals	-	-	-
Amortisation	(126)	(416)	(542)
Net book value as of 31.12.20	**2.771**	**669**	**3.440**
Increases externally acquired	-	351	351
Disposals	-	-	-
Amortisation	(126)	(379)	(505)
Net book value as of 31.12.21	**2.645**	**641**	**3.286**

Brands

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

The residual amortisation period for this caption is 21 years.

Other

The caption "Other" relates to user licenses for software.

2. Tangible fixed assets

The composition of tangible fixed assets is analysed in the following table:

(Values in thousands of EUR)	**Lands**	**Buildings**	**Leasehold improvements**	**Plant and machinery**	**Industrial and commercial equipment**	**Other tangible assets**	**Total**
Net book value as of 01.01.20	**17.320**	**22.657**	**902**	**1.834**	**73**	**772**	**43.558**
Increases	-	59	112	139	34	90	434
Disposals	-	-	-	-	-	(8)	(8)
Depreciation	-	(604)	(247)	(438)	(43)	(211)	(1.543)
Net book value as of 31.12.20	**17.320**	**22.112**	**767**	**1.535**	**64**	**643**	**42.441**
Increases	-	343	92	52	22	207	716
Disposals	-	-	-	-	-	(34)	(34)
Depreciation	-	(607)	(174)	(302)	(36)	(187)	(1.306)
Net book value as of 31.12.21	**17.320**	**21.848**	**685**	**1.285**	**50**	**629**	**41.817**

Tangible fixed assets have changed mainly as follows:

- Increases of EUR 716 thousand for new investments. These primarily include improvements to the building and leasehold, information tools and general and specific plant and machinery.
- Depreciation of EUR 1,306 thousand, charged in relation to all tangible fixed assets, except for land, using the rates applicable to each category (see the accounting policies relating to tangible fixed assets for further details).

3. *Right-of-use assets*

The following table details its composition and movements:

(Values in thousands of EUR)	Buildings	Car	Other	Total
Net book value as of 01.01.20	**13.509**	**186**	**731**	**14.426**
Increases	18	176	346	540
Disposals	-	-	-	-
Translation differences and other variations	-	-	-	-
Depreciation	(1.340)	(113)	(374)	(1.827)
Net book value as of 31.12.20	**12.187**	**249**	**703**	**13.139**
Increases	205	176	364	745
Disposals	-	-	-	-
Translation differences and other variations	-	-	-	-
Depreciation	(1.367)	(113)	(392)	(1.872)
Net book value as of 31.12.21	**11.025**	**312**	**675**	**12.012**

The item Buildings includes Activities by right of use relating mainly to shop rental contracts to a residual extent relating to rental contracts for offices and other spaces.

4. *Equity investments*

This caption comprises the investments held in subsidiary and associated companies. A complete list, together with the information requested by Co.N.So.B, is presented in Attachment I.

Equity investments moves of EUR 66,356 thousand due to the following write-downs:

- increase in the shareholding in Moschino S.p.A. for EUR 67,092 thousand due to the purchase of the minority shareholding of 30%;
- capitalization and simultaneous write-down of the equity investment Aeffe Retail S.p.A. for EUR 6,739 thousand through the waiver of trade receivables in order to strengthen the subsidiary's equity as a capital contribution without the obligation to repay. This amount was recorded by the subsidiary as a capital reserve under shareholders' equity to cover losses;
- capitalization of the equity investment Aeffe Germany G.m.b.h. for EUR 500 thousand;
- subscription of the equity investment Aeffe Spain S.l.u. for EUR 320 thousand;
- write-down of the equity investment Aeffe France S.a.r.l. for EUR 1,556 thousand.

5. *Other fixed assets*

This caption principally includes amounts due by subsidiaries.

6. *Deferred tax assets and liabilities*

This caption is analysed below as of 31 December 2021 and 2020:

(Values in thousands of EUR)	Receivables		Liabilities	
	2021	2020	2021	2020
Tangible fixed assets	-	-	(17)	(17)
Intangible fixed assets	-	-	(130)	(130)
Provisions	354	377	-	-
Costs deducible in future periods	918	824	-	-
Income taxable in future periods	-	-	(192)	(185)
Tax losses carried forward	398	3.138	-	-
Other tax assets (liabilities) from transition to IAS	1.087	1.328	(6.462)	(7.403)
Total	**2.757**	**5.667**	**(6.801)**	**(7.735)**

The decrease in deferred tax credits for tax losses carried forward refers to the use of tax losses carried forward.

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

(Values in thousands of EUR)	Opening balance	Recorded in the income statement	Other	Closing balance
Tangible fixed assets	(17)	-	-	(17)
Intangible fixed assets	(130)	-	-	(130)
Provisions	377	(23)	-	354
Costs deducible in future periods	824	94	-	918
Income taxable in future periods	(185)	(6)	-	(191)
Tax losses carried forward	3.138	1.652	(4.394)	396
Other tax assets (liabilities) from transition to IAS	(6.075)	676	25	(5.374)
Total	**(2.068)**	**2.393**	**(4.369)**	**(4.044)**

The negative change not recorded in the income statement amounting to 4,369 thousand Euro is mainly due to the use of deferred tax assets on previous losses.

Deferred tax assets have been determined estimating the future recoverability of such activities.

CURRENT ASSETS

7. *Stocks and inventories*

This caption comprises:

(Values in thousands of EUR)	31 December	31 December	Change	
	2021	2020	Δ	%
Raw, ancillary and consumable materials	4.368	4.401	(33)	(0,7%)
Work in progress	4.631	3.488	1.143	32,8%
Finished products and goods for resale	20.314	23.008	(2.694)	(11,7%)
Advance payments	15	19	(4)	(21,1%)
Total	**29.328**	**30.916**	**(1.588)**	**(5,1%)**

The item Inventories equal to Euro 29,328 thousand reports a reduction in the item Finished products due to the higher sales of the current seasons realized in 2021 compared to 2020, a year in which part of the production had not been shipped due to reasons related to the pandemic; the previous change was partly offset by the release of € 1,000 thousand of the inventory write-down provision which amounted to € 2,300 thousand at 31 December 2021.

Raw materials and work in progress products mainly concern the Spring/Summer collections 2022, while finished products mainly relate to the Autumn/Winter 2021 and to the Spring/Summer 2022 collections and to the Autumn/Winter 2022 samples collections.

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

8. *Trade receivables*

This caption is analysed in the following table:

(Values in thousands of EUR)	31 December 2021	31 December 2020	Change Δ	%
Customers receivables	5.406	6.483	(1.077)	(16,6%)
Subsidiaries receivables	32.797	38.983	(6.186)	(15,9%)
Parent Company receivables	13	10	3	30,0%
(Allowance for doubtful receivables)	(1.000)	(1.375)	375	(27,3%)
Total	**37.216**	**44.101**	**(6.885)**	**(15,6%)**

Trade receivables amount to EUR 37,216 thousand at 31 December 2021, showing a reduction by 15.6% compared to the value at 31 December 2020, mainly determined by the reduction in receivables from subsidiaries, especially regarding the waiver of trade receivables due from Aeffe Retail S.p.A. to cover losses, as described in the paragraph regarding equity investments.

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

The following table shows changes in the allowance for doubtful accounts:

(Values in thousands of EUR)	31 December 2020	Increases	Decreases	31 December 2021
(Allowance for doubtful account)	1.375	705	(1.080)	1.000
Totale	**1.375**	**705**	**(1.080)**	**1.000**

9. *Tax receivables*

This caption is analysed in the following table:

(Values in thousands of EUR)	31 December 2021	31 December 2020	Change Δ	%
VAT	1.336	4.038	(2.702)	(66,9%)
Corporate income tax (IRES)	2.758	3.167	(409)	(12,9%)
Local business tax (IRAP)	275	275	-	n.a.
Other tax receivables	580	103	477	463,1%
Total	**4.949**	**7.583**	**(2.634)**	**(34,7%)**

The variation of tax receivables is primarily due to the decrease of group VAT credit.

10. Cash

This caption comprises:

(Values in thousands of EUR)	31 December 2021	31 December 2020	Change Δ	%
Bank and post office deposits	3.980	6.217	(2.237)	(36,0%)
Cash in hand	12	23	(11)	(47,8%)
Total	**3.992**	**6.240**	**(2.247)**	**(36,0%)**

Bank and postal deposits represent the nominal value of the current account balances with banks, including the interest accrued at period end. Cash and cash equivalents represent the nominal value of the cash held at period end.

As of 31 December 2021, cash and cash equivalents are EUR 2.247 thousand lower than at the end of the previous year. The reasons for this are analysed in the cash flow statement.

11. Other receivables

This caption comprises:

(Values in thousands of EUR)	31 December 2021	31 December 2020	Change Δ	%
Credits for prepaid costs	10.742	9.563	1.179	12,3%
Advances for royalties and commissions	-		-	n.a.
Advances to suppliers	91	94	(3)	(3,2%)
Accrued income and prepaid expenses	547	546	1	0,2%
Other	1.386	1.619	(233)	(14,4%)
Total	**12.766**	**11.822**	**944**	**8,0%**

Credits for prepaid costs are related to the costs incurred to design and make samples for the Spring/Summer 2022 and Autumn/Winter 2022 collections, for which the corresponding revenues from sales have not been realised yet. Accrued income and prepaid expenses refer mainly to owed rent, insurance premium, maintenance and subscriptions fees.

The item "Other" mainly refers to trade receivables for credit notes relating to returns of materials / finished products and discounts on purchases and receivables vs. Social security institutions.

12. SHAREHOLDERS' EQUITY

The main elements comprising shareholders' equity as of 31 December 2021 are described below.

(Values in thousands of EUR)	31 December 2021	31 December 2020	Change Δ
Share capital	24.917	25.044	(127)
Share premium reserve	69.334	70.144	(810)
Other reserves	21.303	46.257	(24.954)
Fair value reserve	7.742	7.742	-
Legal reserve	4.032	4.032	-
IAS reserve	(116)	(116)	-
Reamisurement of defined benefit plans reserve	(864)	(785)	(79)
Extraordinary reserve from realignment of D.L. 104/2020	3.807		3.807
Profits/(Losses) carried-forward	2.348	2.348	-
Net profit / (loss)	(15.920)	(21.029)	5.109
Total	**116.583**	**133.637**	**(17.054)**

Share capital

Share capital as of 31 December 2021, totally subscribed and paid, (gross of treasury shares) totals EUR 26,841 thousand, and is represented by 107,362,504 shares, par value EUR 0.25 each. At 31 December 2021 the Company holds 7,693,067 treasury shares, representing the 7.166% of its share capital.

There are no shares with restricted voting rights, without voting rights or with preferential rights. During 2021, 506,028 treasury shares were purchased by the Company for a total value of Euro 936,224.

Share premium reserve

The variation in the share premium reserve amounts to EUR 810 thousand and it is related to the purchase of treasury shares made during the year.

Other reserves

The reserve changed as a result of the coverage of losses for the year 2020 for EUR 21,029 thousand and the creation of the Reserve from realignment of Legislative Decree 104/20 for EUR 3,925 thousand.

We specify that reserves haven’t changed for income or expenses recognized directly in equity.

Fair value reserve

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

Legal reserve

The legal reserve amounts to EUR 4,032 thousand at 31 December 2021 and has not changed compared to the year 2020.

IAS reserve

The IAS reserve, formed on the first-time adoption of IFRS, reflects the differences in value that emerged on the transition from ITA GAAP to IFRS. The differences reflected in this equity reserve are stated net of tax effect, as required by IFRS 1.

Reamisurement of defined benefit plans reserve

The remeasurement of defined benefit plans reserve, formed as a result of the application, from 1st January 2014 (retrospectively), of the amendment to IAS 19, changes of EUR 79 thousand compared to the value at 31 December 2020.

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

The Company has made use of the right to realign the civil and fiscal values relating to business assets, as required by Article 110, paragraph 8 of the Legislative Decree 104 of 14 August 2020 (the so-called August Decree), converted into Law no. 126, with reference to the building of the registered office and a reserve in tax suspension (using part of the extraordinary reserve) for EUR 3,807 thousand was bound.

Profits/(Losses) carried-forward

The Profits/(losses) carried-forward at 31 December 2021, amounting to EUR 2,348 thousand, is not changed compared to 31 December 2020.

Net Profit /loss

This caption highlights a net loss of EUR 15,920 thousand.

Information on distributable reserves

The following schedule provides information on the way each equity reserve can be used and/or distributed, together with how they have been used in the past three years.

(Values in thousands of EUR)	Amount	Possible uses	Amount distributable	Uses in prior years		
				To cover losses	For capital increases	For distribution to shareholders
Share capital	24.917					
Legal reserve	4.032	B				
Share premium reserve:						
- including	67.998	A,B,C	67.998			
- including	1.336	B				
Other reserves:						
- inc. extraordinary reserve	20.899	A,B,C	20.899	21.029		
IAS reserve (art.6 D.Lgs. 38/2005)	(116)	B				
Fair Value reserve (art. 6 D.Lgs. 38/2005)	7.742	B				
Remeasurement of defined benefit plans reserve	(864)	B				
Merger reserve	404	B				
Profit/(losses) carried-forward	2.348	A,B,C	2.348			
Riserva straordinaria da riallineamento D.L. 104/20	3.807	A,B,C				
Total	**132.503**		**91.245**	**21.029**	**-**	**-**

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

Restricted Reserves

Pursuant to art. 109.4.b) of the Consolidated Income Tax Law approved by Decree 917 dated 22 December 1986, as modified by Decree 344 dated 12 December 2003, restricted reserves as of 31 December 2021 amount to EUR 1,302 thousand.

In addition, the Company has made use of the right to realign the civil and fiscal values relating to business assets, as required by Article 110, paragraph 8 of the Legislative Decree 14 August 2020 n. 104 (the so-called August Decree), converted into Law no. 126, with reference to the building of the registered office and a reserve in tax suspension (using part of the extraordinary reserve) for Euro 3,807 thousand was bound.

These constraints, in the event of insufficient reserves and distributable profits, entail being subject to taxation in the event of distribution.

NON-CURRENT LIABILITIES

13. Provisions

The changes in the various provisions are analysed below:

(Values in thousands of EUR)	31 December 2020	Increases	Decreases	31 December 2021
Pensions and similar obligations	59	-	(6)	53
Other	946	4.506	-	5.452
Total	**1.005**	**4.506**	**(6)**	**5.505**

The agents' termination indemnities reflect an estimate of the costs to be incurred on the termination of agency contracts, considering legal requirements and all other useful information, such as historical experience, the average duration of agency contracts and their rate of turnover. The amount stated represents the present value of the payments required to settle the obligation.

The section on "Contingent liabilities" describes the tax contingencies that are not covered by provisions since the Company is unlikely to incur charges in relation to them.

The “Other” provisions refer to the write-downs of the the following equity investments for the portion exceeding their historical cost:

- Aeffe Japan L.t.d. EUR 2,254 thousand;
- Aeffe Uk L.t.d. EUR 1,618 thousand;
- Aeffe France S.a.r.l. EUR 1,164 thousand;
- Aeffe Shangai L.t.d. EUR 416 thousand.

14. Post-employment benefits

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

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

The main changes are described below:

(Values in thousands of EUR)	31 December 2020	Increases	Decreases / Other changes	31 December 2021
Post employment benefits	3.238	113	(274)	3.077
Total	**3.238**	**113**	**(274)**	**3.077**

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

15. Non-current financial liabilities

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

(Values in thousands of EUR)	31 December 2021	31 December 2020	Change Δ	%
Loans from financial institutions	62.379	12.450	49.929	401,0%
Lease liabilities	12.036	13.316	(1.280)	(9,6%)
Amounts due to other creditors	37.670	12.252	25.418	207,5%
Total	**112.085**	**38.018**	**74.067**	**194,8%**

The entry "Loans from financial institutions" relates to the portion of bank loans due beyond 12 months. All other operations are unsecured loans and bank finance not assisted by any form of security and they are not subject to special clauses, except for the early repayment clauses normally envisaged in commercial practice.

The only exception is a mortgage loan on the property located in Gatteo headquarters of the subsidiary Pollini S.p.A. of EUR 15,000 thousand.

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

The increase in bank borrowings is due to new medium- and long-term operations with a duration of five to six years entered into to finance the acquisition of a minority stake of 30% in the share capital of the subsidiary Moschino S.p.A.

Lease liabilities relate to the application of IFRS 16.

The amounts due to other creditors mainly refer to bearing loans obtained from the subsidiaries Moschino S.p.A., Aeffe Usa Inc. and Velmar S.p.A..

The following table details the bank loans outstanding as of 31 December 2021, including both the current and the non-current portion:

(Values in thousands of EUR)	Total amount	Current portion	Non-current portion
Bank borrowings	67.271	4.892	62.379
Total	**67.271**	**4.892**	**62.379**

Maturities beyond five years amount to €10,538 thousand.

16. Non-current not financial liabilities

Non-financial liabilities remain substantially unchanged from the previous year.

CURRENT LIABILITIES

17. Trade payables

This caption is analysed below on a comparative basis:

(Values in thousands of EUR)	31 December 2021	31 December 2020	Change Δ	%
Payables with subsidiaries	43.023	38.211	4.812	12,6%
Payables with third parties	28.123	25.302	2.821	11,1%
Total	**71.146**	**63.513**	**7.633**	**12,0%**

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

18. Tax payables

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

(Values in thousands of EUR)	31 December 2021	31 December 2020	Change Δ	%
Amounts due to tax authority for withheld taxes	1.342	1.690	(348)	(20,6%)
Other	100		100	n.a.
Total	**1.442**	**1.690**	**(248)**	**(14,7%)**

19. Short-term financial liabilities

This caption is analysed in the following table:

(Values in thousands of EUR)	31 December 2021	31 December 2020	Change Δ	%
Due to banks	24.684	46.282	(21.598)	(46,7%)
Lease liabilities	1.794	1.626	168	10,3%
Total	**26.478**	**47.908**	**(21.430)**	**(44,7%)**

Bank overdrafts include advances from banks, short-term loans and the current portion of long-term loans. Advances mainly comprise the drawdown against short-term lines of credit arranged to finance working capital.

Lease liabilities relate to the application of IFRS 16.

20. Other liabilities

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

(Values in thousands of EUR)	31 December 2021	31 December 2020	Change Δ	%
Due to total security organization	1.746	2.331	(585)	(25,1%)
Due to employees	2.922	1.753	1.169	66,7%
Trade debtors - credit balances	2.892	2.145	747	34,8%
Accrued expenses and deferred income	5	5	-	n.a.
Other	510	279	231	82,8%
Total	**8.075**	**6.513**	**1.562**	**24,0%**

The amounts due to social security institutions, recorded at nominal value, relate to the social security charges on the wages and salaries of the Company's employees.

Payables to employees decrease mainly due to the use of deferred charges during the year.

COMMENTS ON THE INCOME STATEMENT

21. Revenues from sales and services

In fiscal 2021, revenues amounted to €114,173 at nearly constant exchange rates compared to fiscal 2020.

49% of revenues are earned in Italy while 51% come from foreign markets.

Accounting Policy:

Revenues from sales and services derive mainly from the sale of goods with the recognition of "at point in time" revenues when the asset was transferred to the customer. With regard to the export of goods, the control can be transferred in various stages depending on the type of Incoterm applied to the specific customer. This premise leads to a limited judgment on the identification of the control passage of the asset and the consequent recognition of the revenue.

Determination of the transaction price:

Most of the Group's revenues derive from list prices that can vary depending on the type of product, brand and geographical region. Some contracts with the Group's Retail Companies provide for the transfer of control with the right of return.

Breakdown of revenues from sales and services (IFRS 15)

(Values in thousands of EUR) Full Year 2021	Prêt-à porter Division	Footwear and leather goods Division	Total
Geographical area	**94.813**	**19.360**	**114.173**
Italy	47.664	7.919	55.583
Europe (Italy excluded)	15.798	2.915	18.713
Asia and Rest of the World	28.184	7.265	35.449
America	3.167	1.261	4.428
Brand	**94.813**	**19.360**	**114.173**
Alberta Ferretti	13.251	1.259	14.510
Philosophy	14.567	243	14.810
Moschino	65.270	17.858	83.128
Other	1.725	-	1.725
Distribution channel	**94.813**	**19.360**	**114.173**
Wholesale	94.813	19.360	114.173
Timing of goods and services transfer	**94.813**	**19.360**	**114.173**
POINT IN TIME (transfer of significant risks and benefits connected to the property of the asset)	94.813	19.360	114.173

22. Other revenues and income

This caption comprises:

(Values in thousands of EUR)	Full Year 2021	Full Year 2020	Change Δ	%
Rental income	3.881	3.925	(44)	(1,1%)
Other income	3.886	3.803	83	2,2%
Total	**7.767**	**7.728**	**39**	**0,5%**

The caption other income, which amounts to EUR 3,886 thousand in 2021, mainly refers to exchange gains on commercial transactions, provision of services and sales of raw materials and packaging.

23. Costs of raw materials

This caption comprises:

(Values in thousands of EUR)	Full Year 2021	Full Year 2020	Change Δ	%
Raw, ancillary and consumable materials and goods for resale	47.111	49.489	(2.378)	(4,8%)
Total	**47.111**	**49.489**	**(2.378)**	**(4,8%)**

This caption mainly reflects the purchase of raw materials, such as fabrics, yarns, hides and accessories, finished products acquired for resale and packaging.

24. Costs of services

This caption comprises:

(Values in thousands of EUR)	Full Year 2021	Full Year 2020	Change Δ	%
Subcontracted work	13.391	18.044	(4.653)	(25,8%)
Consultancy fees	7.650	7.575	75	1,0%
Advertising	3.270	5.163	(1.893)	(36,7%)
Commission	3.233	3.097	136	4,4%
Transport	2.060	1.729	331	19,1%
Utilities	679	496	183	36,9%
Directors' and auditors' fees	2.578	2.311	267	11,6%
Insurance	170	160	10	6,3%
Bank charges	141	187	(46)	(24,6%)
Travelling expenses	428	602	(174)	(28,9%)
Other services	2.266	2.478	(212)	(8,6%)
Total	**35.866**	**41.842**	**(5.976)**	**(14,3%)**

Costs of services decrease from EUR 41,842 thousand in the year 2020 to EUR 35,866 thousand in the year 2021, by 14.3%.

The variation is mainly due to the decrease in “subcontracted work” and the effect of the policies to rationalize and optimize processes and costs, policies that began in 2020 and have had positive effects in 2021.

25. Costs of use of third parties assets

This caption comprises:

(Values in thousands of EUR)	Full Year 2021	Full Year 2020	Change Δ	%
Rental expenses	347	359	(12)	(3,3%)
Royalties	7.667	7.281	386	5,3%
Hire charges and similar	361	486	(125)	(25,7%)
Total	**8.375**	**8.126**	**249**	**3,1%**

26. Labour costs

This caption comprises:

(Values in thousands of EUR)	Full Year 2021	Full Year 2020	Change Δ	%
Wages and payrolls	28.112	27.496	616	2,2%
Total	**28.112**	**27.496**	**616**	**2,2%**

Labour costs move from EUR 27,496 thousand in 2020 to EUR 28,112 thousand in 2021 with a increase of 2.2% resulting from the lower use in 2021 of work support tools.

The applicable national payroll agreement is the textile and clothing sector contract of July 2017.

The average number of employees in 2021 is analysed below:

(Average number of employees by category)	Full Year 2021	Full Year 2020	Change Δ	%
Workers	164	152	12	7,9%
Office staff - supervisors	358	384	(26)	(6,8%)
Executive and senior managers	17	17	-	n.a.
Total	**539**	**553**	**(14)**	**(2,5%)**

27. Other operating expenses

This caption comprises:

(Values in thousands of EUR)	Full Year 2021	Full Year 2020	Change Δ	%
Taxes	514	503	11	2,2%
Gifts	195	209	(14)	(6,7%)
Other operating expenses	544	1.245	(701)	(56,3%)
Total	**1.253**	**1.957**	**(704)**	**(36,0%)**

The caption other operating expenses moves from EUR 1,957 thousand in 2020 to EUR 1,253 thousand in 2021.

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

28. Amortisation and write-downs

This caption comprises:

(Values in thousands of EUR)	Full Year 2021	Full Year 2020	Change Δ	%
Amortisation of intangible fixed assets	505	541	(36)	(6,7%)
Depreciation of tangible fixed assets	1.307	1.543	(236)	(15,3%)
Depreciation of right-of-use assets	1.872	1.827	45	2,5%
Write-downs and provisions	13.102	13.974	(872)	(6,2%)
Total	**16.786**	**17.885**	**(1.099)**	**(6,1%)**

The item went from EUR 17,885 thousand in 2020 to EUR 16,786 thousand in 2021, mainly due to write-downs related to the subsidiaries Aeffe Retail S.p.A (Euro 6.739 migliaia), Aeffe France (Euro 4.078 migliaia), Aeffe UK (Euro 1.007 migliaia), Aeffe Japan (Euro 493 migliaia) e Aeffe Shanghai (Euro 80 migliaia).

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

29. Financial income/ expenses

The caption "Financial income" comprises:

(Values in thousands of EUR)	Full Year 2021	Full Year 2020	Change Δ	%
Interest income	28	180	(152)	(84,4%)
Financial discounts	-	-	-	n.a.
Foreign exchange gains	40	309	(269)	(87,1%)
Financial income	**68**	**489**	**(421)**	**(86,1%)**
Bank interest expenses	493	476	17	3,6%
Foreign exchange losses	238	89	149	167,4%
Other expenses	109	106	3	2,8%
Financial expenses	**840**	**671**	**169**	**25,2%**
Leasing interest expenses	428	461	(33)	(7,2%)
Leasing interest expenses	**428**	**461**	**(33)**	**(7,2%)**
Totale	**1.200**	**643**	**557**	**86,6%**

30. Income taxes

This caption comprises:

(Values in thousands of EUR)	Full Year 2021	Full Year 2020	Change Δ	%
Current income taxes	-	-	-	n.a.
Deferred income (expenses) taxes	(2.393)	(2.376)	(17)	0,7%
Total income taxes	**(2.393)**	**(2.376)**	**(17)**	**0,7%**

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

The effective tax rates for 2020 and 2021 are reconciled with the theoretical rate in the following table:

(Values in thousands of EUR)	Full Year 2021	Full Year 2020
Profit before taxes	(18.314)	(23.405)
Theoretical tax rate	24,0%	24,0%
Theoretical income taxes (IRES)	**(4.395)**	**(5.617)**
Fiscal effect	2.135	3.251
Total income taxes excluding IRAP (current and deferred)	**(2.260)**	**(2.366)**
IRAP (current and deferred)	**(133)**	**(10)**
Total income taxes (current and deferred)	**(2.393)**	**(2.376)**

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

31. Result per share

Reference earning/(loss)

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

(Values in thousands of EUR) From continuing and discontinued activities	Full Year 2021	Full Year 2020
From continuing activities		
Earning/(loss) for determining basic result per share	(15.920)	(21.029)
Earning/(loss) for determing result per share	**(15.920)**	**(21.029)**
Dilutive effects	-	-
Earning/(loss) for determing dilutive result per share	**(15.920)**	**(21.029)**
From continuing and discontinued activities		
Earning/(loss) for the period	(15.920)	(21.029)
Earning/(loss) from discontinued operations	-	-
Earning/(loss) for determining basic result per share	**(15.920)**	**(21.029)**
Dilutive effects	-	-
Earning/(loss) for determing dilutive result per share	**(15.920)**	**(21.029)**
Number of reference share		
Average number of shares for determing result per share	**99.669**	**100.175**
Share options	-	-
Average number of shares for determing diluted result per share	**99.669**	**100.175**

Basic earning/(loss) per share

Net loss attributable to holders of ordinary shares of the Company, amounts to EUR 15,920 thousand (December 2020: EUR -21,029 thousand).

Dilutive earning/(loss) per share

The calculation of diluted loss per share for the period January - December 2021, matches with the calculation of basic earnings per share, as there are no tools with potential dilutive effects.

COMMENTS ON THE CASH FLOW STATEMENT

The cash flow absorbed in 2021 amounts to EUR 10.232 thousand.

(Values in thousands of EUR)	Full year 2021	Full year 2020
Opening balance (A)	**6.240**	**6.946**
Cash flow (absorbed) / generated by operating activity (B)	23.868	(7.101)
Cash flow (absorbed) / generated by investing activity (C)	(77.787)	(6.757)
Cash flow (absorbed) / generated by financing activity (D)	51.671	13.152
Increase / (decrease) in cash flow (E)=(B)+(C)+(D)	**(2.248)**	**(706)**
Cclosing balance (F)=(A)+(E)	**3.992**	**6.239**

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

The cash flow absorbed by operating activity during 2021 amounts to EUR 23,868 thousand.

The cash flow from operating activities is analysed below:

(Values in thousands of EUR)	Full Year 2021	Full Year 2020
Profit before taxes	(18.314)	(23.405)
Amortisation	16.786	17.885
Accrual (+)/availment (-) of long term provisions and post employment benefits	1.597	(147)
Paid income taxes	4.121	(342)
Financial income (-) and financial charges (+)	1.200	643
Change in operating assets and liabilities	18.478	(1.735)
Cash flow (absorbed)/ generated by operating activity	**23.868**	**(7.101)**

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

The cash flow absorbed by investing activity during 2021 amounts to EUR 77,787 thousand.

The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	Full Year 2021	Full Year 2020
Increase (-)/ decrease (+) in intangible fixed assets	(351)	(324)
Increase (-)/ decrease (+) in tangible fixed assets	(682)	(425)
Increase (-)/ decrease (+) in right-of-use assets	(745)	(540)
Investments (-)/ Disinvestments (+)	(76.009)	(5.468)
Cash flow (absorbed)/ generated by investing activity	**(77.787)**	**(6.757)**

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

The cash flow generated by financing activity during 2021 amounts to EUR 51,671 thousand.

The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	Full Year 2021	Full Year 2020
Other variations in reserves and profits carried-forward of shareholders' equity	(1.134)	(907)
Proceeds (+)/repayments (-) of financial payments	53.749	15.322
Proceeds (+)/ repayment (-) of lease payments	(1.112)	(1.240)
Increase (-)/ decrease (+) in long term financial receivables	1.368	620
Financial income (+) and financial charges (-)	(1.200)	(643)
Cash flow (absorbed)/ generated by financing activity	**51.671**	**13.152**

OTHER INFORMATION

35. Incentive plans

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

36. Net financial position

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

(Values in thousands of EUR)	31 December 2021	31 December 2020
A - Cash	3.992	6.240
B - Cash equivalents		
C - Other current financial assets	-	-
D - Liquidity (A + B + C)	***3.992***	***6.240***
E - Current financial debt	19.791	29.785
F - Current portion of non-current financial debt	6.687	18.123
G - Current financial indebtedness (E + F)	**26.478**	**47.908**
H - Net current financial indebtedness (G - D)	**22.486**	**41.668**
I - Non-current financial debt	*112.085*	*38.018*
J - Debt instruments	-	
K - Non-current trade and other payables	-	-
L - Non-current financial indebtedness (I + J + K)	**112.085**	**38.018**
M - Total financial indebtedness (H + L)	**134.571**	**79.686**

Net financial position of the Company amounts to EUR 134,571 thousand at December 31, 2021 compared to EUR 79,686 thousand at December 31, 2020. Net financial position, excluding the IFRS 16 effects, is equal to EUR 120,741 thousand.

37. Intercompany transactions

Aeffe S.p.A. also operates via its own direct or indirect subsidiaries. Operations carried out with them mainly concern the exchange of goods, the performance of services and the provision of financial resources. All transactions arise in the ordinary course of business and are settled on market terms i.e. on the terms that are or would be applied between two independent parties.

The effect of these transactions on the individual captions reported in the 2021 and 2020 financial statements, as shown in the supplementary income statement and balance sheet prepared for this purpose, is summarised in the following tables:

COSTS AND REVENUES

(Values in thousands of EUR) Year 2021	Revenues from sales and services	Other revenues and income	Costs of raw materials, cons. and goods for resale	Costs of services	Costs for use of third parties assets	Other operating costs	Financial income (expenses)
Moschino Group	19.044	911	122	2.017	7.648	2	(46)
Pollini Group	1.384	3.112	13.638	209	3	-	18
Aeffe Retail Group	12.604	809	51	88	-	-	-
Velmar S.p.A.	391	1.211	183	-	-	-	(48)
Aeffe Usa Inc.	3.275	1	-	296	-	-	(35)
Aeffe UK L.t.d.	231	1	-	950	-	5	1
Aeffe France S.a.r.l.	112	1	2	292	-	5	6
Aeffe Shanghai	(113)	-	-	-	-	-	-
Aeffe Germany G.m.b.h.	665	1	-	161	-	-	-
Divè	-	64	-	-	-	-	-
Aeffe Spagna S.l.u.	293	-	-	-	-	-	-
Total Group companies	**37.886**	**6.111**	**13.996**	**4.013**	**7.651**	**12**	**(104)**
Total income statement	114.173	7.767	47.111	35.866	8.375	(1.253)	(1.200)
Incidence % on income statemen	**33,2%**	**78,7%**	**29,7%**	**11,2%**	**91,4%**	**(1,0%)**	**8,7%**

(Values in thousands of EUR) Year 2020	Revenues from sales and services	Other revenues and income	Costs of raw materials, cons. and goods for resale	Costs of services	Costs for use of third parties assets	Other operating costs	Financial income (expenses)
Moschino Group	18,981	894	418	1,614	7,155	2	34
Pollini Group	1,238	3,178	17,056	210	7	-	-
Aeffe Retail Group	17,402	804	32	105	-	-	-
Velmar S.p.A.	384	975	117	1	-	-	(32)
Aeffe Usa Inc.	2,898	3	-	271	-	6	(61)
Aeffe UK L.t.d.	193	2	56	911	-	11	6
Aeffe France S.a.r.l.	(15)	-	56	713	-	11	9
Aeffe Shanghai	107	-	-	758	-	6	-
Aeffe Germany G.m.b.h.	722	-	-	264	-	-	-
Divè	-	20	-	-	-	-	-
Total Group companies	**41,910**	**5,876**	**17,735**	**4,847**	**7,162**	**36**	**(44)**
Total income statement	114,379	7,728	49,489	41,842	8,126	(1,957)	(643)
Incidence % on income statemen	**36.6%**	**76.0%**	**35.8%**	**11.6%**	**88.1%**	**(1.8%)**	**6.8%**

RECEIVABLES AND PAYABLES

(Values in thousands of EUR) Year 2021	Other fixed assets	Trade receivables	Other provisions	Non-current financial liabilities	Non-current not financial liabilities	Trade payables
Moschino Group	-	6.010	-	15.580	-	22.905
Pollini Group	-	4.842	-	-	-	5.875
Aeffe Retail Group	-	4.636	-	-	-	7.883
Velmar S.p.A.	-	2.687	-	19.000	-	1.515
Aeffe Usa Inc.	-	1.502	-	3.090	-	1.067
Aeffe UK L.t.d.	333	3.362	1.618	-	-	1.775
Aeffe France S.a.r.l.	243	3.989	1.164	-	-	528
Aeffe Japan Inc.	120	2.160	2.254	-	-	
Aeffe Shanghai	-	2.481	416	-	-	1.151
Aeffe Germany G.m.b.h	-	769	-	-	-	325
Aeffe Spagna S.l.u.	-	358	-	-	-	-
Total Group companies	**696**	**32.796**	**5.452**	**37.670**	**-**	**43.024**
Total balance sheet	978	37.216	5.506	112.085	207	71.146
Incidence % on balance sheet	**71,2%**	**88,1%**	**99,0%**	**33,6%**	**0,0%**	**60,5%**

(Values in thousands of EUR) Year 2020	Other fixed assets	Trade receivables	Other provisions	Non-current financial liabilities	Non-current not financial liabilities	Trade payables
Moschino Group	-	6,203				21,654
Pollini Group	-	10,266			133	6,778
Aeffe Retail Group	-	9,708				4,522
Velmar S.p.A.	-	2,567		9,400		1,526
Aeffe Usa Inc.	-	304		2,852		450
Aeffe UK L.t.d.	-	2,143	610			967
Aeffe France S.a.r.l.	1,561	4,104				767
Aeffe Japan Inc.	90	464				
Aeffe Shanghai	-	2,481	336			1,283
Aeffe Germany G.m.b.h	-	743				264
Total Group companies	**1,651**	**38,983**	**946**	**12,252**	**133**	**38,211**
Total balance sheet	2,346	44,101	1,005	38,018	380	63,513
Incidence % on balance sheet	**70.4%**	**88.4%**	**94.1%**	**32.2%**	**35.0%**	**60.2%**

38. Transactions with related parties

Transactions between the Company and related parties mainly concern the exchange of goods, the performance of services and the provision of financial resources. All transactions arise in the ordinary course of business and are settled on market terms i.e. on the terms that are or would be applied between two independent parties.

The following schedule summarises the Company's transactions with other related parties:

(Values in thousands of EUR)	31 December 2021	31 December 2020	Nature of the transactions
Shareholder Alberta Ferretti with Aeffe S.p.A.			
Contract for the sale of artistic assets and design	1.000	1.000	Cost
Commerciale Valconca with Aeffe S.p.A.			
Revenues	207	284	Revenue
Cost of services	50	50	Cost
Property rental	75	75	Cost
Commercial	658	597	Receivable
Ferrim with Aeffe S.p.A.			
Property rental	892	887	Cost

The following table indicates the data related on the incidence of related party transactions on the income statement, balance sheet and cash flow as of 31 December 2021 and 31 December 2020:

(Values in thousands of EUR)	Balance 2021	Value rel. party 2021	%	Balance 2020	Value rel. party 2020	%
Incidence of related party transactions on the income statement						
Revenues from sales and services	114.173	207	0,2%	114.379	284	0,2%
Costs of services	35.866	1.125	3,1%	41.842	1.125	2,7%
Costs for use of third party assets	8.375	892	10,7%	8.126	887	10,9%
Incidence of related party transactions on the balance sheet						
Trade receivables	37.216	658	1,8%	44.101	597	1,4%
Incidence of related party transactions on the cash flow						
Cash flow (absorbed) / generated by operating activity	23.868	(1.871)	n.a.	(7.101)	(1.712)	24,1%
Incidence of related party transactions on the indebtedness						
Net financial indebtedness	(120.741)	(1.871)	1,5%	(64.744)	(1.712)	2,6%

39. Atypical and/or unusual transactions

Pursuant to Co.N.So.B Communication DEM/6064293 dated 28 July 2006, it is confirmed that the Company did not enter into any atypical and/or unusual transactions (as defined in such Communication) during 2021.

40. Significant non-recurring events and transactions pursuant to the Co.N.So.B regulation of 28 July 2006

No significant non-recurring events, occurred the year, have to be reported.

41. Guarantees and commitments

As of 31 December 2021, the Group has given performance guarantees to third parties totaling EUR 4,357 thousand (EUR 6,099 thousand as of 31 December 2020).

42. Contingent liabilities

Fiscal disputes

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

43. Information pursuant to art. 149-duodecies of Co.N.So.B's Issuers' Regulations

The following schedule, prepared pursuant to art. 149-duodecies of Co.N.So.B's Issuers' Regulation, shows the fees incurred in 2021 for auditing services and non-auditing services provided by the appointed firm for auditors. No services were provided by members of the auditing firm's network.

(Values in thousands of EUR)	Service provider	2021 fees
Audit	RIA GRANT THORNTON S.p.A.	74
Audit non-financial statement (DNF)	BDO ITALIA S.p.A.	23
R&D tax credit certification	RIA GRANT THORNTON S.p.A.	9
Consolidated ESEF financial statements	BDO ITALIA S.p.A.	8
Total		**114**

ATTACHMENTS TO THE EXPLANATORY NOTES

ATTACHMENT	I:	List of investments in subsidiary and other companies
ATTACHMENT	II:	Balance Sheet with related parties
ATTACHMENT	III:	Income Statement with related parties
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ATTACHMENT I

List of investments in subsidiary companies

requested by Co.N.So.B Communication no. DEM/6064293 dated 28 July 2006

Company	Registered office	Currency	Share Capital	Net profit for the period	Net equity	Direct interest	Number of shares	Book value
(Values in units of EUR)								
In subsidiaries companies:								
Italian companies								
Aeffe Retail S.p.A.	**S.G. in Marignano (RN) Italy**							
At 31/12/20			8.585.150	(6.739.371)	7.352.588	100%	8.585.150	26.593.345
At 31/12/21			8.585.150	(6.057.960)	8.034.001	100%	8.585.150	26.593.345
Moschino S.p.A.	**S.G. in Marignano (RN) Italy**							
At 31/12/20			66.817.108	801.194	71.921.250	70%	46.771.976	46.857.175
At 31/12/21			66.817.108	(1.704.938)	109.016.312	100%	66.817.108	113.949.124
Pollini S.p.A.	**Gatteo (FC) Italy**							
At 31/12/20			6.000.000	(1.354.090)	58.482.935	100%	6.000.000	41.945.452
At 31/12/21			6.000.000	7.861.757	66.344.688	100%	6.000.000	41.945.452
Velmar S.p.A.	**S.G. in Marignano (RN) Italy**							
At 31/12/20			120.000	5.586.497	16.817.000	100%	60.000	8.290.057
At 31/12/21			120.000	7.355.011	24.172.011	100%	60.000	8.290.057
Foreign companies								
Aeffe France S.a.r.l.	**Parigi (FR)**							
At 31/12/20			50.000	1.235	(1.302.435)	100%	n.d. *	1.555.820
At 31/12/21			50.000	9.842	65.097	100%	n.d. *	
Aeffe UK L.t.d.	**Londra (GB)**							
At 31/12/20		GBP	310.000	4.870.175	(369.618)	100%	n.d. *	
			344.828	5.417.325	(411.143)	100%	n.d. *	
At 31/12/21		GBP	310.000	(910.040)	(1.279.660)	100%	n.d. *	
			368.916	(1.082.994)	(1.522.861)	100%	n.d. *	-
Aeffe USA Inc.	**New York (USA)**							
At 31/12/20		USD	600.000	118.542	11.788.618	100%	n.d. *	
			488.958	96.603	9.606.893	100%	n.d. *	10.664.812
At 31/12/21		USD	600.000	19.839	11.808.462	100%	n.d. *	
			529.755	17.516	10.425.977	100%	n.d. *	10.664.812
Aeffe Japan Inc.	**Tokyo (Japan)**							
At 31/12/20		JPY	3.600.000	(3.227.909)	(290.632.155)	100%	n.d. *	
			28.461	(25.519)	(2.297.669)	100%	n.d. *	-
At 31/12/21		JPY	3.600.000	(3.301.914)	(293.934.069)	100%	n.d. *	
			27.612	(25.325)	(2.254.441)	100%	n.d. *	
Aeffe Shanghai	**Shanghai (China)**							
At 31/12/20		CNY	10.000.000	(7.864.848)	(2.694.109)	100%	n.d. *	
			1.246.494	(980.349)	(335.819)	100%	n.d. *	2.359.548
At 31/12/21		CNY	17.999.960	207.157	(2.486.951)	100%	n.d. *	
			2.501.836	28.793	(345.664)	100%	n.d. *	-
Aeffe Germany G.m.b.h.	**Metzingen (Germany)**							
At 31/12/20			25.000	(219.519)	(214.198)	100%	n.d. *	25.000
At 31/12/21			25.000	(7.021)	278.780	100%	n.d. *	525.000
Aeffe Spagna S.l.u.	**Barcellona (Spagna)**							
At 31/12/21			320.000	(183)	310.116	100%	n.d. *	320.000
Total interests in subsidiaries:								**202.287.790**

List of investments in other companies

requested by Co.N.So.B Communication no. DEM/6064293 dated 28 July 2006

Company	Registered office	Currency	Share Capital	Net profit for the period	Net equity	Direct interest	Number of shares	Book value
(VAtues in units of EUR)								
In other companies								
Conai								
At 31/12/20								109
At 31/12/21								109
Caaf Emilia Romagna								
At 31/12/20						0,688%	5.000	2.600
At 31/12/21						0,688%	5.000	2.600
Assoform								
At 31/12/20						1,670%	n.d. *	1.667
At 31/12/21						1,670%	n.d. *	1.667
Consorzio Assoenergia Rimini								
At 31/12/20						2,100%	n.d. *	516
At 31/12/21						2,100%	n.d. *	516
Effegidi								
At 31/12/20								6.000
At 31/12/21								6.000
Totat interests in other companies:								**10.892**
* quota								
Total interests:								**202.298.682**

ATTACHMENT II

Balance Sheet, with related parties

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

(Values in thousands of EUR)	Notes	31 December 2021	of which related parties	31 December 2020	of which related parties
Trademarks		2.646		2.771	
Other intangible fixed assets		641		669	
Intangible fixed assets	(1)	3.286		3.440	
Lands		17.320		17.320	
Buildings		21.848		22.112	
Leasehold improvements		685		767	
Plant and machinery		1.285		1.535	
Equipment		50		64	
Other tangible fixed assets		629		643	
Total tangible fixed assets	(2)	41.817		42.441	
Right-of-use assets	(3)	12.012		13.139	
Equity investments	(4)	202.299	202.288	135.943	135.932
Other fixed assets	(5)	978	696	2.346	1.651
Deferred tax assets	(6)	2.757		5.667	
NON-CURRENT ASSETS		**263.148**		**202.975**	
Stocks and inventories	(7)	29.328		30.916	
Trade receivables	(8)	37.216	33.454	44.101	39.580
Tax receivables	(9)	4.949		7.583	
Cash	(10)	3.992		6.240	
Other receivables	(11)	12.766		11.822	
CURRENT ASSETS		**88.251**		**100.662**	
TOTAL ASSETS		**351.400**		**303.638**	
Share capital		24.917		25.044	
Other reserves		105.238		127.274	
Profits / (Losses) carried-forward		2.348		2.348	
Net profit / loss		(15.920)		(21.029)	
SHAREHOLDERS' EQUITY	**(12)**	**116.583**		**133.637**	
Provisions	(13)	5.506	5.452	1.005	946
Deferred tax liabilities	(5)	6.801		7.735	
Post employment benefits	(14)	3.077		3.238	
Long term financial liabilities	(15)	112.085	37.670	38.018	12.252
Long term not financial liabilities	(16)	207	-	380	133
NON-CURRENT LIABILITIES		**127.675**		**50.376**	
Trade payables	(17)	71.146	43.024	63.513	38.211
Tax payables	(18)	1.442		1.690	
Short term financial liabilities	(19)	26.478		47.908	
Other liabilities	(20)	8.075		6.513	
CURRENT LIABILITIES		**107.141**		**119.625**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**351.400**		**303.638**	

ATTACHMENT III

Income Statement, with related parties

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

(Values in thousands of EUR)	Notes	Full year 2021	of which related parties	Full year 2020	of which related parties
REVENUES FROM SALES AND SERVICES	**(21)**	**114.173**	**38.093**	**114.379**	**42.194**
Other revenues and income	(22)	7.767	6.111	7.728	5.876
TOTAL REVENUES		**121.940**		**122.107**	
Changes in inventory		(1.551)		1.926	
Costs of raw materials, cons. and for resale	(23)	(47.111)	(13.996)	(49.489)	(17.735)
Costs of services	(24)	(35.866)	(5.138)	(41.842)	(5.972)
Costs for use of third parties assets	(25)	(8.375)	(8.543)	(8.126)	(8.049)
Labour costs	(26)	(28.112)		(27.496)	
Other operating expenses	(27)	(1.253)	(12)	(1.957)	(36)
Amortisation and write-downs	(28)	(16.786)		(17.885)	
Financial income/(expenses)	(29)	(1.200)	(104)	(643)	(44)
PROFIT / LOSS BEFORE TAXES		**(18.314)**		**(23.405)**	
Income taxes	(30)	2.393		2.376	
NET PROFIT / LOSS		**(15.920)**		**(21.029)**	

ATTACHMENT IV

Cash Flow Statement, with related parties

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

(Values in thousands of EUR)	Notes	Full Year 2021	of which related parties	Full Year 2020	of which related parties
Opening balance		**6.240**		**6.946**	
Profit before taxes		(18.314)		(23.405)	
Amortisation / write-downs		16.786		17.885	
Accrual (+)/availment (-) of long term provisions and post employment bei		1.597		(147)	
Paid income taxes		4.121		(342)	
Financial income (-) and financial charges (+)		1.200		643	
Change in operating assets and liabilities		18.478	10.939	(1.735)	5.044
Cash flow (absorbed) / generated by operating activity	**(32)**	**23.868**		**(7.101)**	
Increase (-)/ decrease (+) in intangible fixed assets		(351)		(324)	
Increase (-)/ decrease (+) in tangible fixed assets		(682)		(425)	(370)
Increase (-)/ decrease (+) in right-of-use assets (1)		(745)		(540)	
Investments and write-downs (-)/ Disinvestments and revaluations (+)		(76.009)	(66.356)	(5.468)	6.302
Cash flow (absorbed) / generated by investing activity	**(33)**	**(77.787)**		**(6.757)**	
Variations in shareholders' equity		(1.134)		(907)	
Proceeds (+)/repayments (-) of financial payments		53.749	25.285	15.322	9.136
Proceeds (+)/ repayment (-) of lease payments		(1.112)		(1.240)	
Increase (-)/ decrease (+) in long term financial receivables		1.368	(955)	620	
Financial income (+) and financial charges (-)		(1.200)		(643)	
Cash flow (absorbed) / generated by financing activity	**(34)**	**51.671**		**13.152**	
Closing balance		**3.992**		**6.240**	

ATTACHMENT V

Prospect of crucial data from the statutory financial statements of Fratelli Ferretti Holding at 31 December 2020

(Values in units of EUR)	STATUTORY FINANCIAL STATEMENTS 2020	STATUTORY FINANCIAL STATEMENTS 2019
BALANCE SHEET		
Intangible fixed assets	71.599	72.506
Tangible fixed assets	1.610.526	1.790.683
Equity investments	54.741.025	65.369.333
Non current assets	**56.423.150**	**67.232.522**
Trade receivables	213.145	313.677
Tax receivables	1.165.820	620.737
Cash	30.921	29.433
Other receivables	3.134	3.020
Current assets	**1.413.020**	**966.867**
Total assets	**57.836.170**	**68.199.389**
Share capital	100.000	100.000
Share premium reserve	51.025.433	61.152.036
Other reserves	15.038	15.038
Approximations	-	-
Net profit/(loss)	(573.169)	(122.941)
Shareholders' equity	**50.567.302**	**61.144.133**
Provisions	90.107	113.613
Long term financial liabilities	-	-
Non-current liabilities	**90.107**	**113.613**
Trade payables	7.178.761	6.941.643
Current liabilities	**7.178.761**	**6.941.643**
Total shareholders' equity and liabilities	**57.836.170**	**68.199.389**
INCOME STATEMENT		
Revenues from sales and services	**355.387**	**393.231**
Other revenues and income	-	-
Total revenues	**355.387**	**393.231**
Operating costs	(448.887)	(448.566)
Costs for use of third parties assets	-	-
Amortisation and write-downs	(263.591)	(254.019)
Other operating expenses	(66.024)	(15.880)
Financial income (expenses)	(313.642)	125.779
Profit before taxes	**(736.757)**	**(199.455)**
Income taxes	163.588	76.514
Net profit/(loss)	**(573.169)**	**(122.941)**

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

The undersigned Massimo Ferretti as President of the Board of Directors, and Simone Badioli as manager responsible for preparing Aeffe S.p.A.'s financial reports, pursuant to the provisions of art. 154 bis, clauses 3 and 4, of Legislative Decree n. 58 of 1998, hereby attest:

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

of the administrative and accounting procedures applied in the preparation of the statutory financial statements at 31 December 2021.

The undersigned moreover attest that the statutory financial statements:

i. have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Council, dated 19 July 2002;

ii. correspond to the amounts shown in Company's accounts, books and records;

iii. provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company.

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

17 March 2022

President of the board of directors

Massimo Ferretti

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

Simone Badioli