CONSOLIDATED FINANCIAL STATEMENTS

2022

ONLY THE BRAVE.

OTB

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2022 was a very challenging year, but, despite the war in Ukraine, the difficult world economic situation and continuous lockdowns in China, the Group's luxury brands continued to make robust progress.

Jil Sander, Maison Margiela and Marni are extraordinary iconic brands like their creative directors, they stand out among all the others in the luxury sector and their special features mean they are increasingly sought after by consumers all over the world, as the impressive results reported for 2022 demonstrate. I am also proud of the action we are taking to reposition Diesel, which is enjoying a period of high visibility and has been included in the ranking of the hottest, most popular brands of the moment.

2022 was a year when the Group consolidated its presence in the regions with greatest potential, such as Asia Pacific and North America, through important investments in the direct channels, and continued to strengthen its long-standing ties of trust with the supply chain, based largely in Italy, a synonym for quality, excellence and Italian craftsmanship. I believe that large companies like ours should work collaboratively with their suppliers, guaranteeing operating continuity and creating new opportunities for growth, while paying close attention to sustainability.

To meet the needs of the new generations, we continued to focus on innovation, with the projects of our BVX division, which this year produced the first NFT collection for Diesel, and with the digital authenticity certification of a huge number of products registered on the Aura blockchain platform, of which we are a founding member.

The combination of these strategic factors enabled us once again to consolidate our Group's international positioning and achieve double-digit growth on all the main financial indicators. Moreover, the forecasts for the coming years indicate further growth for the whole luxury industry, which means we are looking to the future with enthusiasm and determination.

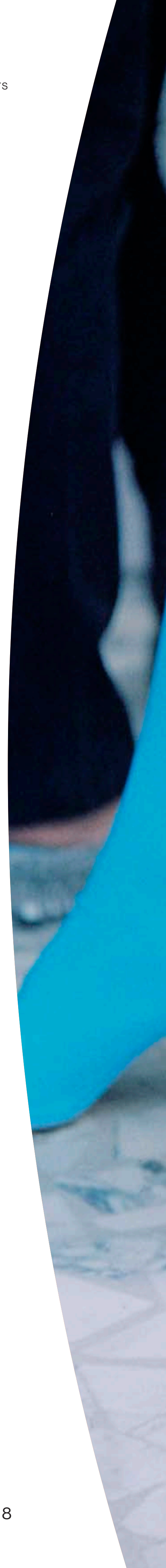
In this context, we have to strengthen our commitment to cutting the environmental impact of an industry that for many years was one of the world's worst polluters, and we can only make a real difference by joining forces. This is why we decided to become part of The Fashion Pact with the whole OTB Group and, together with other important fashion brands, to set up the Re.Crea Consortium, which manages end-of-life textiles and promotes innovative recycling solutions, so that we can foster solid change across the whole industry.

Continuing along a path the Group and all our companies have already been travelling down for years, in 2022 we presented the first OTB Sustainability Report for 2021, containing the results of all the social and environmental responsibility initiatives and ambitious objectives we have set ourselves, including carbon-neutral internal operations by 2030. Furthermore, with the OTB Foundation once again this year we made a tangible and positive social impact, helping people in need, women and children, and taking swift action to respond to international emergencies, consistently with the values of giving back and solidarity that characterise our vision of the circular economy.

Thanks to a closely-knit team of modern managers with great vision, we are leading our Group towards new and ambitious targets.

Renzo Rosso

BOARDS OF DIRECTORS AND STATUTORY AUDITORS



BOARDS OF DIRECTORS AND STATUTORY AUDITOR

Board of Directors of OTB S.p.A.
Mandate for the three year period 2021 – 2023 (up to approval of 2023 Financial Statements)

Chairman
Renzo Rosso

CEO
Ubaldo Minelli

Directors
Stefano Rosso
Arabella Ferrari
Cristina Bombassei
Carlo Purassanta

Board of Statutory Auditors of OTB S.p.A.
Mandate for the three year period 2022 – 2024 (up to approval of 2024 Financial Statements)

Chairman
Cristiano Agogliati

Statutory Auditors:
Yuri Zugolaro
Bettina Solimando
Sindaci Supplenti:
Alessandra Maggioni
Silvia Daccò

Independent Auditing Firm
In carica per il triennio 2022 – 2024 (fino all'approvazione del bilancio 2024)
PricewaterhouseCoopers S.p.A.

DIRECTORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL MARKET AND GROUP PERFORMANCE

Dear Shareholders,

In 2022, the global economy continued to grow, but inflation and the energy crisis reduced the potential of global economic activities and production systems. Energy costs and, consequently, consumer prices have achieved record growth not seen since the 1980s.

Within this context, global growth has remained contained and the prospects remain uncertain mainly due to geopolitical tensions due to the Russian invasion of Ukraine and contracted consumption as a consequence of the interest rate increases promoted by central banks to counter the high inflation.

Moving on to discuss the performance of the main reference markets, in Japan the GDP grew by 1.1%, thanks to household consumption, still supported by government subsidies, and the recovery of foreign tourism.

In China, growth in 2022 has never been so low for over 40 years (GDP +3%). Furthermore, the decline in demographic data should be noted; the Chinese population has decreased for the first time in 60 years.

Above all, the effects of the "zero Covid" policy, the collapse of the real estate sector and the drop in foreign demand have weighed down the economy.

In the United States, GDP increased by 2.1%, a contraction compared to the post-pandemic rebound of 2021 which had recorded a growth of 5.9%. Towards the end of the year just ended, the negative impact of inflation slowed down, thanks to the heavy interventions on interest rates by the Federal Reserve, offset however by a worsening of the trade deficit.

In the Eurozone, growth was higher than that of the aforementioned countries, reaching an increase of 3.5% compared to 2021. Germany, France and Spain recorded a more attenuated increase than the European average, while Italy recorded an increase of 3.9%, a figure higher than the government estimates.

The latest information available suggests that, in Italy, economic activity, which grew up to the third quarter of last year, weakened during the fourth, above all due to the effect of a decline in industrial production and a slowdown in household consumption which, despite income subsidies, are affected by a context of high inflation. The number of employees has increased, supported by the permanent component due to the transformation of fixed-term contracts launched in 2021.

Moving on to analyse the Italian fashion sector in which your Company operates, last year was a very positive year which ended with the highest turnover of the last twenty years, settling at 96.6 billion, with a growth of 16% compared to 2021. The growth was driven by exports which recorded a 19% increase compared to 2021, for a total of 80.8 billion euros. Among the most positive data is the value of production which, net of inflation, rose by 9%. On the other hand, the growth in energy and raw material costs had a significant impact on the industrial prices of the supply chain, without, however, having an equal reversal in consumer items, which in the fashion sector rose on average by 3%. This is one of the unknowns that we will have to deal with, risking losing competitiveness by failing to cope with growing international demand.

Despite the excellent performance in 2022, the new year opens under the banner of uncertainty: there is still a high alert due to geopolitical and geoeconomic tensions, on the general price trend and the impact on consumption resulting from the forthcoming hikes in interest rates from central banks.

Within this context, the OTB Group, which owns:

- the Diesel Group, which produces and distributes clothing and the relevant accessories under the Diesel brand in the *premium casual wear segment*;
- Brave Kid S.r.l., which manages under licence the production and distribution of clothing and relevant accessories under the Diesel, MM6 maison Margiela, Marni, Dsquared2, N21 and MYAR brands for children's collections;
- Staff International S.p.A., operating in the *pret-à-porter* sector, managing under license the production and distribution of the Dsquared2 and Kochè brands; it also deals with the design and production of shoes and bags for the entire OTB group and with the design and production of collections for the Jil Sander, Maison Margiela and Marni brands;
- the Marni Group, operating in the *luxury* sector, focuses its activity on the *core business* of women's and men's clothing and relevant accessories; production is entrusted to Staff International S.p.A.; through its investee Marni USA Ltd., the Marni Group holds 20% of the shares of Atelier Luxury Group LLC, a U.S. company that owns the luxury brand AMIRI, founded in Los Angeles in 2014 by Mike Amiri; with a modern vision of luxury, AMIRI sits alongside the brands of the most established designers in the best stores worldwide;
- the Margiela Group, which operates in the *pret-à-porte*r sector and distributes "Maison Margiela" brand products, the production of which is entrusted to Staff International S.p.A.;
- Viktor & Rolf B.V., the owner of that brand;
- The Jil Sander Group, acquired in 2021, which operates in the luxury sector with the Jil Sander brand founded in 1968 by the German designer of the same name and creatively directed by Lucie and Luke Meier since 2017,

and of which your company is the parent company, ended 2022 with significant growth that confirms and consolidates the Group's positioning on all the main markets and distribution channels.

Total turnover amounted to Euro 1,743.1 million, recording an increase of 14.0% compared to the previous year (Euro 1,529.7 million, excluding non-recurring revenues equal to Euro 130.2 million in 2021), the consolidated profit at Euro 105.0 million (Euro 142.0 million, of which Euro 80.6 million from non-recurring transactions in 2021) and the negative net financial position at Euro 269.7 million, which became positive for Euro 293.0 million if we exclude the assets and liabilities relating to the accounting treatment of the so-called rights of use (IFRS 16) (negative for Euro 65.2 million in 2021, positive for Euro 382.6 million if leasing assets and liabilities are excluded).

It should be noted that the consolidated financial statements were prepared in accordance with IFRS standards, while the financial statements of your company continue to be prepared in accordance with the provisions of the Italian civil code and the OIC accounting standards.

DIESEL
FOR SUCCESSFUL LIVING

Maison Margiela
PARIS

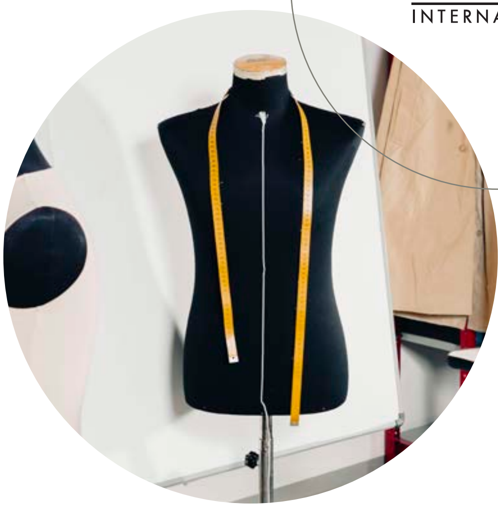
JIL SANDER

VIKTOR&ROLF

MARNI

BRAVE KID

STAFF INTERNATIONAL



SIGNIFICANT EVENTS

Starting in March 2022, with the outbreak of war in Ukraine, some of the critical issues that had already appeared in the last months of 2021 amplified. Among these, above all, the rise in the prices of raw materials, of all energy and food, has led to a general worsening of the short and medium-term prospects of the international economy, with a downward revision of growth estimates. To counter inflation, central banks have progressively increased interest rates in order to curb the rise in prices. This has led to a reduction in consumption and more generally in demand.

The Company and the Group have implemented all the appropriate measures to effectively limit the critical issues and the possible impacts on our activities and on the markets are monitored continuously.

In the last months of the year, sales in China were penalized by the containment measures of the COVID 19 pandemic, which led to a reduction in traffic in stores.

In 2022, under the guidance of creative director Glenn Martens, the process of repositioning the Diesel brand as an *alternative to luxury brand* continues successfully, with important investments in the product, in communication and in the renewal of the image of the stores. The effects of this evolutionary phase are already visible in the excellent performance of some products that have become iconic in a short time - including, for example, the 1DR bag - and in the ever-increasing interest and involvement of an audience of new customers and global *brand lovers*. A protagonist in Milan in 2022, of the first inclusive fashion show open to the public and to the virtual community of owners of their NFTs, Diesel is now experiencing a time of great visibility, so much so that it has been included in the top 10 of the *hottest* brands of the year (according to the Lyst Index 2022, which ranks the brands and products most desired by consumers).


DIESEL

During 2022, the strong investment drive in the Group's direct channels will continue with the opening of 73 new stores in key markets for international development and in particular in China, Korea and the United States. The most important opening of the year took place in China, at the JC Plaza luxury mall in Shanghai, where the world's largest OTB retail store in the world was inaugurated in July, which houses the Jil Sander, Maison Margiela, Marni and Amiri shops, of which the Group, in addition to holding a minority stake, manages the exclusive distribution for all of Asia-Pacific and Japan. The Group has also consolidated its presence in South Korea where - after the opening of the branch in 2021 - it has inaugurated 15 new stores in the country and invested significantly in marketing and communication to support its *brands*. Investments are also confirmed in North America, where the consolidation of the retail network continues, with the opening of 13 stores in key cities, including Jil Sander in New York and Miami, Maison Margiela in Honolulu and Dallas and, finally, Diesel in Toronto and Montreal.

Also noteworthy, is a further strengthening of the e-commerce channel, with the entry of the Maison Margiela *brand* into the omni-channel platform MOON, the innovative OTB operating model that provides a complete, fluid and personalized digital shopping experience, launched for the first time with Diesel in 2020 and further developed with the entry of Marni in 2021. To mark its arrival on the platform, Maison Margiela also presented a complete restyling of its website, promoted and overseen by the creative director John Galliano, who managed to rethink the relationship between fashion and online shopping, making it a digital representation of the physical in-store experience.

In Europe, a region that represents its heart and history, the Group has decided to make significant investments in its offices, to the benefit of people's well-being and to further enhance the positioning of the Group and its brands. As part of this plan, the new Maison Margiela headquarters was inaugurated in Place des États-Unis in Paris, in line with the growth, evolution and spirit of the *brand*. The new offices will be added to those in Avenue d'Ièna. Furthermore, in 2022 an important real estate development project of the Group was announced in Milan at the Ex-Scalo of Porta Romana, the future international luxury hub, where the new headquarters of Jil Sander and Marni will be housed in 2025.

2022 was a dynamic year on the digital innovation front. It was established the company BVX S.r.l. (Brave Virtual Xperience) – dedicated to the development of projects, contents and products for the virtual world, gaming and NFT – which together with Diesel created the brand's first NFT collection, D:VERSE, which in addition to guaranteeing access to physical products in limited series and invitations to exclusive events, offers the opportunity to join a community that meets up and shares virtual experiences in the metaverse. Furthermore, starting from June 2022, OTB has registered on the blockchain platform developed by the Aura Blockchain Consortium, of which it is a founding member, around 300,000 garments of the Maison Margiela, Marni and Jil Sander *brands*. By creating a record on blockchain and inserting an NFC tag in the products, OTB has created a fully-fledged digital certificate of authenticity for its brand clients: a tool that ensures greater transparency for customers and enables new services to be offered, while guaranteeing product value over time and making counterfeiting impossible.

2022 was the year in which the OTB Group presented its Sustainability Report for 2021, collecting and summarizing for the first time the results of all projects and initiatives on social and environmental responsibility. Ambitious objectives have been outlined in the document, including reaching carbon neutrality of internal operations by 2030, and important targets for the responsible growth of the Group. In 2022, the Group joined The Fashion Pact with all its *brands*, the global coalition of companies committed to sharing *best practices* and finding new solutions together to reduce the environmental impact of the entire fashion sector. The Group also promoted the creation of the Re.Crea Consortium, founded within the National Chamber of Fashion together with the most important excellences of the luxury sector in Italy, to promptly respond to the European directive on Extended Producer Responsibility regarding textile waste and promote the research and development of innovative solutions for recycling.

During 2022, activities related to the implementation of the sustainability strategy of the Diesel Group, called "*For Responsible Living,*" continued. In this regard, we note the progress made in the development processes of the collections and in the increased use of more responsible materials, treatments and finishes, which have led to the continuation of the Diesel Library line, as well as the extension of the same sustainability criteria to the majority of the DNA denim collection, and the transition of the RTW category called *Essential* to fabric based entirely on certified organic cotton and low-impact treatments.

We note the launch of Diesel Rehab Denim with which Diesel, in partnership with one of its key suppliers, has taken a further step forward in terms of reducing the water and chemicals used in the production of its jeans. In particular, Diesel Rehab Denim, in addition to being composed of entirely recycled cotton, partly coming from Diesel production waste, recycled elastane and Tencel™ Lyocell with Refibra® technology, is dyed essentially without water thanks to Dry Indigo® technology and is treated with low-impact techniques. The project was initially launched with some items from the FW22 Fashion Show collection, and then developed and extended to a much more varied product range, in the form of a dedicated *Spring Summer* 2023 project, which is currently available online and in Diesel stores.

During 2022, the subsidiary Diesel S.p.A. has launched, in collaboration with the United Nations Industrial Development Organization (UNIDO) and with the support of one of its fabric suppliers, a major cotton recycling pilot project in Tunisia, to give life to a circular business system with low emissions that will lead part of the waste to be recycled into fabrics that will be used in future Diesel collections, while the remainder can be used by other supply chains.

The subsidiary Diesel S.p.A. further continued the "*Diesel Second Hand*" project for which, in November 2022, it was awarded in the context of the LC *Publishing Sustainability Fashion Awards* for the fashion sector.

The continuous development of production platforms, the strengthening of the logistics network and the complete integration of Jil Sander's production within Staff International contributed to the growth of the Group and the consolidation of its industrial model in 2022.

The Group's commitment to support the supply chain also continues through the C.A.S.H. project, with which OTB has been supporting suppliers since 2013, guaranteeing them the possibility of requesting advance payment of Group *brand* invoices at discounted rates. Since its inception, the initiative has grown steadily year after year and at the end of 2022 the total volume of payments exceeded Euro 450 million overall since the start of the project.

During 2022, the European Commission conducted an inspection at the headquarters of the subsidiary Jil Sander S.p.A. in Milan, concerning any agreements and/or concerted practices to coordinate prices and future market behaviour in the European Economic Area, at least from 2020. To date, it is not clear how the Commission intends to proceed, since it has not communicated or indicated any formal opening/closing of the proceedings, therefore, it has not been possible to qualify or quantify the antitrust risk for Jil Sander S.p.A. resulting from the EU investigation.

In June 2022, the subsidiary Diesel Italia S.r.l. was awarded the call for tenders for the concession assignment of a property in Venice belonging to the State Public Property; the administrators in agreement with Management of the OTB Group are evaluating its intended use.

With effect from 1 July 2022 following the demerger deed signed on 14 June 2022, the subsidiary Jil Sander S.p.A., demerged, in favour of Staff International S.p.A., the company branch which is made up of the design and development, production, coordination of the logistics activities of the finished product, of the clothing collections and relevant accessories for men/women bearing the brand "Jil Sander S.p.A." and all its forms.

During 2022, the reverse merger of the company Marni Holding S.r.l. was also effective, which was incorporated into the company Marni Group S.r.l., with a view to simplifying the Group structure.

In 2022, the new company OTB Macao Ltd was established, 100% owned by the parent company OTB S.p.A.

On 4 July 2022, Dr. Eraldo Poletto, already present in the Group as CEO of the North America "*Region*," was appointed as Chief Executive Officer of the subsidiary Diesel S.p.A., thus covering the role previously occupied by Dr. Massimo Piombini.

GROUP OPERATIONS

Operating situation

The statement of profit or loss, reclassified to a management accounts format, together with prior year comparative figures is summarised below (in millions of euro):

(IN THOUSANDS OF EURO)	2022	%	2021	%	22VS21	%
Net sales	1,630.1	93.5%	1,456.0	87.7%	174.1	12.0%
Royalties and other revenue	113.0	6.5%	73.7	4.4%	39.3	53.3%
Revenues from recurring activities	**1,743.1**	**100.0%**	**1,529.7**	**92.2%**	**213.4**	**14.0%**
Income from Acquisitions	0.0	0.0%	130.2	7.8%	(130.2)	(100.0)%
Total Revenues	**1,743.1**	**100.0%**	**1,659.9**	**100.0%**	**83.2**	**5.0%**
Cost of sales	(547.6)	(31.4)%	(560.0)	(33.7)%	12.4	(2.2)%
Gross margin	**1,195.5**	**68.6%**	**1,099.9**	**66.3%**	**95.6**	**8.7%**
Of which from non-recurring activities	*0.0*		*100.6*		*(100.6)*	
Royalties and other costs	(22.8)	*(1.3)%*	(25.0)	*(1.5)%*	2.2	*(8.8)%*
Advertising costs	(109.3)	(6.3)%	(82.4)	(5.0)%	(26.9)	32.6%
Sales commission	(32.0)	(1.8)%	(34.1)	(2.1)%	2.1	(6.2)%
Transport costs	(36.3)	(2.1)%	(47.5)	(2.9)%	11.2	(23.6)%
Cost of labour	(338.9)	(19.4)%	(300.3)	(18.1)%	(38.6)	12.9%
General expenses	(335.5)	(19.2)%	(256.1)	(15.4)%	(79.4)	31.0%
Writedown of receivables	0.6	0.0%	0.0	0.0%	0.6	
Gross operating profit	**321.3**	**18.4%**	**354.5**	**21.4%**	**(33.2)**	**(9.4)%**
Of which from non-recurring activities	*0.0*		*96.5*		*(96.5)*	
Amortisation/depreciation	(44.9)	*(2.6)%*	(41.6)	*(2.5)%*	(3.3)	*7.9%*
Amortisation of right of use assets	(132.3)	(7.6)%	(117.4)	(7.1)%	(14.9)	12.7%
Amortisation of trademark	(10.1)	(0.6)%	(8.9)	(0.5)%	(1.2)	13.5%
Operating profit (EBIT)	**134.0**	**7.7%**	**186.6**	**11.2%**	**(52.6)**	**(28.2)%**
Of which from non-recurring activities	*0.0*		*92.9*		*(92.9)*	
Finance income (costs)	(2.8)	(0.2)%	(5.7)	(0.3)%	2.9	(50.9)%
Measurement of equity investments using the equity method	5.1	0.3%	9.6	0.6%	(4.5)	(46.9)%
Interest on lease liabilities	(11.4)	(0.7)%	(9.6)	(0.6)%	(1.8)	18.8%
Exchange gains (losses)	(2.1)	(0.1)%	2.1	0.1%	(4.2)	(200.0)%
Result before tax	**122.8**	**7.0%**	**183.0**	**11.0%**	**(60.2)**	**(32.9)%**
Of which from non-recurring activities	*0.0*		*92.9*		*(92.9)*	
Taxes	(17.8)	(1.0)%	(41.0)	(2.5)%	23.2	(56.6)%
Net result	**105.0**	**6.0%**	**142.0**	**8.6%**	**(37.0)**	**(26.1)%**
Of which from non-recurring activities	*0.0*		*80.6*		*(80.6)*	
Group net result	104.0	6.0%	140.5	8.5%	(36.5)	(26.0)%
Of which from non-recurring activities	*0.0*		*80.6*		*(80.6)*	

Net sales of Euro 1,630.1 million consist of Euro 869.9 million of wholesale channel sales and Euro 760.2 million of retail channel sales. In 2021 net sales amounted to Euro 1,456.0 million, of which Euro 783.8 million related to the wholesale channel and Euro 672.2 million related to the retail channel.

Revenue from sales of goods and services, consisting of the sum of net sales of Euro 1,630.1 million and royalty income of Euro 43.9 million, coming to a total of Euro 1,674.0 million, breaks down by geographical area as follows (in millions of Euro):

(IN THOUSANDS OF EURO)	ITALY	EUROPEAN UNION	REST OF EUROPE	AMERICA	REST OF THE WORLD	TOTAL
Revenue	323.1	348.0	147.5	217.8	637.6	1,674.0
% of revenue	19.3%	20.8%	8.8%	13.0%	38.1%	100.0%

Net sales increased 12.0% compared to the previous year, driven by the luxury segment (Jil Sander, Maison Margiela and Marni). As regards the geographical areas, especially thanks to the strong *retail* expansion, the best performance was recorded in North America and in the Asia Pacific area, where Japan remains the reference market for the Group. Sales through retail channels, including outlet and online sales, accounted for 46.6% of total sales compared to 46.2% in the previous year. Online sales consolidated their weight within the Group, recording growth of 5.4% compared to the previous year. Revenues from royalties amounted to Euro 43.9 million, an increase compared to the previous year (Euro 31.6 million in 2021).

Income from acquisitions in the previous year relates to the acquisition of the Jil Sander Group and emerged from the process of measuring the consolidated shareholders' equity of the Jil Sander Group at *fair value* on the purchase date.

EBITDA amounted to Euro 321.3 million (Euro 354.5 million in 2021, including net income from non-recurring transactions of Euro 96.5 million), with an incidence on revenues of 18.4% against 21.4% of the previous year.

The net operating result (EBIT) is equal to Euro 134.0 million (Euro 186.6 million in 2021, including net income from non-recurring operations of Euro 92.9 million, without which it would amount to Euro 93.7 million), with an incidence on revenues of 7.7%, against 11.2% in the previous year.

The operating profit for the year amounted to Euro 105.0 million (Euro 142.0 million in 2021, including net income from non-recurring transactions of Euro 80.6 million). The percentage impact on revenues is 6.0% against 8.6% in 2021. The net profit attributable to the Group amounted to Euro 104.0 million (Euro 140.5 million in 2021, including net income from non-recurring activities of Euro 80.6 million).

Financial position

The Group's statement of financial position at 31 December 2022 is summarised below (in millions of euro):

(IN THOUSANDS OF EURO)	31.12.2022	%	31.12.2021	%	22vs21	%
Current assets	1,094.5	46.5%	1,194.2	52.0%	(99.7)	(8.3)%
Non-current assets	1,257.9	53.5%	1,100.2	48.0%	157.7	14.3%
Total assets	**2,352.4**	**100.0%**	**2,294.4**	**100.0%**	**58.0**	**2.5%**
Current liabilities	698.5	29.7%	739.8	32.2%	(41.3)	(5.6)%
Non-current liabilities	571.8	24.3%	540.9	23.6%	30.9	5.7%
Group shareholders' equity	1,077.5	45.8%	1,008.0	43.9%	69.5	6.9%
Minority interest	4.6	0.2%	5.7	0.2%	(1.1)	(19.3)%
Shareholders' equity	**1,082.1**	**46.0%**	**1,013.7**	**44.2%**	**68.4**	**6.7%**
Total liabilities	**2,352.4**	**100.0%**	**2,294.4**	**100.0%**	**58.0**	**2.5%**

Shareholders' equity amounted to Euro 1,082.1 million against Euro 1,013.7 million in 2021.

Details of changes in shareholders' equity are presented in the Notes to the consolidated financial statements.

Financial situation

The financial situation of the Group can be summarized by the following values (amounts expressed in millions of euro):

(IN THOUSANDS OF EURO)	2022	2021	22vs21	%
Net cash and cash equivalents at beginning of year	**582.5**	**364.1**	**218.4**	**60.0%**
Self-financing	262.2	164.9	97.3	59.0%
Changes in working capital	(132.9}	129.2	(262.1)	(202.9)%
Changes in financial instruments	(1.1)	0.9	(2.0)	(222.2)%
Income tax and interest	14.2	43.9	(29.7)	(67.7)%
Net investments for business combinations	(1.2)	44.9	(46.1)	(102.7)%
Net investments	(78.3)	(41.5)	(36.8)	88.7%
Dividends paid	(20.5)	(5.0)	(15.5)	310.0%
Cash flow from IFRS16	(136.4)	(115.3)	(21.1)	18.3%
Cash flow from other financing activities	(190.1)	(2.9)	(187.2)	6,455.2%
Net foreign exchange difference	2.2	(0.7)	2.9	(414.3)%
Net change in cash and cash equivalents	*(281.9)*	*218.4*	*(500.3)*	*(229.1)%*
Net cash and cash equivalents at end of year	**300.6**	**582.5**	**(281.9)**	**(48.4)%**

Ratios

The key financial ratios are summarised as follows:

	2022	2021	22vs21
R.O.I.	5.70%	4.08%	1.62%
R.O.E.	10.79%	7.08%	3.71%
R.O.S.	7.69%	6.13%	1.56%
Liquidity ratio	1.57	1.61	(0.04)

The ratios relating to the previous year are shown net of income from acquisitions in order to ensure the comparability of the data.

INVESTMENTS

The investments made by the Group amount to a total of Euro 81.8 million, an increase of 75.5% compared to 2021, and are broken down as follows:

- Intangible fixed assets: Euro 15.0 million;
- Tangible fixed assets: Euro 65.6 million;
- Equity investments: Euro 1.2 million

Investments in intangible and tangible fixed assets mainly refer to costs incurred for the development of the retail network, which saw the opening of 73 new stores in key markets for international development and in particular in China, Korea and the United States, for the development of digital innovation and for the strengthening of the logistics network.

Equity investments refer to the purchase of 100% of the Companies, Giordan S.r.l. and Seppa e De Faveri S.r.l., made with a view to strengthening the Group's retail network by guaranteeing the rental of two properties in the prestigious Piazza San Marco in Venice. Details of the acquisition values are presented in the Notes to the consolidated financial statements.

RESEARCH AND DEVELOPMENT

Research activity is focused on styling and technology.

With regard to styling, constant attention is paid to changing tastes and customs to ensure early recognition of trends in what is now a global market and with consumers who are more attentive and aware. On the technology front, the emphasis is on the search for new materials and a new way of treating fabrics and raw materials, in general, with the aim of obtaining a finished product with features that combine quality and style so as to guarantee brand recognition for each label.

OTHER INFORMATION

Personnel and organisation

The Group had 6,261 employees at 31 December 2022 against 5,980 at 31 December 2021.

Particular attention is paid to professional training and management development, with projects and work-groups involving various companies and Group functions.

Objectives and policies concerning the management of financial risk

As already described in the Notes to the consolidated financial statements, OTB Group, operating in an international context, is exposed, to a varying extent, to various financial risks linked to the conduct of its business, especially market risks, that can be broken down as follows:

- interest rate risk, which is linked to the impact of changes in market interest rates;
- foreign exchange risk, which is a consequence of transactions denominated in currencies other than the functional currency;
- liquidity risk, which arises from the need to have adequate access to capital markets and sources of funding to cover the needs arising from operating activities, investment activities and the maturities of financial liabilities;
- credit (or counterparty) risk, which represents the risk of default on commercial or financial obligations assumed by the various counterparties and resulting from normal commercial transactions or financing activities, employment of funds and hedging of risks.

The methods used for financial risk management are described in detail in the Notes to which reference should be made.

Information on the environment

During the year:

- no damage was caused to the environment for which any Group company was found responsible;
- no sanctions or penalties were levied against any Group companies for environmental protection offences or damage to the environment;
- no greenhouse gas emissions as defined by Law 316/2004 were caused by Group companies.

Information relating to personnel

During the year:

- no fatal accidents took place involving employees for which any Group company was found to be responsible;
- no accidents causing serious injuries took place involving employees for which any Group company was found to be responsible;
- no liability vis-à-vis employees or former employees for illnesses caused by occupational hazards, nor for harassment charges, took place for which any Group company was found to be responsible.

Treasury shares

The Company OTB SpA does not hold, nor has it acquired or sold treasury shares during the year, either directly or through trust companies or nominees or through subsidiaries or associated companies.

Related party transactions

As far as transactions carried out with related parties are concerned, it should be noted that these cannot be qualified as either atypical or unusual, since they fall within the normal course of business of Group companies. These transactions are regulated at market conditions, taking into account the characteristics of the goods and services provided.

For further information regarding relations with related parties, please refer to the Notes to the consolidated financial statements.

SUBSEQUENT EVENTS AND BUSINESS OUTLOOK

Significant subsequent events

In accordance with the provisions of Article Law 145-46-1 of the French Commercial Code, which establishes in favour of the lessee a right of first refusal on the premises rented by the latter in the event of a proposal for the transfer of said premises by the lessor, the subsidiary Margiela S.a.s.u. received, on 14 February 2023, from its landlord an offer to sell the premises constituting its registered office, located at 12 place des Etats Unis in Paris, leased commercially on 21 December 2021. The company intends to exercise its right, as a precautionary measure, in the terms envisage therein, in order to be able to access the "*data room*" made available as part of this sale. The definitive pre-emptive right decision will be taken, if necessary, only at the end and according to what will emerge from the audits to be carried out in this perspective.

On 31 January 2023, Dr. Eraldo Poletto resigned from the position of Chief Executive Officer of the subsidiary Diesel S.p.A. Starting from 9 February 2023, the role of Chief Executive Officer is assumed by Dr. Ubaldo Minelli, former Chief Executive Officer of OTB S.p.A., Staff International S.p.A. and Jil Sander S.p.A.

During the early months of 2023, the parent company OTB S.p.A. was subject to a general tax audit by the Vicenza Revenue Agency for the year 2017. To date, the outcome of the audit is not foreseeable.

Business outlook

Although at this start of the year, the economic, political and social context, in continuity with what happened during 2022, continues to be uncertain and challenging due to multiple factors, including inflation which led to a significant increase in prices of energy sources and the growing increase in interest rates, the OTB Group's growth in turnover *trend* continues.

The monitoring of these aspects by the OTB Group is continuous and the management of events is always oriented with an eye to the future. The Group will therefore continue to adopt operational and economic-financial actions and measures aimed at mitigating the impact of the current scenario both in the short and medium-long term.

During the first two months of 2023, Group sales show a positive trend, up compared to the same period of the previous year. In more detail, all brands and markets recorded improvements compared to the same period of the previous year.

Breganze, 17 March 2023

The board of directors
The chairman

Renzo Rosso

REPORT OF THE BOARD OF STATUTORY AUDITORS

Pursuant to art. 2429 of the civil code on the financial statements at 31 december 2022

To the Shareholders' Meeting of the company OTB S.p.A.

This document concerns the legitimacy audit carried out by the Board of Statutory Auditors pursuant to Art. 2403 of the Civil Code on the financial statements for the year ended 31 December 2022 of OTB S.p.A. (hereinafter also "OTB" or "Company") approved by the Board of Directors on 17 March 2023.

The Board of Statutory Auditors that signs this report was appointed by the Shareholders' Meeting on 27 April 2022, with a three-year term of office.

Supervisory activities performed pursuant to Article 2403 et seq. of the Italian Civil Code
From the date of granting of the assignment, our activity was performed aspiring to the legal provisions and the standards of conduct for Boards of Statutory Auditors recommended by the Italian Accounting Profession. Specifically:

- we supervised compliance with the law and articles of association and compliance with the principles of correct administration, not detecting any critical issues and/or exceptions to bring to your attention;
- we attended the Shareholders' Meetings and we met with the Board of Directors, in relation to which, on the basis of the information available, we neither found any violations of law or the articles of association, nor any transactions that were manifestly imprudent, risky, in potential conflict of interest or such as to compromise the integrity of the company's assets;
- during the meetings held, we acquired information from the directors on the general management trend and its foreseeable outlook as well as on the most important transactions in terms of dimension or characteristics, implemented by the company. On the basis of the information acquired, we have no particular comments to make;
- we acquired information, read the reports of the Supervisory Body relating to 2022 and no critical issues emerged that should be highlighted in this report regarding the correct implementation of the Organisational Model;
- we gained awareness of and monitored, insofar as we are competent to do so, the suitability and function of the Company's organisational structure, also through the collection of information from the department managers. On this regard, we have no particular comments to make;
- we acquired knowledge on and supervised, to the extent of our responsibility, the adequacy and functioning of the administrative-accounting system, as well as on the reliability of the latter to correctly represent operations, by obtaining information from function heads and examining company documents and, in this regard, we have no particular observations to report;
- for the purpose of mutual exchange of data and information, we spoke with the auditing firm PWC S.p.A., appointed by the Shareholders' Meeting on 27 April 2022 for the financial years 2022, 2023 and 2024 and responsible for the statutory audit of the accounts pursuant to Art. 2409-bis of the Civil Code. The meetings did not reveal any relevant data or information that should be highlighted in this report;
- no shareholder declarations were received pursuant to Art. 2408 of the Italian Civil Code;
- during the financial year, the Board of Auditors issued no opinions established by law.

During the supervisory activities as described above, no other significant events emerged such as to be worthy of note in this report.

Comments about the financial statements for the year

The draft financial statements that the Board of Directors sent us pursuant to Art. 2429 of the Civil Code, consisting of the balance sheet, income statement, explanatory notes and cash flow statement, was drawn up in compliance with the provisions of the Civil Code on the subject of financial statements as amended by Legislative Decree no. 139/2015 in implementation of the European Directive 2013/34.

We verified compliance of the financial statements with the facts and information of which we are aware and following completion of our duties, and we have no comments to make.

As far as we are aware, in preparing the financial statements in question, the Board of Directors did not derogate from the provisions of law pursuant to Art. 2423, fifth paragraph, of the Civil Code.

We have detected, pursuant to art. 2426, no. 5 of the Civil Code, that no start-up and expansion costs or development costs have been recorded in the assets of the balance sheet.

We have detected, pursuant to Art. 2426, no. 6 of the Civil Code, that no goodwill costs have been recorded in the assets of the balance sheet.

We ensured compliance with the laws regarding preparation of Management reports and have no particular comments to make in this regard.

Since we are not responsible for the statutory audit of the financial statements, we have verified compliance with the legal provisions relating to the preparation of the financial statements as at 31 December 2022 and have no comments to make in this regard.

As regards auditing of accurate bookkeeping, the correct recognition of management events, as well as the statutory audit of the financial statements, reference may be made to the report of the independent auditors. The Board of Statutory Auditors has acknowledged that the independent auditors PWC S.p.A. released on 03 April 2023, the report pursuant to Art. 14 of Legislative Decree no. 39/2010, from which no findings or disclosures emerge and in which it is stated that the *financial statements provide a true and fair view of the Company's equity and financial situation as at 31 December 2022 and of the economic result and cash flows for the financial year ended on that date, in compliance with the Italian regulations which govern the drafting criteria*.

Comments on the consolidated financial statements

We also examined the draft consolidated financial statements at 31 December 2022, made available to us in conjunction with the financial statements of the parent company and the related report on operations.

The reference date of the consolidated financial statements coincides with the year end date of the parent company and of all the other companies included in the area of consolidation, with the exception of Diesel Fashion India Reliance PVT. Ltd, and K-Bit Brave Sourcing Ltd., which prepared the interim financial statements at 31 December 2022 for the purposes of the consolidated financial statements, considering that their reporting date is 31 March; the scope of consolidation has changed compared to the previous year as a result of the following four extraordinary transactions: (i) establishment of BVX S.r.l., 90% owned by the parent company OTB S.p.A., (ii) establishment of OTB Macao Ltd., 100% owned by the parent company OTB S.p.A., (iii) acquisition of 100% of the companies Giordan S.r.l. and Seppa e De Faveri S.r.l. by the subsidiary Margiela S.a.s.u. and (iv) incorporation of the company Marni Holding S.r.l. in the company Marni Group S.r.l. with a view to simplifying the group structure.

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as endorsed by the European Union and which were in force at the date of the preparation thereof. The notes to the consolidated financial statements analytically indicate, inter alia, the preparation criteria and the scope of consolidation in accordance with the provisions of international accounting principles.

As regards the report on the consolidated financial statements, we hereby confirm that it provides comprehensive disclosures and that the figures reported therein are consistent with those presented in the consolidated financial statements.

The Board of Statutory Auditors acknowledged that today, 03 April 2023, the auditing firm PWC S.p.A. issued the report pursuant to Art. 14 of Italian Legislative Decree no. 39 of 27 January 2010, on the consolidated financial statements of the OTB group, from which no observations or disclosures emerge and in which it is stated that the *consolidated financial statements provide a true and fair view of the Group's equity and financial situation as at 31 December 2022 and of the economic result and cash flows for the year ended on that date, in accordance with the International Financial Reporting Standards adopted by the European Unio*n.

Observations and proposals with regard to approval of the financial statements
Considering that no significant facts emerged from the supervisory and control activity worthy of reporting and/or mention in this report and taking into consideration the results of the activity carried out by the independent auditors responsible for the legal control of the accounts of the financial statements, PWC S.p.A., to which the Board refers, the Board of Statutory Auditors does not find any impediments to the approval of the financial statements for the year ended 31 December 2022 nor does it have any observations regarding the proposal for the allocation of the profit for the year formulated by the Board of Directors in the notes.

Breganze, 03 April 2023

The Board of Statutory Auditors

Dott. Cristiano Agogliati

Dott.ssa Bettina Solimando

Dott. Yuri Zugolaro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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

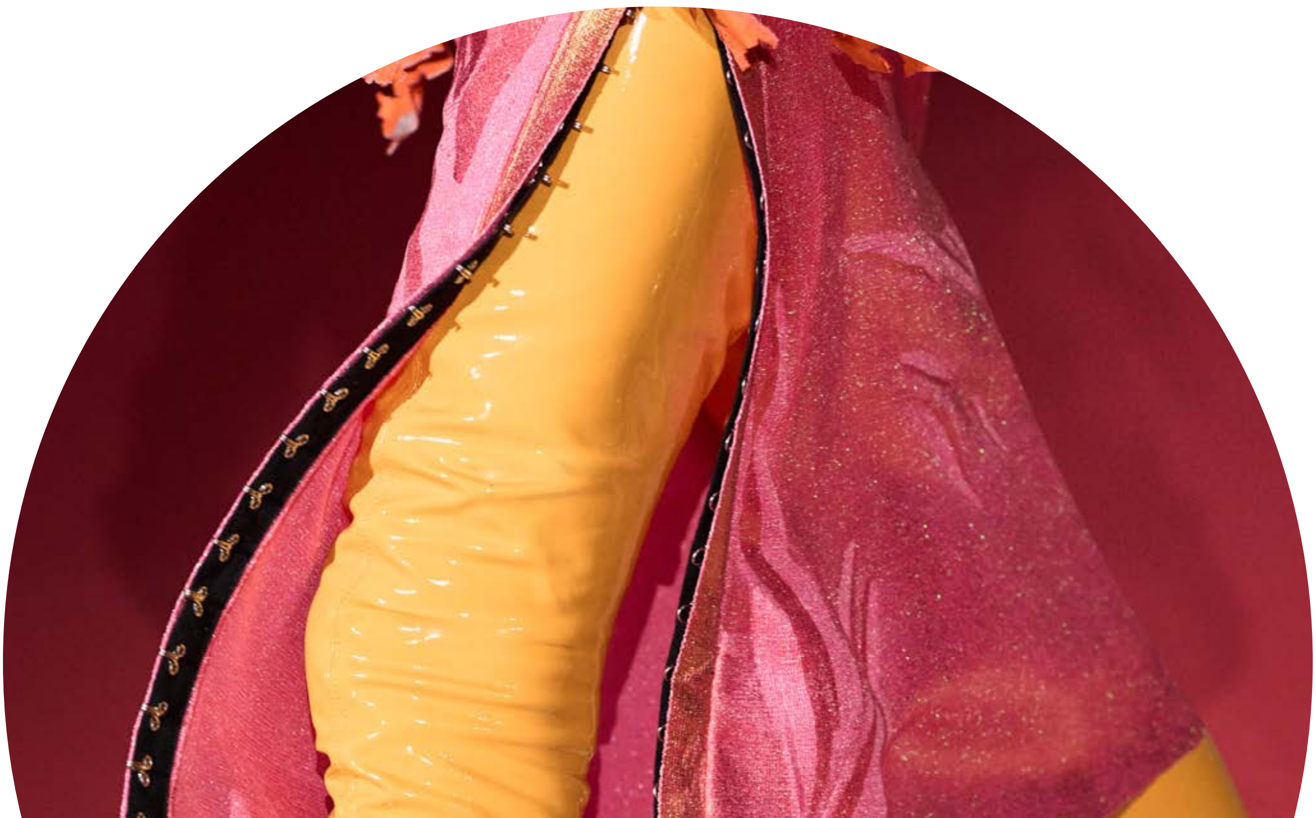
(IN THOUSANDS OF EURO)	NOTE	31.12.2022	31.12.2021
Assets			
Non-current assets			
Goodwill	1	68,358	68,363
Intangible assets with a finite useful life	1	278,369	287,216
Right of use assets	2	521,018	403,061
Property, plant and equipment	3	183,116	153,763
Equity investments measured with the equity method	4	39,636	30,285
Non-current lease assets	5	582	634
Non-current financial assets	6	1,053	305
Other non-current assets	7	39,029	39,205
Deferred tax assets	8	126,724	117,377
Total non-current assets		**1,257,885**	**1,100,209**
Current assets			
Inventories	9	396,810	277,938
Trade receivables	10	247,419	201,105
Tax receivables	11	14,351	12,517
Current lease assets	5	762	296
Current financial assets	6	9,935	4,779
Other current assets	12	124,352	113,321
Cash and cash equivalents	13	300,879	584,261
Total current assets		**1,094,508**	**1,194,217**
Total assets		**2,352,393**	**2,294,426**
Shareholder's equity and liabilities			
Shareholders' equity			
Equity attributable to the Group	14	1,077,476	1,007,972
Minority interest	15	4,622	5,765
Total shareholders' equity		**1,082,098**	**1,013,737**
Non-current liabilities			
Non-current lease liabilities	16	445,527	351,033
Non-current financial liabilities	17	5	80,174
Provisions for risks and charges	18	30,072	27,907
Post-employment benefit plan liabilities	19	9,107	8,856
Other non-current liabilities	20	15,933	448
Deferred tax liabilities	21	71,182	72,483
Total non-current liabilities		**571,826**	**540,901**
Current liabilities			
Trade payables	22	348,207	286,492
Other current liabilities	23	122,488	123,240
Current tax liabilities	24	20,855	8,029
Provisions for risks and charges	18	71,206	98,662
Current lease liabilities	16	117,917	97,060
Current financial liabilities	25	17,796	126,305
Total current liabilities		**698,469**	**739,788**
Total liabilities		**1,270,295**	**1,280,689**
Total equity and liabilities		**2,352,393**	**2,294,426**

CONSOLIDATED INCOME STATEMENT

(IN THOUSANDS OF EURO)	NOTE	2022	2021
Revenues from sales and services	28	1,674,004	1,487,572
Other operating income	29	69,075	42,155
Income from Acquisitions	30	0	130,232
Revenues		**1,743,079**	**1,659,959**
Change in inventories	31	(122,790)	48,981
Purchases	32	533,166	401,398
Lease and rental costs	33	112,833	89,053
Cost of services	34	505,146	417,808
Personnel costs	35	338,855	300,300
Other operating expenses	36	48,455	40,772
Amortisation	37	187,313	167,810
Provisions and impairment losses	38	6,103	7,229
Operating profit		**133,998**	**186,608**
Financial income	39	626	1,418
Measurement of Equity investments using the Equity method	40	5,054	9,645
Financial expenses	41	14,785	16,713
Exchange gains (losses)	42	(2,063)	2,050
Profit before tax		**122,830**	**183,008**
Income tax	43	17,810	41,036
Period result		**105,020**	**141,972**
Operating profit/(loss) attributable to the Group		103,969	140,542
Operating profit/(loss) attributable to minority interests		1,051	1,430

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(IN THOUSANDS OF EURO)	2022	2021
Period result	**105,020**	**141,972**
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):		
Exchange differences on translation of foreign operations	(5,082)	5,447
(Net (loss)/gain on cash flow hedges:		
Gross (loss)/gain on cash flow hedges	4,320	(8,498)
Tax effect of cash flow hedges	(643)	1,749
Net (loss)/gain on cash flow hedges	3,677	(6,749)
Total other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax)	**(1,405)**	**(1,302)**
Other comprehensive income components that will not be subsequently reclassified to profit or loss in subsequent periods (net of tax):		
Actuarial profit/(loss) on provisions relating to personnel/agents	689	0
Tax effect of actuarial reserve on provisions relating to personnel/agents	(202)	0
Actuarial profit/(loss) net on provisions relating to personnel/agents	487	0
Total other comprehensive income components that will not be subsequently reclassified to profit or loss in subsequent periods (net of tax)	**487**	**0**
Total other comprehensive income components	**(918)**	**(1,302)**
Total comprehensive profit/(loss) for the year, net of tax	**104,102**	**140,670**
Attributable to:		
Group	103,197	139,083
Non-controlling interests	905	1,587



CONSOLIDATED CASH FLOW STATEMENT

(IN THOUSANDS OF EURO)	2022	2021
Operating activities		
Operating profit/(loss)	**105,020**	**141,972**
Non-cash items:		
Depreciation of property, plant and equipment	32,396	29,892
Amortisation of intangible fixed assets	22,571	20,527
Amortisation of rights of use	132,346	117,391
Gain (loss) on disposal of property, plant and equipment and intangible assets	646	1,546
Capital losses/(gains) on disposal of rights of use	(8,351)	(1,708)
Write-down/(Write-back) of equity investments	(5,054)	(9,645)
Provision/(Release) of bad debts	(560)	(42)
Provision/(Release) risks and charges	(15,665)	3,700
Income from Acquisitions	0	(130,232)
Other non-cash items	(1,197)	(8,543)
Total non-cash items	**157,132**	**22,886**
Taxes	17,810	41,036
Interest	2,802	2,908
IFRS16 interest	11,356	9,600
Dividends	0	0
Changes in working capital:		
Change in inventories	(122,823)	49,106
Change in current and non-current receivables and other assets	(65,089)	26,143
Change in current and non-current payables and other liabilities	55,018	53,934
Total changes in working capital	**(132,894)**	**129,183**
Net change in derivative financial instruments	**(1,144)**	**923**
Income tax paid	(17,798)	(9,645)
Total cash flow from operating activities	**142,284**	**338,863**
Cash flow from investing activities:		
Payments for intangible assets	(15,003)	(20,394)
Purchase of property, plant and equipment	(65,606)	(26,156)
Proceeds from sale of intangible assets	197	814
Proceeds from sale of property, plant and equipment	3,435	827
Other changes in property, plant and equipment and intangible assets	(674)	(3,022)
Purchase of minority interests	0	0
Proceeds from sale of equity investments	0	0
Other changes of unconsolidated equity investments	(5,484)	0
Net investments for business combinations	(1,174)	44,873
Financial investments	(749)	353
Dividends received	5,606	6,128
Total cash flow from investing activities	**(79,452)**	**3,423**
Cash flow from financing activities		
Other changes in Shareholders' Equity	0	0
Dividends paid to shareholders	(20,000)	(5,000)
Change in non-current financial liabilities	(80,167)	(119,662)
Change in current financial liabilities	(107,656)	119,693
Reimbursement of lease liabilities	(136,362)	(115,359)
Interest paid	(2,718)	(2,907)
Dividends paid to minority interests	(514)	0
Other changes to minority interests	484	0
Total cash flow from financing activities	**(346,933)**	**(123,235)**
Net change in cash and cash equivalents	**(284,101)**	**219,051**
Net foreign exchange difference	2,244	(689)
Net cash and cash equivalents at beginning of year	**582,501**	**364,139**
Cash and cash equivalents at end of year	**300,644**	**582,501**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Legal reserve	Other reserves	Cash Reserves flow hedge	Foreign currency translation reserves	Profit for financial year	Shareholder's equity attributable to the group	Shareholder's equity attributable to minority interests	Total shareholder's equity
Balance as at 31.12.2020		**5,000**	**851,070**	**5,030**	**(13,196)**	**1,554**	**874,458**	**3,609**	**878,067**
Allocation of 2020 profit	0	0	1,554	0	0	(1,554)	0	0	0
Dividend payments	0	0	(5,000)	0	0	0	(5,000)	0	(5,000)
Increases	0	0	0	0	0	0	0	0	0
Other changes	0	0	872	0	(1,441)	0	(569)	569	0
Net income for the year	0	0	0	0	0	140,542	140,542	1,430	141,972
Total other comprehensive income changes	0	0	0	(6,797)	5,338	0	(1,459)	157	(1,302)
Balance as at 31.12.2021		**5,000**	**848,496**	**(1,767)**	**(9,299)**	**140,542**	**1,007,972**	**5,765**	**1,013,737**
Allocation of 2021 profit	0	0	140,542	0	0	(140,542)	0	0	0
Dividend payments	0	0	(20,000)	0	0	0	(20,000)	(514)	(20,514)
Increases	0	0	0	0	0	0	0	484	484
Other changes	0	0	(13,531)	0	(162)	0	(13,693)	(2,018)	(15,711)
Net income for the year						103,969	103,969	1,051	105,020
Total other comprehensive income changes	0	0	478	3,703	(4,953)	0	(772)	(146)	(918)
Balance as at 31.12.2022		**5,000**	**955,985**	**1,936**	**(14,414)**	**103,969**	**1,077,476**	**4,622**	**1,082,098**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

OTB S.p.A. is an Italian company limited by shares and is located at: Via Dell'Industria 2, Breganze (VI). Together with its subsidiaries, the group operates primarily in the ready-to-wear apparel sector as well as clothing and accessories in the casual/leisure-wear sector.

BASIS OF PREPARATION

Accordance with IFRS

The consolidated financial statements of OTB Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as endorsed by the European Union and which were in force at the date of preparation of this document. The term "IFRS" encompasses *International Accounting Standards* (IAS) that are still in force, as well as all interpretations of the *International Financial Interpretations Committee*, which was formerly named the *International Financial Reporting Interpretations Committee* ("IFRIC"), and of the *Standing Interpretations Committee* ("SIC").

Form and content of the consolidated financial statements

The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand, except when otherwise indicated.
The consolidated financial statements comprise the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and these notes to the consolidated financial statements.
The Group classifies an asset as current when:

- it owns it for sale or consumption, or foresees its realisation within the normal course of its operating cycle;
- it owns it primarily for the purpose of trading;
- it foresees their realization within twelve months of the closing date of the financial year;
- it consists of liquid assets or their equivalent the use of which is not subject to constraints or restrictions such as to prevent its use for at least twelve months from the closing date of the financial year.

All assets that do not meet the conditions listed above are classified as non-current.
The Group classifies a liability as current when:

- it expects to settle the liability within its normal operating cycle;
- it owns it primarily for the purpose of trading;
- it must be settled within twelve months of the closing date of the financial year;
- it does not have an unconditional right to defer settlement of the liability for at least twelve months from the closing date of the financial year.

All liabilities that do not meet the conditions listed above are classified as non-current.
The consolidated statement of profit or loss is presented with an analysis of expenses by nature.
The Group presents its cash flows using the indirect method in accordance with IAS 7 and has classified its cash flows as operating activities, investing activities and financing activities.
It should be noted that certain items of the consolidated cash flow statement for the year ended were subject to reclassifications of insignificant amounts carried out for the purpose of better exposure of said items.

A description of the methods used by the Group for financial risk management is provided in these Explanatory Notes to the consolidated financial statements in the paragraph entitled "Financial risk management."

The explanatory notes include the information normally required by current regulations and accounting standards, appropriately presented for each of the primary financial statements.

ACCOUNTING PRINCIPLES

General notes

The financial statements have been prepared applying the going concern assumption, and have been prepared on the basis of the historical cost criterion, with the exception of the valuation of some classes of financial assets and liabilities (including derivative financial instruments) valued at *fair value*.

The consolidated financial statements have been prepared from the financial statements of the individual subsidiary companies. The financial statements of the companies consolidated have been adjusted, where necessary, to bring them into line with the accounting policies used by the Parent Company, which comply with IFRS as adopted by the European Union.

The consolidated financial statements provide comparative information in respect of the previous period.

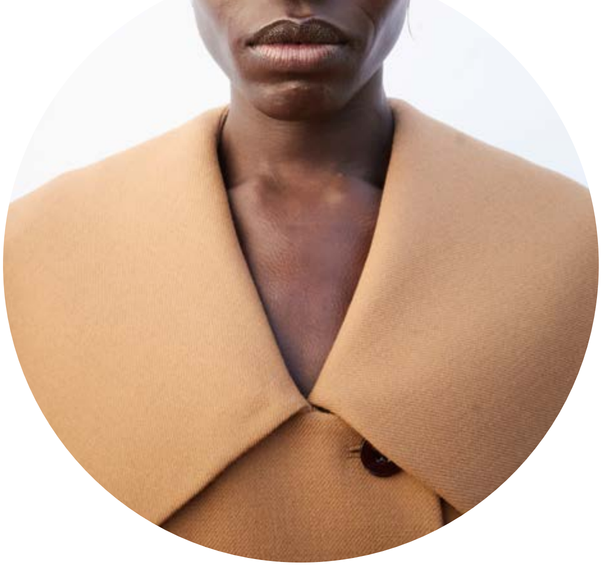
Adoption of IFRS

The consolidated financial statements of OTB Group (hereinafter "the Group") for the year ended 31 December 2022 were prepared in accordance with IFRS.

New accounting standards, interpretations and amendments adopted by the Group

The following new standards and amendments effective on or after 1 January 2022 have been adopted by the Group:

- In May 2020, the IASB issued amendments to IFRS 3 — Business Combinations to update a reference in IFRS 3 to the *Conceptual Framework for Financial Reporting* without changing the accounting requirements for business combinations. There has been no effect since the adoption of these amendments.
- In May 2020, the IASB issued amendments to *IAS 16* — Property, plant and equipment. The amendments prohibit a company from deducting, from the cost of property, plant and equipment amounts received from the sale of manufactured items while the company is preparing the asset for its intended use. Instead, a business should recognize such sales proceeds and the related cost in the income statement. There has been no effect since the adoption of these amendments.
- In May 2020, the IASB issued amendments to IAS 37 — Provisions, Contingent Liabilities and Contingent Assets, which specify what costs a company includes when assessing whether a contract will be loss-making. There has been no effect since the adoption of these amendments.
- In May 2020, the IASB issued the *Annual Improvements* to *IFRSs 2018 - 2020 Cycle*. The improvements amended four standards: i) IFRS 1 — First-time adoption of *International Financial Reporting Standards* in relation to the possibility for a subsidiary to measure cumulative translation differences using the values reported by its parent, ii) IFRS 9 — Financial instruments which amounts an entity includes when applying the "10 percent" test for the cancellation of financial liabilities, iii) IAS 41 — Agriculture in relation to the exclusion of tax cash flows in the *fair value* measurement of a biological asset, and iv) IFRS 16 - Leasing in relation to an illustrative example of repayment for improvements on leased assets. There has been no effect since the adoption of these amendments.



International accounting standards issued but not yet in force

The following new standards, amendments and interpretations have been issued by the International Accounting Standards Board ("IASB") and adopted by the European Union which will be mandatory from 2023 or thereafter:

- In May 2017, the IASB issued IFRS 17 - Insurance contracts which establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued, as well as guidance relating to reinsurance contracts held and investment contracts with discretionary holding characteristics issued. In June 2020, the IASB issued amendments to IFRS 17 aimed at helping companies implement IFRS 17 and making it easier for companies to explain their financial performance. The new standard and the amendments are effective from 1 January 2023. The Group does not expect any significant impact from the adoption of these amendments.
- In January 2020, the IASB issued amendments to IAS 1 - Presentation of the financial statements. Classification of liabilities as current or non-current to clarify how to classify payables and other liabilities as current or non-current, and in particular how to classify liabilities with an uncertain settlement date and liabilities that can be settled by converting to equity. These amendments are effective from 1 January 2024. The Group does not expect any significant impact from the adoption of these amendments.
- In February 2021, the IASB issued amendments to IAS 1— Presentation of the financial statements and to *IFRS Practice Statement 2*: Accounting policy disclosures that require companies to disclose information relating to their relevant accounting standards rather than their significant accounting standards and provide guidance on how to apply the concept of materiality to accounting policy disclosures. These amendments are effective from 1 January 2023. The Group does not expect significant impact from the adoption of these amendments.
- In February 2021, the IASB issued amendments to IAS 8 — Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates which clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. These amendments are effective from 1 January 2023. The Group does not expect significant impact from the adoption of these amendments.
- In May 2021, the IASB issued amendments to IAS 12 — Income tax: Deferred Taxes relating to Assets and Liabilities arising from a single transaction, to specify how companies should account for deferred taxes on transactions such as leases and decommissioning obligations, transactions for which companies recognize both an asset and a liability. In particular, it was clarified that the exemption does not apply and that companies are required to recognize deferred taxation on such transactions. These amendments are effective 1 January 2023, with early application permitted. The Group does not expect significant impact from the adoption of these amendments.
- in December 2021, the IASB issued amendments to IFRS 17 — Insurance Contracts: Initial application of IFRS 17 and IFRS 9 - Comparative Information, which provides for a transitional option relating to the comparative information on financial assets presented at the time of the initial adoption of IFRS 17. The amendments are aimed at helping companies avoid temporary accounting mismatches between financial assets and liabilities from insurance contracts, thus improving the usefulness of the information for users of the financial statements. These amendments are effective from 1 January 2023. The Group does not expect significant

impact from the adoption of these amendments.
- In September 2022. the IASB issued amendments to IFRS 16 — Leases: Liability in sale and leaseback transactions to enhance the requirements for sale and leaseback transactions, which specify measuring the liability arising from a sale and leaseback transaction, to ensure that the seller-lessee does not recognize any amount of profit or loss that refers to the right of use which it retains. These amendments are effective from 1 January 2024. The Group does not expect significant impact from the adoption of these amendments.
- October 2022, the IASB issued amendments to IAS 1 — Presentation of the financial statements: Non-current liabilities with covenants, which clarify how the conditions that an entity must comply with within twelve months of the reference year affect the classification of a liability. These amendments are effective from 1 January 2024. The Group does not expect any significant impact from the adoption of these amendments.

The Group intends to adopt these standards and interpretations, if applicable, when they come into force.

ASSESSMENT CRITERIA

The most significant accounting standards and assessment criteria used for the preparation of the consolidated financial statements are briefly described below.

Tangible fixed assets

Property, plant and equipmet

Property, plant and equipment are recognised under the assets at purchase or production cost inclusive of any directly attributable ancillary charges necessary for making the assets ready for use, net of any value losses. They are systematically depreciated on the basis of their technical economic useful life, understood as the estimate of the period in which the asset will be used by the Group, starting from the time in which the asset is available for use.

Any changes to the depreciation plan, deriving from a revision of the useful life of the tangible asset, the residual value, or the methods for obtaining the economic benefits of the asset, are recognized prospectively.
Revaluations of property, plant and equipment are not permitted, not even in accordance with specific laws.
Land, whether free of constructions or annexed to civil and industrial buildings, is accounted for separately and is not depreciated, since it is deemed to have an indefinite useful life.

Where capitalisation criteria have been met, cost also includes borrowing costs directly attributable to the acquisition, construction or production of an asset. Costs incurred subsequent to the purchase of an asset are capitalised only if they increase the future economic benefits inherent in the asset to which they relate. Costs incurred for maintenance or repairs of an ordinary or cyclical nature are charged directly to profit or loss in the year they are incurred. The capitalisation of costs related to attachment expansion, modernisation or improvement of facilities owned or leased by the Group is carried out to the extent that they meet the requirements for being classified separately as an asset or part of an asset, applying the component approach, according to which, each component with an independent assessment of the useful life and its value must be treated individually. All other costs are recognised in profit or loss as incurred.

The indicative useful lives, estimated by the Group for each asset category, are as follows:

	Useful life
Buildings	33 years
Plant and equipment	4-10 years
Computers and office equipment	2-10 years
Furniture and fittings	3-10 years
Industrial and commercial equipment	3-8 years
Improvements to third party goods	Over the residual lease term up to a maximum of 10 years
Other assets:	
- Motor vehicles	4-5 years
- Other vehicles	5 years

With respect to leased stores, where the Group has undertaken to restore premises to their original condition upon their return to the lessor, premises restoration costs are charged to the income statement over the residual lease term.

Intangible fixed assets

Intangible fixed assets refer to identifiable assets without physical substance, controlled by Group companies and capable of producing future economic benefits. Identifiability is defined with reference to the possibility of distinguishing the acquired intangible fixed asset from goodwill. This requirement is usually met when:

- the intangible fixed asset is attributable to a legal or contractual right; or
- the asset meets the separability criterion, i.e. it can be assigned, transferred, leased or exchanged independently or as an integral part of other assets.

Intangible assets acquired separately are measured on initial recognition at cost inclusive of directly attributable ancillary costs. The cost of intangible assets acquired in a business combination is their fair value at the acquisition date. Internally generated intangibles are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred. The Group does not incur any development costs that qualify for capitalisation in accordance with IAS 38.
Revaluations are not permitted, not even in accordance with specific laws.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised systematically over the useful economic life of the assets concerned. The residual carrying amount at the end of the useful lives of the assets is assumed to be zero unless third parties have committed to purchase the assets at the end of their useful lives or where an active market exists for the assets.
The estimated future useful lives of the assets are reviewed by the Directors at the end of each reporting period. The useful lives of intangible assets, as estimated by the Group, are as follows:

	Useful life
Trademarks	20-30 years
Intellectual property rights	3-5 years
Key money	Over the residual lease term up to a maximum of 10 years
Rights of use assets	Based on the duration of the lease contract
Other intangible assets	3-5 years

Intangible assets with indefinite useful lives, which for the Group consist solely of goodwill, are not amortised, but are tested for impairment using the methods indicated in the paragraph which follows.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Trademarks
Some of the Group's principal trademarks have been created and developed internally; accordingly, they have not been capitalised as assets. Any revaluations made in the past in accordance with specific legislation have not been recognised in these financial statements. Trademarks acquired directly from third parties or in a business combination are recognised in the same manner as for other intangible fixed assets.
All of the Group's trademarks are deemed to be intangible assets with a finite useful life and are amortised systematically.

Intellectual property rights

These intangible assets, which have been acquired from third parties, mainly consist of software licences or costs incurred for the implementation of IT systems. Such assets with finite lives are measured at purchase or production cost and are amortised on a straight line basis over their estimated useful lives, which generally ranges from 3 to 5 years.

Key money

Key money is a payment made to secure a tenancy in a commercially strategic location. It is amortised over the term of the relevant agreement with a maximum period of 10 years.

Goodwill

Goodwill arising from business combinations initially represents any excess consideration transferred over the fair value of the net assets acquired at the transaction date.
Goodwill is not amortised, but is tested for impairment at least annually and whenever circumstances arise that are indicative of potential impairment, in order to verify its recoverability.

Impairment of tangible and intangible assets

Assets other than goodwill

At each balance sheet date, the Group assesses whether there are any indicators of asset impairment. Whenever there are evident internal or external signs that indicate that an asset may be impaired, intangible assets with an indefinite useful life are tested at least annually for impairment to ensure that the carrying amount of the assets does not exceed their recoverable amount.
The test for recoverability of the carrying amount is performed via a comparison with the higher between an asset's *fair value* less costs of disposal and its value in use. An asset's value in use equates to the estimated future cash flows from the asset over its remaining useful life, discounted to their present value using a discount rate that reflects the time value of money and market risk.
If it is not possible to estimate independent cash flows for an individual asset, these are estimated for the smallest identifiable group of assets (*cash-generating unit or "CGU"*) to which the asset belongs, for which it is possible to estimate independent cash flows, and a comparison is made between the carrying amount and the value in use of the CGU.
When the recoverable amount of an asset or a CGU is lower than its carrying amount, the latter is adjusted immediately by means of the recognition in profit or loss of an impairment loss within a cost category that is consistent with the nature of the impaired asset.
If the reason for the recognition of an impairment loss ceases to exist, the carrying amount of the asset or of the CGU is reinstated up to the carrying amount that the asset or the CGU would have had if no impairment loss had been recognised and the related depreciation would have been carried out.

Goodwill

Goodwill is allocated at the acquisition date to one or more CGUs, based on the benefits or synergies expected from the business combination that generated the goodwill.
Goodwill is tested for impairment by assessing the value in use of the CGU to which the goodwill relates; when the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill are not reversed in future periods. Goodwill is tested for impairment annually as at 31 December.

Leased assets

Lease contracts are accounted for in the financial statements on the basis of the provisions of IFRS 16.
At the time of signing each contract, the Group:

- determines whether the contract is or contains a lease, a circumstance that occurs when the same assigns the right to control the use of a specified asset for a period of time in exchange for a consideration. This evaluation is repeated in the event of a subsequent amendment of the terms and conditions of the contract;

- separates the components of the contract by dividing the consideration of the contract between each lease or non-lease component;
- determines the lease term as the non-cancellable period of the lease plus any periods covered by an option to extend or terminate the lease.

On the effective date of each contract, i.e. the date on which the asset is made available for use, the Group, if it is a lessee, recognizes an asset in the balance sheet representing the right to use the asset (hereinafter also "*right-of-use asset*"), and a liability representing the obligation to make the payments envisaged over the term of the contract (hereinafter also "*lease liability*"). The lease term is determined considering the non-cancellable period of the contract, as well as, where there is reasonable certainty, also the periods considered by the extension options or connected to the failure to exercise the early termination options of the contract. The lease liability is initially recognized at an amount equal to the present value of the following payments due for the lease, not yet made at the *commencement date*: (i) fixed (or essentially fixed) payments, net of any incentives to be received; (ii) variable payments that depend on indices or rates; (iii) estimate of the payment that the lessee will have to make as a guarantee of the residual value of the leased asset; (iv) payment of the exercise of the purchase option price, if the lessee is reasonably sure of exercising it; and (v) payment of contractual penalties for termination of the lease, if the lessee is reasonably certain to exercise such option. The present value of the aforementioned payments is equal to the present value of the residual future payments discounted using the implicit interest rate of the lease or, alternatively, the Group's incremental borrowing rate. Subsequently, the asset consisting of the right of use is valued by applying the cost model, i.e. net of depreciation and any accumulated reductions in value and adjusted to take into account any new valuations or amendments to the lease. The lease liability is instead valued by increasing the book value to take into account interest, by decreasing the book value to take into account the payments due made and by restating the book value to take into account any new valuations or amendments to the lease.

The assets are depreciated on the basis of an amortization period consisting of the duration of the lease contract, unless the duration of the leasing contract is less than the useful life of the asset on the basis of the rates applied for tangible fixed assets and there is reasonable certainty of transfer of ownership of the leased property at the natural expiry of the contract. In this case, the depreciation period will be calculated on the basis of the criteria and rates indicated for tangible fixed assets. For lease contracts whose duration ends within 12 months from the date of initial application and which do not provide for renewal options and for contracts for which the underlying asset is of low value, the lease payments are recognized in the income statement on a straight-line basis for the duration of the respective contracts.

Inventories

Inventories of raw materials, semi-finished products and finished products are valued at the lower of cost and market value, whereby cost is determined on a weighted average cost basis. The value of inventories includes direct material costs, transport costs, customs costs and a portion of other direct costs that may be reasonably attributed thereto.

A provision is recognised for materials and finished products considered obsolete or slow moving, taking into account their expected future use and realisable value. Specific consideration is given to significant market disruptions, e.g., pandemic and/or war. The writedowns are eliminated in future accounting periods if the reasons for the same cease to exist.

As far as finished products are concerned, net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale, whereas, for raw materials, net realisable value is based on replacement cost.

Financial assets and liabilities

Financial assets other than derivatives

Upon their initial recognition, financial assets must be classified in one of the three categories indicated below on the basis of the following elements:

- the business model of the entity for the management of financial assets; and
- the characteristics relating to the contractual cash flows of the financial asset.

Financial assets are subsequently derecognised from the financial statements only if the sale has resulted in the substantial transfer of all the risks and benefits associated with said assets. On the other hand, if a significant portion of the risks and benefits relating to the financial assets transferred has been maintained, these continue to be recorded in the financial statements, even if legally the ownership of the assets themselves has actually been transferred.

Financial assets valued at amortized cost

This category includes financial assets that meet both of the following conditions:

- the financial asset is held according to a business model whose objective is achieved through the collection of contractually envisaged financial flows ("Hold to Collect" business model); and
- the contractual terms of the financial asset envisage, on certain dates, cash flows represented solely by payments of principal and interest on the principal amount outstanding (so-called "SPPI test" passed).

Upon initial recognition, these assets are recorded at fair value, including transaction costs or income directly attributable to the instrument itself. After initial recognition, the financial assets in question are valued at amortized cost, using the effective interest rate method. The amortized cost method is not used for assets – valued at historical cost – whose short duration makes the effect of applying the discounting logic negligible, for those without a defined maturity and for reversible loans.

Financial assets measured at fair value with impact on comprehensive income

This category includes financial assets that meet both of the following conditions:

- the financial asset is held according to a business model whose objective is achieved both through the collection of contractually envisaged cash flows and through the sale of the financial asset ("Hold to Collect and Sell" business model); and
- the contractual terms of the financial asset envisage, on certain dates, cash flows represented solely by payments of principal and interest on the principal amount outstanding (so-called "SPPI test" passed).

This category includes equity interests, which cannot be classified as controlling, connected or jointly controlled, which are not held for trading purposes, for which the option for designation at fair value through other comprehensive income has been exercised.
Upon initial recognition, these assets are recorded at fair value, including transaction costs or income directly attributable to the instrument itself. After initial recognition, non-controlling equity interests, associates and joint ventures are valued at fair value, and the amounts recognized as a contra entry to equity (Statement of Comprehensive Income) must not be subsequently transferred to the income statement, even in the event of assignment. The only component attributable to the equity securities in question that is recognized in the income statement is represented by the related dividends. For equity securities included in this category, not listed on an active market, the cost criterion is used as an estimate of the fair value only on a residual basis and limited to a few circumstances, i.e. when the most recent information to evaluate the fair value is insufficient, or if there is a wide range of possible measurements of fair value and cost represents the best estimate of fair value in that range of values.

Financial assets valued at fair value with impact on the income statement

Financial assets other than those classified under "Financial assets valued at amortized cost" and among "Financial assets valued at fair value with impact on other comprehensive income" are classified in this category.

This category includes financial assets held for trading and derivative contracts that cannot be classified as hedging (which are represented as assets if the fair value is positive and as liabilities if the fair value is negative).

Impairment of financial assets

In accordance with the provisions of IFRS 9, the Group applies a simplified approach to estimate expected credit losses over the lifetime of the instrument and takes into consideration its historical experience with respect to credit losses, corrected on the basis of specific prospective factors of the nature of the Group's receivables and the economic context.

In summary, the Group assesses the expected losses of financial assets so that it reflects:

- an objective, probability-weighted amount determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and demonstrable information that is available, without undue cost or effort, at the balance sheet date on past events, current conditions and forecasts of future economic conditions.

The financial asset is impaired when one or more events have occurred that have a negative impact on the financial asset's estimated future cash flows. The observable data relating to the following events constitute evidence that the financial asset is impaired (it may not be possible to identify a single event; the impairment of financial assets may be due to the combined effect of several events):

a) significant financial difficulties of the issuer or debtor;

b) a breach of contract, such as a default or missed deadline;

c) for economic or contractual reasons relating to the debtor's financial difficulties, the creditor extends a concession to the debtor, which the creditor would not otherwise have taken into consideration;

d) there is a likelihood that the debtor will file for bankruptcy or other financial restructuring proceedings;

e) the disappearance of an active market for that financial asset due to financial difficulties; or

f) the purchase or creation of the financial asset at great discounts reflecting the credit losses incurred.

For financial assets accounted for using the amortized cost method, when an impairment loss has been identified, its value is measured as the difference between the asset's book value and the present value of expected future cash flows, discounted on the basis of the original actual interest rate. This value is recognized in the income statement.

Lease assets

Lease assets refer exclusively to contracts for subleasing out assets linked to lease contracts treated in accordance with IFRS 16. As a result of the sublease income, the right of use asset inherent in the lease contract cost is totally or partially reversed, with simultaneous elimination or reduction of the related depreciation and, at the same time, a financial lease asset is recognised which generates recognition of the interest income. On the other hand, the sublease income does not produce any change in the financial liability of the lease contract cost.
The Group uses the Incremental Borrowing Rate (IBR) to calculate the present value of future cash receipts.
Subsequent to initial recognition, lease assets are increased by the interest accrued during the period and decreased by the receipts obtained. In addition, the lease asset is remeasured to take account of any changes in the contractual terms.

Government grants

Government grants, including non-monetary grants measured at fair value, are recognized when there is a reasonable certainty that they will be received and that the Group will comply with all the conditions set for their disbursement.

Cash and cash equivalents

Cash and cash equivalents and short-term deposits include cash on hand and overnight and short-term deposits, in the latter case with an original maturity expected no later than three months, readily convertible into cash and subject to an irrelevant risk of change in value. Items included in cash and cash equivalents are valued at fair value. Term deposits that do not comply with the requirements of the IFRS are not included in cash and cash equivalents.
Short-term bank deposits with an original maturity equal to or greater than three months that do not meet the requirements of IAS 7 are included in a specific current asset item.
Collection transactions are recorded by bank transaction date, while for payment transactions the order date is also taken into account.
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of bank overdrafts.

Financial liabilities other than derivatives

The Group has not designated any financial liabilities as held for trading.

Financial liabilities and trade payables are recognized when the Group becomes a party to the related contractual clauses and are initially valued at fair value adjusted for directly attributable transaction costs.

Subsequently, they are valued with the amortized cost criterion, using the actual interest rate method.

Derecognition of financial assets and liabilities

Financial assets are derecognised when one of the following conditions is met:

- the contractual right to receive the cash flows from the asset has expired;
- the Group has essentially transferred all the risks and benefits associated with the business;
- the Group has neither transferred nor essentially maintained all the risks and benefits connected with the financial asset but has relinquished control.

Financial liabilities are derecognised when they are extinguished, i.e. when the contractual obligation is fulfilled, cancelled or written-off. An exchange of debt instruments with materially different contractual terms shall be accounted for as settlement of the original financial liability and recognised as a new financial liability.

Similarly, a substantial change in the contractual terms of an existing financial liability, even partial, must be accounted for as an extinction of the original financial liability and recognised as a new financial liability.

Offset of financial assets and liabilities

The Group offsets financial assets and liabilities only when:

- there is a legally enforceable right to offset the values recognised in the financial statements;
- there is an intention either to offset on a net basis or to realise the asset and settle the liability simultaneously.

Measurement of fair value

The measurement of the fair value and the related disclosure is carried out in accordance with "IFRS 13 - Measurement of *fair value.*" Fair value represents the price which would be received for the sale of an asset, if one should pay for the transfer of a liability, within the sphere of a regular transaction between market operators as of the measurement date.

The measurement of *fair value* is based on the assumption that the sale of the asset or the transfer of the liability takes place in the principal market, i.e. in the market in which the greatest volume and level of transactions for the asset or liability takes place. In the absence of a principal market, the transaction is assumed to take place in the most advantageous market to which the companies have access, i.e. the market that maximizes the results of the transaction to sell the asset or minimizes the amount to be paid to transfer the liability.

The *fair value* of an asset or liability is determined by considering the assumptions that market participants would use to define the price of the asset or liability, assuming that they act according to their best economic interests. Market participants are independent, knowledgeable buyers and sellers who are able to enter into a transaction for the asset or liability and who are motivated but not required or compelled to enter into the transaction.

Determination of the fair value of financial instruments

The fair value of listed financial instruments is determined by observing the prices directly observable on the market, while for unlisted financial instruments, by using specific measurement techniques that make use of the greatest possible number of inputs observable on the market. In circumstances where this is not possible, the inputs are estimated by management, taking into account the characteristics of the instruments being measured. Changes in the assumptions made in estimating the input data could affect the *fair value* recognized in the financial statements for these instruments.

The levels of the financial instruments classified on the basis of a hierarchy of levels which reflect the significance of the inputs used in determining the *fair value* (IFRS 13 - *Fair value* measurement) are shown below.

- **Level 1**: Listed price (active market): the data used in the measurements are represented by prices quoted on markets in which assets and liabilities identical to those being measured are exchanged;
- **Level 2:** Use of parameters observable on the market (for example, for derivatives, the exchange rates recorded by the Bank of Italy, market yield curves, volatility provided by Bloomberg, credit spreads calculated on the basis of credit default swaps, etc.) different from the quoted prices of level 1;
- **Level 3:** Use of parameters unobservable on the market (internal assumptions, for example, cash flows, risk-adjusted spreads, etc.).

Derivative financial instruments

Derivative financial instruments are accounted for in accordance with the provisions of IFRS 9.

The Group uses derivative financial instruments to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into; they are subsequently periodically remeasured at fair value.

They are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Upon stipulation of the contract, the Group designates and documents the existence of a hedging relationship, specifying the identification of the hedging instrument, element or transaction being hedged, correlation between the two and the nature of the risk, including the risk management objectives, hedging strategy and the methods that will be used to verify their prospective and retrospective effectiveness.

The effectiveness of each hedge is verified both at the time each derivative instrument is initiated and during its life and, in particular, at each balance sheet date. Generally, a hedge is considered highly “effective” if, both at inception and during its life, changes in *fair value*, in the case of *fair value hedge*s, or in expected future cash flows, in the case of *cash fbw hedge*s, of the hedged item are substantially offset by changes in the *fair value* of the hedging instrument.

The IFRS 9 accounting standard envisages the possibility of designating the following three hedging relationships:

- fair value hedges when hedging the exposure to changes in the fair value of an underlying asset or liability. The change in the fair value of a hedging instrument is recognised in the statement of profit or loss;
- cash flow hedges when hedging the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability. The portion of profit or loss on the derivative relating to the change in *fair value* of the effective hedging portion is recognized directly in equity in a shareholders' equity reserve called "*Cash flow hedge* reserve," while the ineffective portion is recognized in the income statement. When the economic effects originating from the hedged item arise, the portion recorded in the comprehensive income statement is reversed to the income statement;
- coverage of a net investment in foreign management (*net investment hedge*).

Unlike changes in fair value arising from year end measurement, differentials arising from contracts paid or collected at their established due dates are recognised in profit or loss, regardless of the purpose of the derivative.
Furthermore, the hedging relationship ends when:

- the derivative expires, is sold, terminated or exercised;
- the hedged item is sold, expires or is repaid;
- it is no longer highly probable that the hedged future transaction will take place.

If derivatives do not qualify as a hedging instrument, changes in their fair value are recognised in profit or loss.

Provisions for risks and charges

Provisions represent obligations that are certain or probable and for which a reliable estimate can be made of the amount thereof, but the timing or the exact amount required to settle the obligation could not be determined. Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Employee benefits

The short-term benefits consist of wages, salaries, related social security contributions, indemnity in lieu of holidays and incentives paid in the form of a bonus payable in the twelve months from the balance sheet date. These benefits are accounted for as components of personnel costs in the period in which the work is performed.

Benefits granted to employees and which become payable upon or subsequent to termination of employment via defined benefit plans (provision for employee termination indemnities) or other long term benefits (retirement benefits) are recognised in the vesting period. As regards the provision for employee termination indemnities due by the Italian Group companies, the benefits payable subsequent to termination of employment may be categorised as follows:

- defined contribution plans, consisting of the portion accrued as from 1 January 2007;
- defined benefit plans, consisting of the provision for employee termination indemnities accrued up to 31 December 2006.

Under a defined contribution plan, an entity's legal or constructive obligation is limited to the amount it agrees to contribute: consequently, the actuarial risk and investment risk fall on the employee. Defined benefit plans create an obligation on the entity to provide agreed benefits to employees: consequently, the actuarial risk and investment risk fall on the company.

Defined benefit plan obligations are determined annually by an independent actuary using the *Project Unit Credit method*. The current value of the defined benefit plan is determined by discounting future cash flows at a given interest rate. The actuarial gains and losses deriving from said adjustments and the changes in the actuarial hypotheses, are booked to the comprehensive income statement.

Liabilities for obligations relating to other medium/long-term employee benefits, such as *management* incentive plans, are determined by adopting actuarial assumptions. The effects deriving from the changes in the actuarial hypotheses, or from adjustments based on past experience, are recognized entirely in the income statement

Non-current assets held for sale and discontinued operations

Assets and liabilities that can be directly associated with business units held for sale are recognised in the statement of financial position as held for sale, separately from other assets and liabilities of the company. Immediately before classification as held for sale, the related assets and liabilities are measured according to the accounting standards applicable to them. When they are classified as held for sale, net assets are measured at the lower of the book value and the related fair value, reduced by selling costs. Any negative difference between the previous book value and the fair value less selling costs is charged to the income statement as a write-down. The business units classified as held for sale constitute a discontinued operation if they: (i) represent a significant autonomous business unit or a geographical area of significant activity; (ii) are part of a single program for the disposal of a significant business unit or a geographic area of significant activity; or (iii) refer to a subsidiary acquired exclusively for the purpose of its sale. The results of discontinued operations, as well as any capital gains/losses realised following the disposal, are indicated separately in the income statement in a specific item, net of the related tax effects, also for the years used for comparison.

Business combinations

Business combinations are recognised according to the *acquisition* method. According to this method, the buyer must measure the identifiable assets acquired and liabilities adopted at their respective fair values at the date of acquisition. The net assets acquired determined in this manner are compared to the consideration transferred and two situations may arise. If the consideration transferred exceeds the value of the net assets acquired, goodwill is determined. If, on the other hand, the value of the net assets acquired exceeds the consideration transferred, this excess must be immediately recognised in the income statement as income from the transaction concluded. Charges accessory to the transaction are consistently recognised in the income statement when incurred. If, at the end of the period in which the combination takes place, the initial accounting for a business combination is incomplete, the Group recognises the provisional amounts of the items whose accounting is incomplete in its financial statements. During the measurement period, the Group retroactively adjusts the provisional amounts recognised at the acquisition date.

Asset acquisition

Acquisitions of assets are recognised according to the "*asset acquisition method.*" According to this method, the buyer must identify and record the individual identifiable assets acquired, allocating the purchase cost incurred to the individual identifiable assets to be acquired, on the basis of their respective fair values at purchase date. The application of the method cannot, therefore, in any way lead to the recognition of goodwill, since any excess of the cost incurred by the buyer with respect to the fair values of the assets received must be recognized in the income statement.

Revenue

Revenue from contracts with customers is recognized when the following conditions occur:

- the contract with the customer has been identified;
- the contractual obligations ("*performance obligations*") contained in the contract have been identified;
- the price has been determined;
- the price was allocated to the individual contractual obligations contained in the contract;
- the contractual obligation contained in the contract has been fulfilled.

The Group recognizes revenue from contracts with customers when (or as) it fulfils the contractual obligation by transferring the promised good or service (i.e. the asset) to the customer.
The asset is transferred when (or as) the customer acquires control.

Wholesale sales

Revenue from wholesale sales is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Payment is normally deferred until delivery takes place.
The Group closely monitors the terms of trade and any right of return granted to customers of its trading subsidiaries. In those rare cases where the conditions do not lead to a transfer to the customer of all the risks of ownership of the goods (such as cases where the conditions amount to sale or return, rather than an outright sale), revenue recognition is deferred until such time as the risks are substantially transferred (e.g. sell through to the end customer). Any residual risks that do not jeopardise correct revenue recognition, such as the concession of a limited right of return, are measured and recognised in the financial statements by means of specific provisions and a corresponding reduction of revenue.

Discounts, including those of a financial nature, and rebates are recognised as a reduction of revenue to which they relate.

Retail sales

These sales are made in part through stores managed directly by the Group. Revenue is recognised on delivery of the goods to the customer, which coincides with the receipt of payment in cash or by means of electronic payment. This category also includes sales made through concession or license stores, outlets operated by third parties therefore. In such cases, revenues are recognised at the time of sale of the goods to the final consumer while the related collection is deferred with respect to recognition of the revenue.

Licenses

Revenue is recognised based on the underlying contractual provisions, usually as a percentage of sales of branded products made by the licensee. Any amount received upon renewal of a licence is recognised on an accrual basis over the life of the contract.

Provision of services

Revenue from the sale of services is recognised in the period in which the services are rendered by reference to the stage of completion of the service rendered, measured as a percentage of the total services still to be rendered.

Lease and rental income

This is recognised on an accrual basis, as well as on a straight line basis over the life of the contracts.

Upon receipt of an advance payment made by the customer, the Group recognizes in the item "Other current liabilities" the amount of the advance payment for the obligation to transfer assets in the future and eliminates this liability recognizing the revenue when it transfers these assets.

Costs and expenses

Costs and expenses are accounted for in accordance with the concepts of prudence and accruals. They are recognised when they relate to goods and services sold or consumed in the year, on an accrual basis using the same criteria as those disclosed for revenue.
Operating lease instalments:

- for the fixed or variable part based on an index or a rate, these are recognised in the income statement through depreciation of right of use assets on the one hand and through interest on the lease liability on the other, in accordance with IFRS 16;
- for the variable portion that depends mainly on sales volumes, these are recognised in the income statement on an accrual basis.

Income tax

Current taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Current income taxes relating to items recognised directly in equity are also recognised in equity and not in the Consolidated income statement.
Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to do so and the intention is to settle on a net basis and to realise the asset and settle the liability at the same time.

Deferred tax

Deferred tax is provided on all temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, with the exception of non-tax deductible goodwill. Deferred tax assets are recognised on the carry forward of any unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which they can be utilised. Current and deferred tax assets and tax liabilities are offset if the taxes relate to the same taxation authority and a legally enforceable right exists to offset them. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted in the countries where the Group operates.

Deferred tax liabilities are recognised on untaxed reserves when their distribution is deemed possible.

Uncertainty about the treatment of income taxes

In defining uncertainty, it will be considered whether a given tax treatment will be acceptable to the tax authority. If it is deemed likely that the tax authority will accept the tax treatment (the term “likely” is understood as “more likely than not”), then the Group recognises and measures its current or deferred tax assets and liabilities by applying the provisions of the IAS 12. Conversely, if there is uncertainty about the treatments for income tax purposes, the Group will have to reflect the effect of this uncertainty using the method that best provides for the resolution of the uncertain tax treatment. The Group must decide whether to consider each uncertain tax treatment separately or jointly with one or more uncertain tax treatments, choosing the approach that best provides for the resolution of the uncertainty. In assessing whether and how uncertainty affects the tax treatment, the Group assumes that the tax authority accepts or refuses an uncertain tax treatment assuming that the latter, in the verification phase, will control the amounts that it has the right to examine and will be fully aware of all relevant information.

When it concludes that it is unlikely that the tax authority will accept an uncertain tax treatment, the Group reflects the effect of the uncertainty in determining current and deferred taxes, using the expected value method or the most probable amount method, depending on which method best predicts the solution of the uncertainty.

The Group makes significant use of professional opinions in identifying uncertainties about treatments for income tax purposes and reviews the opinions and estimates made in the presence of a change in facts and circumstances that modify its forecasts on the acceptability of a given tax treatment or estimates made on the effects of uncertainty, or both.

Since the uncertain tax positions refer to the definition of income taxes, the Group presents the uncertain tax assets/liabilities as current taxes or deferred taxes.

Foreign currencies

The financial statements are presented in euros, which is also OTB Group's functional currency. Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot exchange rates at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items in currencies other than the functional currency, valued at cost, are converted using the exchange rate in force on the date of initial recognition of the transaction; when the measurement is made at fair value, or at the recoverable or realisable value, the exchange rate current on the date of determination of this value is adopted.

Significant accounting judgements, estimates and assumptions

The financial statements, which have been prepared in accordance with IFRS, contain estimates and assumptions made by the Group related to assets and liabilities, costs and revenue and contingent liabilities at the reporting date. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable and realistic based on the information available at the time.The assumptions associated with the estimates are reviewed periodically and the impact of any change is recognised in profit or loss in the period in which the estimate is revised: the actual results could differ from such estimates.

The critical accounting judgements that have been made, in that they are based on estimates of the Group's future results, relate to the recoverability of deferred tax assets recognised in the financial statements and the performance of impairment testing in the previously described manner. Significant estimates have also been made with respect to the determination of the market value of inventories, which requires forecasts to be made of the Group's ability to dispose of unsold finished products pertaining to past seasons or collections.

Impairment of assets

In accordance with the accounting standards applied by the Group, tangible and intangible assets are subject to verification in order to ascertain whether a reduction in value has occurred, which must be recognised through a write-down, when there are indicators that predict difficulties for the recovery of the related net book value represented by the higher amount between the fair value, net of sales costs, and the value in use. Verification of the existence of the aforementioned indicators requires the directors to make subjective assessments based on the information available within the Group and on the market, as well as on historical experience. Furthermore, if it is determined that a potential reduction in value may have occurred, the Group proceeds with the determination of the same using valuation techniques deemed suitable. The correct identification of the indicators of the existence of a potential reduction in value of tangible and intangible assets, as well as the estimates for their determination depend on factors that can vary over time, influencing the valuations and estimates made by the directors.

Amortisation

The cost of tangible and intangible assets is amortised on a straight-line basis over the estimated useful life of the related assets. The economic useful life of these assets is determined by the directors at the time they are acquired; it is based on historical experience for similar assets, market conditions and anticipations regarding future events that could impact the useful life of the assets, including changes in technology. Therefore, the actual economic life may differ from the estimated useful life.

Provision for risks and charges

Provisions representing the risk of a negative outcome are recognised for legal and tax risks. The value of the provisions recorded in the financial statements relating to these risks represents the best estimate at the date made by the directors. This estimate involves the adoption of assumptions which depend on factors which may change over time and which could, therefore, have significant effects with respect to the current estimates made by the directors for the preparation of the Group's financial statements.

Bad debt provision

The bad debt provision reflects the estimate of losses for the loan portfolio. Provisions have been made against expected receivables losses, estimated on the basis of past experience with loans of similar credit risk, current and historical outstanding amounts, as well as the close monitoring of loan portfolio quality and current conditions and forecasts of the economy and reference markets. The estimates and assumptions are reviewed periodically and the effects of each change are reflected in the income statement in the relevant year.

Provision for returns

The provision for returns reflects management's estimate of the valuation of the asset deriving from product return forecasts and the related liability for future refunds.

Inventories writedown reserve

The Group mainly produces and sells clothing items that are subject to changes in customer taste and trends in the fashion world. The inventory write-down provision therefore reflects the management's estimate of the expected loss in value of garments from collections from past seasons, taking into consideration the ability to sell the garments themselves through the various distribution channels in which the Group operates.

Other information

Segment information and earnings per share

The Group does not have any publicly traded securities. Accordingly, it is exempt from disclosure requirements concerning consolidated segment information as required by IFRS 8 and from the disclosure of earnings per share as required by IAS 33.

SCOPE OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company OTB S.p.A. and of the companies for which the Parent Company, directly or indirectly, holds the majority of voting rights, or for which it is able to govern the financial and operating policies.

As required by IFRS 10, a list is provided below of the companies that have been included in the scope of consolidation at 31 December 2022 as companies to be consolidated on a line-by-line basis:

Name	Registered Office	Currency	Share capital	Share held Direct	Share held Indirect	Held via
Diesel S.p.A.	Breganze (VI)	Eur	22,500,000	100%		
Diesel Italia S.r.l.	Milano	Eur	300,000		100%	(1)
Brave Kid S.r.l.	Marostica (VI)	Eur	550,000		90%	(1)
Diesel France S.A.S.	Paris	Eur	1,000,000		100%	(1)
Diesel USA Inc.	New York	Usd	110,001,000		100%	(1)
Diesel Sweden A.B.	Stockholm	Sek	600,000		100%	(1)
Diesel Swiss S.A.	Lugano	Chf	1,000,000		100%	(1)
Diesel Hellas S.A. in liquidation	Athens	Eur	300,000		100%	(1)
Diesel London Ltd.	London	Gbp	700,000		100%	(1)
Diesel Denmark A.P.S.	Copenhagen	Dkk	601,000		100%	(1)
Diesel Belgium S.A.	Antwerp	Eur	71,992		100%	(1)
Diesel Norge A.S.	Oslo	Nok	225,000		100%	(1)
Diesel Benelux B.V.	Amsterdam	Eur	18,152		100%	(1)
Diesel Pacific Ltd.	Hong Kong	Hkd	982,146,839		100%	(1)
Diesel Dragon (Shanghai) Trading Co. Ltd.	Shanghai	Cny	972,336,426		100%	(1)
K-Bit Ltd.	Hong Kong	Hkd	10,000		100%	(1)
K-Bit Brave Sourcing Ltd.	Chennai	Inr	100,000		100%	(1)
Diesel Iberia S.A.	Barcelona	Eur	100,000		100%	(1)
Diesel Deutschland Gmbh	Dusseldorf	Eur	1,000,100		100%	(1)
Diesel Japan Co. Ltd.	Osaka	Yen	60,000,000		100%	(1)
Diesel Japan Service Co. Ltd.	Osaka	Yen	10,000,000		100%	(1)
Diesel Canada Inc.	Montreal	Cad	44,642,857		100%	(1)
Gold Rush S.A. in liquidation	Luxembourg	Eur	31,000		100%	(1)
Diesel Fashion India Reliance Pvt. Ltd	Mumbai	Inr	1,155,000		51%	(1)
Universe S.a.r.l.	Principality of Monaco	Eur	150,000		100%	(1)
K-Bit Marocco S.a.r.l. in liquidation	Souissi Rabat	Mad	230,000		100%	(1)
Staff International S.p.A.	Noventa Vicentina (VI)	Eur	1,500,000	100%		
Staff Usa Inc.	New York	Usd	1,000		100%	(2)
Staff International Japan Co.Ltd.	Tokyo	Yen	440,000,000		100%	(2)
Props Vigevano S.r.l.	Milan	Eur	100,000		100%	(2)
Staff Asia Pacific Ltd.	Hong Kong	Hkd	7,000,000		100%	(2)
Staff Shanghai Co. Ltd	Shanghai	Cny	29,600,000		100%	(2)
Viktor & Rolf B.V.	Amsterdam	Eur	20,000	70%		
Brand Name Company B.V.	Amsterdam	Eur	200,000		70%	(3)
55DSL A.G.	Lugano	Chf	100,000	100%		
Marni Group S.r.l.	Milan	Eur	1,000,000	100%		
Marni Retail Espana S.A.	Madrid	Eur	60,000		65,5%	(4)
Marni Japan Ltd	Tokyo	Yen	99,900,000		100%	(4)
Marni Suisse S.A.	Lugano	Chf	100,000		100%	(4)
Marni U.S.A. Corp.	New York	Usd	100,000		100%	(4)
Marni France S.a.S.	Paris	Eur	40,000		100%	(4)
Marni Retail UK Ltd	London	Gbp	1,600		100%	(4)
Marni China Ltd	Hong Kong	Cny	4,783,171		100%	(4)
Marni Deutschland Gmbh	Munich	Eur	25,000		100%	(4)
Marni Hong Kong Ltd	Hong Kong	Hkd	100,000		100%	(4)

Name	Registered Office	Currency	Share capital	Share held Direct	Share held Indirect	Held via
Marni Shanghai Ltd	Shanghai	Cny	60,133,610		100%	(4)
Margiela S.A.S.U.	Paris	Eur	300,000	100%		
Margiela Japan CO. Ltd.	Tokyo	Yen	100,000,000		100%	(5)
Margiela Asia Ltd.	Hong Kong	Hkd	103,000,000		100%	(5)
Margiela (Shanghai) Trading Co. Ltd	Shanghai	Cny	91,380,000		100%	(5)
Margiela USA Inc.	New York	Usd	1,000		100%	(5)
Giordan S.r.l.	Venice	Eur	10,000		100%	(5)
Seppa e De Faveri S.r.l.	Venice	Eur	10,000		100%	(5)
Jil Sander S.p.A.	Milan	Eur	1,000,000	100%		
Jil Sander Gmbh	Hamburg	Eur	8,150,000		100%	(6)
Jil Sander Paris S.a.s	Paris	Eur	5,665,698		100%	(6)
Jil Sander Shanghai Co. Ltd	Shanghai	Cny	32,000,000		100%	(6)
Jil Sander CH Sagl	Lugano	Chf	20,000		100%	(6)
Jil Sander UK Limited	London	Gbp	100,000		100%	(6)
Jil Sander USA Inc.	New York	Usd	4,561,062		100%	(6)
Jil Sander Japan Co. Ltd	Tokyo	Yen	100,000,000		100%	(6)
BVX S.r.l.	Breganze (VI)	Eur	100,000	90%		
OTB Korea Ltd.	Seoul	Krw	2,700,000,000	100%		
OTB Macau Ltd.	Macau	Mop	14,000,000	100%		

Key:

(1) via Diesel S.p.A.

(2) via Staff International S.p.A.

(3) via Viktor & Rolf B.V.

(4) via Marni Holding S.r.l.

(5) via Margiela S.A.S.U.

(6) via Jil Sander S.p.A.

The scope of consolidation changed with respect to the previous year due to the following extraordinary transactions:

- establishment of a new company, BVX S.r.l., owned at 90% by the parent company OTB S.p.A.;
- establishment of a new company, OTB Macao Ltd, wholly owned at 100% by the parent company OTB S.p.A.;
- acquisition of 100% of the companies Giordan S.r.l. and Seppa e De Faveri S.r.l. by the subsidiary Margiela S.a.s.u.;
- reverse merger of the company, Marni Holding S.r.l., which was incorporated into the company Marni Group S.r.l., with a view to simplifying the Group structure;

The reference date of the consolidated financial statements coincides with the year-end date of the parent company and of all the other companies included in the area of consolidation, with the exception of Diesel Fashion India Reliance PVT. Ltd. and K-Bit Brave Sourcing Ltd., which drew up interim financial statements as at 31 December for the purposes of the consolidated financial statements, considering that their financial year ends on 31 March.
With regard to the company, L.R. Vicenza, 67.39% held by OTB SpA, the directors concluded that the Group is unable to exercise control and therefore the investment was accounted for using the equity method in accordance with the provisions of IAS 28.

CONSOLIDATION PRINCIPLES

The scope of consolidation includes the Parent Company OTB S.p.A. and subsidiaries as at 31 December 2022, in which the Parent Company directly or indirectly owns the majority of the share capital or shares with voting rights, or has the power, also through contractual agreements, to determine financial and operational policies.

Subsidiaries

These are companies in which the Group exercises control. Such control exists when the Group has the direct or indirect power to determine the financial and operating policies of a company in order to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is taken over. Consolidation of a subsidiary begins as of the date of acquisition, that is, when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

The consolidation procedures adopted include:

- the elimination of the parent's investment in each subsidiary and the inclusion of the assets and liabilities of each subsidiary on a line-by-line basis or under the equity method;
- the presentation of any portion of equity attributable to non-controlling interests;
- the elimination of all transactions between entities of the group and, thus, intragroup payables, receivables, sales, purchases and unrealised profits or losses recognised in assets.

Assets and liabilities, costs and income of the entities consolidated on a line-by-line basis are included in the consolidated financial statements in their entirety; the carrying amount of the parent's investment in each subsidiary is eliminated against the parent's portion of equity of each subsidiary.
At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value. Any excess purchase consideration over the fair value of the net assets acquired is recognised as goodwill; if the fair value of the net assets acquired is in excess of the purchase consideration transferred, the gain is recognised in profit or loss.

The portion of equity and profit attributable to non-controlling interests is recognised in specific captions within equity and the statement of profit or loss. In the event of an acquisition of partial control, the portion of equity attributable to the non-controlling interest is determined based on its share of the fair value at the acquisition date of the net assets acquired, with the exclusion of any goodwill attributable thereto (partial goodwill method).
The Group did not resort to the alternative method permitted for accounting for partial acquisitions, according to which it is recognised the entire amount of goodwill arising from the acquisition by also taking account of the portion attributable to the non-controlling interest (full goodwill method).

In the event of the acquisition of interests subsequent to the assumption of control (purchase of a non-controlling interest), any difference between the purchase consideration and the corresponding share of the net assets acquired is recognised directly in equity; likewise, the impact of the sale of a non-controlling interest, without a loss of control, is accounted for as an equity transaction.

Associates
These are companies in which the Group exercises significant influence, but not control or joint control, over financial and operating policies. The consolidated financial statements include the Group's share of the profit or loss of associates, accounted for using the equity method, from the date on which the significant influence begins.

TRANSLATION OF FOREIGN CURRENCY FINANCIAL STATEMENTS

The rules applied for the translation of foreign currency financial statements are the following:

- the assets and liabilities of foreign operations are translated into euros at the exchange rate prevailing at the reporting date;
- income and expense items are translated at the average exchange rates for the period;
- exchange differences arising from the translation of income and expense items at an exchange rate that differs from that prevailing at the reporting date and arising from the translation of opening equity balances at an exchange rate that differs from that prevailing at the reporting date are recognised in equity (foreign currency translation reserve).

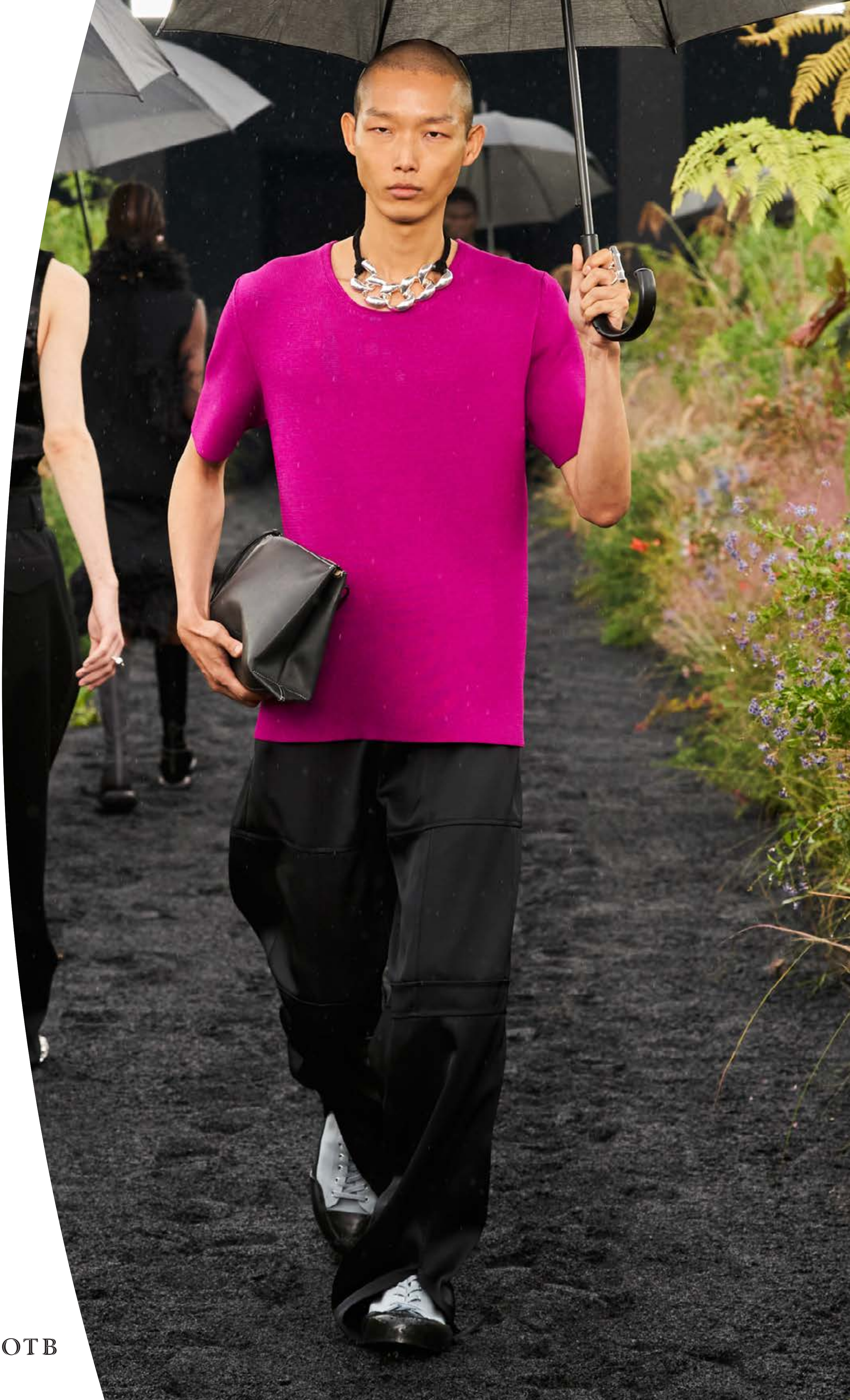
The exchange rates indicated in the following table were used for the translation of foreign currency financial statements (exchange rate for 1 Euro):

Currency		Average exchange rates		Period end exchange rates	
		2022	2021	31.12.2022	31.12.2021
US Dollar	USD	1.053	1.1827	1.0666	1.1326
Danish Krone	DKK	7.4396	7.437	7.4365	7.4364
Swedish Krona	SEK	10.6296	10.1465	11.1218	10.2503
British Pound	GBP	0.85276	0.8596	0.88693	0.84028
Norwegian Krone	NOK	10.1026	10.1633	10.5138	9.9888
Swiss Franc	CHF	1.0047	1.0811	0.9847	1.0331
Hong Kong Dollar	HKD	8.2451	9.1932	8.3163	8.8333
Japanese Yen	YEN	138.0274	129.8767	140.66	130.38
Chinese Renminbi	CNY	7.0788	7.6282	7.3582	7.1947
Won Sud	KRW	1358.07	1354.06	1344.09	1346.38
Canadian dollar	CAD	1,3695	1,4826	1,444	1,4393
Indian Rupee	INR	82,6864	87,4392	88,171	84,2292
Pataca	MOP	8,4927	9,469	8,5658	9,0983
Moroccan Dirham	MAD	10,678	10,626	11,158	10,483

FINANCIAL RISK MANAGEMENT

The OTB Group, operating in an international context, is exposed, to a varying extent, to various financial risks linked to the conduct of its business, especially market risks, that can be broken down as follows:

- interest rate risk, which is linked to the impact of changes in market interest rates;
- foreign exchange risk, which is a consequence of transactions denominated in currencies other than the functional currency;
- liquidity risk, which arises from the need to have adequate access to capital markets and sources of funding to cover the needs arising from operating activities, investment activities and the maturities of financial liabilities;
- credit (or counterparty) risk, which represents the risk of default on commercial or financial obligations assumed by the various counterparties and resulting from normal commercial transactions or financing activities, employment of funds and hedging of risks.



Financial risk management is carried out on the basis of guidelines established by the Parent Company, in order to control and coordinate the operations of the individual subsidiaries, so as to systematically monitor the Group's levels of exposure to financial risks.
In accordance with these guidelines, the Group specifically monitors the management of individual financial risks, with the objective of minimising the impact thereof, including through the use of derivatives for hedging purposes.

Rate risk
The OTB Group's exposure to the interest rate risk is moderate. In consideration of the positive net financial position of the Group, it was not necessary to undertake specific actions, such as the use of derivatives to mitigate the interest rate risk. Through a centralised treasury structure, the OTB Group constantly monitors the financial performance of the companies so as to implement a resource optimisation policy.

Interest rates receivable and payable on the components of the Group's net cash/debt are primarily linked to the Euribor/Libor rate for the period, increased by a spread that depends on the nature of the relationship. Interest margins receivable and payable are aligned with standard market rates and are commensurate with the Group's financial soundness.

In view of the current interest rate levels and the related dynamics, the income performance of the Group is only marginally sensitive to changes in the same.

Exchange risk
The OTB Group is exposed to fluctuations in the exchange rates of the currencies in which commercial transactions are settled with both customers and suppliers, mainly in JPY, CNY, GBP, HKD and USD.
The OTB Group has adopted an exchange risk hedging policy, in line with market practices, and with international accounting standards, with the aim of minimising the impact of exchange rate fluctuations on the economic margins expected by the Group.
The main derivative instruments used are *Forward* purchase/sale transactions and, residually, plain vanilla options.

Liquidity risk
The OTB Group identifies liquidity risk as the possibility that a company of the Group, or the Group itself, is unable to punctually fulfil its obligations. The containment of this risk is pursued through a centralized treasury structure which constantly monitors the financial performance of the companies with the aim of ensuring the right level of liquidity to cover the financial and industrial commitments undertaken. In particular, the tools for monitoring and optimising cash generation, controlling the trend of working capital, together with careful financial planning, both in the short and medium-long term, make it possible to maintain a balanced cash level, limiting critical issues and financial strain.
The OTB Group believes that the cash and cash equivalents together with the credit lines available as at 31 December 2022 are sufficient to cover the needs deriving from the operating activity.

Credit risk
Credit risk represents the exposure that the Company has to potential losses arising from the failure by counterparties to fulfil their contractual obligations.
OTB Group generally focuses on commercial transactions with customers with which it has established relationships. It is Group policy to subject customers that request extended payment terms to background checks of their credit standing, based on information obtained from specialised agencies and by observing and analysing data on the performance of newly acquired customers. Moreover, trade receivables are constantly monitored throughout the year to ensure timely intervention, if needed, in order to reduce the risk of losses.

Trade receivables are stated net of an allowance estimated based on the risk of default by the counterparty, determined with reference to information available on the customer's solvency and by taking account of historical data.
At the reporting date, there are no significant positions in countries considered "high risk".
For a brief summary of the quality of the Group's receivables, please refer to note (10), which provides information on trade receivables by due date and on write-downs made by the Group.

ASSETS ACQUISITION – ACQUISITIONS IN 2022

During the financial year, the subsidiary Margiela S.a.s.u. acquired 100% of the companies, Giordan S.r.l. and Seppa and De Faveri S.r.l., with the aim of strengthening its retail network by guaranteeing the rental of two properties in the prestigious Piazza San Marco in Venice.
The acquired companies only include the rental agreement for the shops indicated above. There is no workforce and no processes have been identified that could generate an output pursuant to IFRS3 to define such acquisitions as a "*BusinessCombination*". Therefore, the acquisitions were treated as "*asset acquisition*".
The consideration transferred was compared with the values of the net assets acquired and the excess of the former over the latter was attributed as the higher value of the Rights of Use acquired on the leased properties.
The following table shows the values:

(in thousands of euro)	Giordan S.r.l.	Seppa e De Faveri S.r.l.	Total
Price paid	280	895	1,175
Net assets acquired	8	(7)	1
Difference between price paid and net assets acquired	**272**	**902**	**1,174**

COMMENTS ON THE MAIN ITEMS OF THE CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION

Non-current assets

(IN THOUSANDS OF EURO)	31.12.2022	31.12.2021
Non-current assets	1,257,885	1,100,209

1. GOODWILL AND INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

Goodwill and intangible assets with a finite useful life, which totalled Euro 355,579 thousand at 31 December 2021, amount to Euro 346,727 thousand at 31 December 2022.
Movements in intangible assets for the year ended 31 December 2022 are summarised in the following table:

(IN THOUSANDS OF EURO)	GOODWILL	TRADEMARKS	INTELLECTUAL PROPERTY RIGHTS	KEY MONEY	OTHER INTANGIBLE ASSETS	ASSETS IN PROGRESS	TOTAL
Cost							
As at 31.12.2021	**150,272**	**307,167**	**45,216**	**27,445**	**101,034**	**10,917**	**642,051**
Increases	0	301	1,419	535	6,837	5,911	15,003
Decreases	(365)	(5)	(2,330)	(8,661)	(4,692)	(10)	(16,063)
Exchange differences	(8)	289	(447)	17	(99)	(41)	(289)
Other changes	0	7	425	0	4,043	(4,967)	(492)
Impairment							
As at 31.12.2022	**149,899**	**307,759**	**44,283**	**19,336**	**107,123**	**11,810**	**640,210**
Accumulated amortisation							
As at 31.12.2021	**81,909**	**58,335**	**40,999**	**23,869**	**81,360**	**0**	**286,472**
Amortisation	0	10,104	2,150	934	9,383	0	22,571
Decreases	(365)	(2)	(2,130)	(8,661)	(4,655)	0	(15,813)
Exchange differences	(3)	183	(301)	54	(51)	0	(118)
Other changes	0	0	(74)	0	445	0	371
As at 31.12.2022	**81,541**	**68,620**	**40,644**	**16,196**	**86,482**	**0**	**293,483**
Net book value							
As at 31.12.2021	**68,363**	**248,832**	**4,217**	**3,576**	**19,674**	**10,917**	**355,579**
As at 31.12.2022	**68,358**	**239,139**	**3,639**	**3,140**	**20,641**	**11,810**	**346,727**

Goodwill, the nature of which is described in the section of the notes dedicated to accounting policies, relates to the following acquisitions:

(€ THOUSAND)	31.12.2022	31.12.2021
Marni	46,175	46,175
Diesel Japan	7,088	7,088
Diesel Canada	4,337	4,337
Viktor & Rolf	5,766	5,766
Other	4,992	4,997
Total	**68,358**	**68,363**

Other goodwill includes goodwill that arose from acquisitions by Group companies of business units, consisting mainly of stores.

Trademarks refer to the cost of purchasing and maintaining trademark rights. A breakdown of trademarks held by the Group is provided below:

(€ THOUSAND)	31.12.2022	31.12.2021
Marni	100,667	105,700
Jil Sander	134,941	139,718
Other	3,531	3,414
Total	**239,139**	**248,832**

Other trademarks include Diesel, 55DSL, Martin Margiela and Viktor and Rolf.

Intellectual property rights include costs for the purchase of applications software and unlimited software user licences.

Other intangible assets mainly include capitalised expenditure on IT systems and on the Group's administrative and commercial infrastructure. The increases mainly refer to investments in the direct *omni-channel e-commerce* platform, *MOON*, and in *digital transformation* projects.

The item Assets under construction and advances includes, almost for its entirety, the investments made by the Group to develop new IT applications, which at the end of the financial year were not yet in operation as they were not completed. The other changes mainly refer to investments for the extension within the Group of the new *omni-channel* direct *e-commerce* platform made in previous years, and which entered into operation in 2022.

The *impairment* test (in compliance with IAS 36), carried out at the end of 2022, did not find any significant element that could lead to believe that these assets could be impaired. This test was carried out by determining the recoverable value with reference to the value in use and normally identifying the company or sub-group the company refers to as a CGU.

The impairment test was carried out in accordance with the methods with which management monitors business performance, identifying separate Cash Generating Units (CGUs) essentially on the basis of the various Business Worlds characterising the OTB Group, namely:

- Diesel Business World
- Staff International Business World
- Marni Business World
- Margiela Business World
- Jil Sander Business World

The impairment test was performed using the Discounted Cash Flow (DCF) method, aimed at determining the Value in Use of the identified cash generating unit (CGU).
The value in use was estimated by discounting operating cash flows, i.e. cash flows available before repayment of debt and shareholder remuneration (the Unlevered Discounted Cash Flow or UDCF method). These flows are discounted at a rate equal to the Weighted Average Cost of Capital or WACC, in order to obtain the Enterprise Value.
The WACC was determined in consideration of the geographical context in which the Group operates.
The forecast data of the Business Plan used for the purposes of the impairment test are those referring to the period 2023-2025.

A conventional period was used, at the end of which a terminal value was determined, using a growth rate in perpetuity ("g") of 0%.
For the purposes of discounting the flows, a WACC of 7.4% was used.
The recoverable amounts determined were higher than the carrying amounts and, accordingly, no write-downs were recognised.
The result of the impairment test was subjected to sensitivity analysis, aimed at verifying the sensitivity of the results to changes in some of the main parameters of the estimate, within reasonable intervals and

with non-conflicting hypotheses. The variables modified were the discount rate (between 7% and 13%) and the growth rate of terminal values (in the range 0% - 4%). The sensitivity analysis showed a relative stability of the results.
Note that for the purposes of carrying out the impairment test on goodwill Marni, the invested capital of the related CGU included, in addition to the goodwill, also that of the Marni brand: by virtue of this technicality, also the brand was therefore subject to impairment testing, albeit in the absence of impairment indicators. As stated above, no critical issues arose from the performance of the test.
No impairment indicators were identified relating to other tangible and/or intangible assets: it was therefore not necessary to formalise further impairment tests.

2. Right of use assets

The Right of use assets item represents the right to use the underlying assets of lease contracts.
Changes in right of use assets for the year ended 31 December 2022 are shown in the following table:

(in thousands of euro)	Right of use assets - Buildings	Right of use assets - Other	Total
Cost			
As at 31.12.2021	**747,817**	**11,118**	**758,935**
Increases	267,985	4,343	272,328
Decreases	(58,099)	(362)	(58,461)
Exchange differences	(9,224)	5	(9,219)
Acquisition values	0	0	0
Other changes	4,991	812	5,803
Impairment			
As at 31.12.2022	**953,470**	**15,916**	**969,386**
Accumulated amortisation			
As at 31.12.2021	**350,572**	**5,302**	**355,874**
Amortisation	129,230	3,116	132,346
Decreases	(38,535)	(156)	(38,691)
Exchange differences	(5,650)	7	(5,643)
Acquisition values	0	0	0
Other changes	2,968	1,514	4,482
As at 31.12.2022	**438,585**	**9,783**	**448,368**
Net book value			
As at 31.12.2021	**397,245**	**5,816**	**403,061**
As at 31.12.2022	**514,885**	**6,133**	**521,018**

Buildings refers to rental contracts for shops, offices and other spaces. Other refers to rental contracts for vehicles and other assets.
The increases for the year refer to the signing of new lease agreements for the opening of new stores and for the new *Maison Margiela headquarters* in Paris, while the decreases mainly refer to the early termination of existing lease agreements.
The Group made recourse to the option of applying the practical expedient provided for in the amendment to IFRS16, Covid-19 Related Rent Concessions beyond 30 June 2021, for accounting reductions in lease payments granted by lessors that are a direct result of the Covid-19 epidemic. The adoption of this practical expedient enabled the lessee to recognise the reductions in lease payments relating to the first half of 2022 in the income statement for the current year, avoiding treating them as contractual amendments for the purposes of IFRS 16, with the beneficial effects of these being spread over the duration of the contracts. Reference should be made to note (29) of these Notes for further details on the reductions in lease payments.

3. Property, plant and equipment

Property, plant and equipment amount to Euro 183,116 thousand at 31 December 2022 compared to Euro 153,763 thousand at 31 December 2021.
Movements in property, plant and equipment for the year ended 31 December 2022 are summarised in the following table:

(in thousands of Euro)	Land and buildings	Plants and equipment	Office furniture and equipment	Improvements to third party goods	Other assets	Construction in progress	Total
Cost							
As at 31.12.2021	**129,461**	**62,921**	**172,844**	**228,870**	**31,957**	**1,721**	**627,774**
Increases	112	1,054	12,336	45,378	5,662	1,064	65,606
Decreases	(70)	(1,015)	(51,962)	(66,370)	(7,294)	(33)	(126,744)
Exchange differences	0	52	2,160	(427)	(828)	(6)	951
Acquisition values	0	0	0	0	0	0	0
Other changes	0	222	120	1,374	1,653	(1,582)	1,787
Impairment							
As at 31.12.2022	**129,503**	**63,234**	**135,498**	**208,825**	**31,150**	**1,164**	**569,374**
Accumulated amortisation							
As at 31.12.2021	**47,334**	**59,047**	**155,586**	**186,703**	**25,341**		**474,011**
Amortisation	3,749	1,484	8,379	16,964	1,820		32,396
Decreases	(68)	(1,015)	(51,581)	(65,622)	(4,430)		(122,716)
Exchange differences	(2)	65	2,402	525	(673)		2,317
Acquisition values	0	0	0	0	0		0
Other changes	0	(268)	(54)	271	301		250
As at 31.12.2022	**51,013**	**59,313**	**114,732**	**138,841**	**22,359**		**386,258**
Net book value							
As at 31.12.2021	**82,127**	**3,874**	**17,258**	**42,167**	**6,616**	**1,721**	**153,763**
As at 31.12.2022	**78,490**	**3,921**	**20,766**	**69,984**	**8,791**	**1,164**	**183,116**

Land and Buildings relate to the purchase and/or construction cost of buildings and to the purchase cost of land owned by certain Group companies.
Plant and equipment mainly relate to new equipment and the cost of installing general plant.
Leasehold improvements mostly relate to the restructuring and alteration of leased premises accommodating the dedicated stores managed directly by the Group.
The increases and decreases in the classes Leasehold improvements and Office furniture and equipment mainly refer to the opening, restructuring and closure of stores located worldwide.
Other tangible assets consist mainly of company vehicles and industrial and commercial equipment.
Construction in progress and advance payments include capital expenditure by Group companies which had still to be completed at the balance sheet date.

As required by the Group's procedure for the analysis of indicators of impairment, at the year end, an assessment was performed of the potential existence of indicators of impairment with reference to internal and external information sources. Typically, external sources could be changes in the technological, economic and legal environment in which the Group operates, while internal sources are corporate strategies that could change the intended use of the assets. From the analysis performed, no indicators of impairment were identified for the above asset category.

4. Equity investments measured with the equity method

Investments measured with the equity method as of 31 December 2022 amounted to Euro 39,636 thousand compared to Euro 30,285 thousand as of 31 December 2021 and mainly refers to 20% of the shares of Atelier Luxury Group LLC, owner of the luxury brand AMIRI founded in Los Angeles in 2014, acquired by the subsidiary Marni USA Corp. in 2019.

The investment was recognised in the consolidated financial statements using the equity method. The change in the value of the investment is summarised in the following table:

Measurement using the equity method at the beginning of the period	**30,285**
Profit/(Loss) for the period: pro rata	12,801
Dividends paid during the period	(5,534)
Trademark amortisation	(427)
Exchange differences	1,716
Measurement using the equity method at the end of the period	**38,841**
IS effect of equity method measurement of the investment	**12,374**

The following table summarizes the financial information of the Group's investment in Amiri:

(IN THOUSANDS OF EURO)	31.12.2022	31.12.2021
Current assets	92,009	51,323
Non-current assets	45,784	8,943
Total assets	**137,793**	**60,266**
Shareholders' equity	(79,515)	(41,433)
Current liabilities	(26,517)	(16,527)
Non-current liabilities	(31,761)	(2,305)
Total liabilities	**(137,793)**	**(60,266)**

Statement of profit (loss) for the year of Atelier Luxury Group LLC (summary data):

(IN THOUSANDS OF EURO)	31.12.2022	31.12.2021
Sales	216,405	135,238
Cost of sales	(75,228)	(40,078)
Personnel costs	(17,398)	(9,254)
Operating costs	(54,584)	(34,288)
Other expenses	(5,189)	(1,537)
Net Profit/(loss)	**64,007**	**50,081**

The residual portion of the item Investments valued using the equity method is equal to Euro 795 thousand and refers to the investment in the company L.R. Vicenza S.p.A., a company that participates in the Serie C football championship and of which the parent company OTB S.p.A. holds a share of 67.39% of the share capital, but over which it is unable to exercise a dominant influence. The company ended the financial situation at 31 December 2022, with shareholders' equity of Euro 1,179 thousand and a loss of Euro 10,650 thousand. Measurement of the investment using the equity method leads to the recognition of a write-down of Euro 7,320 thousand in the income statement for the financial year.

5. Lease assets

(IN THOUSANDS OF EURO)	31.12.2022	31.12.2021	CHANGE
Non-current lease assets	582	634	(52)
Current lease assets	762	296	466
Total lease assets	**1,344**	**930**	**414**

Lease assets refer to subleasing out contracts.

They are indicated by due date as follows:

(IN THOUSANDS OF EURO)	UP TO 1 YEAR	FROM 1 TO 5 YEARS	BEYOND 5 YEARS	TOTAL
Non-current lease assets	0	582	0	582
Current lease assets	762	0	0	762
Total lease assets	**762**	**582**	**0**	**1,344**

6. OTHER FINANCIAL ASSETS

(IN THOUSANDS OF EURO)	31.12.2022	31.12.2021	CHANGE
Non-current financial assets	1,053	305	748
Current financial assets	9,935	4,779	5,156
Total financial assets	**10,988**	**5,084**	**5,904**

The item Non-current financial assets, includes a loan of Euro 1,000 thousand (Euro 250 thousand in the previous year) granted by the parent company OTB S.p.A. in favour of Aura Blockchain Consortium, the consortium in which OTB S.p.A. has decided to join as a founding member, alongside the main international luxury groups (LVMH, Prada Group, Richemont International SA and Mercedes-Benz Group AG) with the aim of accelerating the Group's digital innovation. This loan agreement provides for further *tranches* to be paid between 2023 and 2024. The loan provides for a rate of 0.75% and maturity in 2024.

For details on the item Current financial assets, please refer to Note (26) regarding financial instruments.

7. OTHER NON-CURRENT ASSETS

The composition of other non-current assets at 31 December 2022 and 31 December 2021 is as follows:

(IN THOUSANDS OF EURO)	31.12.2022	31.12.2021	CHANGE
Deposits	76	71	5
Other accrued income and prepaid expenses	429	755	(326)
Other tax receivables	17	54	(37)
Guarantee deposits	38,313	35,611	2,702
Other receivables	194	2,714	(2,520)
Other non-current assets	**39,029**	**39,205**	**(176)**

Other prepaid expenses mainly include the non-current portion of advance payments made to a licensee to fit out certain flagship stores pending the licence agreement.
Guarantee deposits mainly refer to deposits paid as security for lease contracts relating to stores.

8. Deferred tax assets

These include the allocation of benefits related to the temporary differences between assets and liabilities recorded in the financial statements and the corresponding tax values and taxes on losses that can be carried forward for tax purposes for which it is probable that future taxable income will be obtained. The composition of deferred tax assets at 31 December 2022 and 31 December 2021 is as follows:

(in thousands of euro)	31.12.2022	31.12.2021
Inventories writedown reserve	34,230	26,369
Risk provisions	13,765	19,113
Bad debt provision	4,232	4,026
Amortisation	20,966	23,992
Leases - IFRS16	6,588	5,795
Elimination of intercompany profits	31,786	20,248
Deferred tax assets on tax losses	2,357	2,727
Other temporary differences	12,800	15,107
Total	**126,724**	**117,377**

The item Deferred tax assets on tax losses decreased compared with the previous year due to the use of tax losses accrued in previous years, which were offset by higher taxable income generated during the year.

CURRENT ASSETS

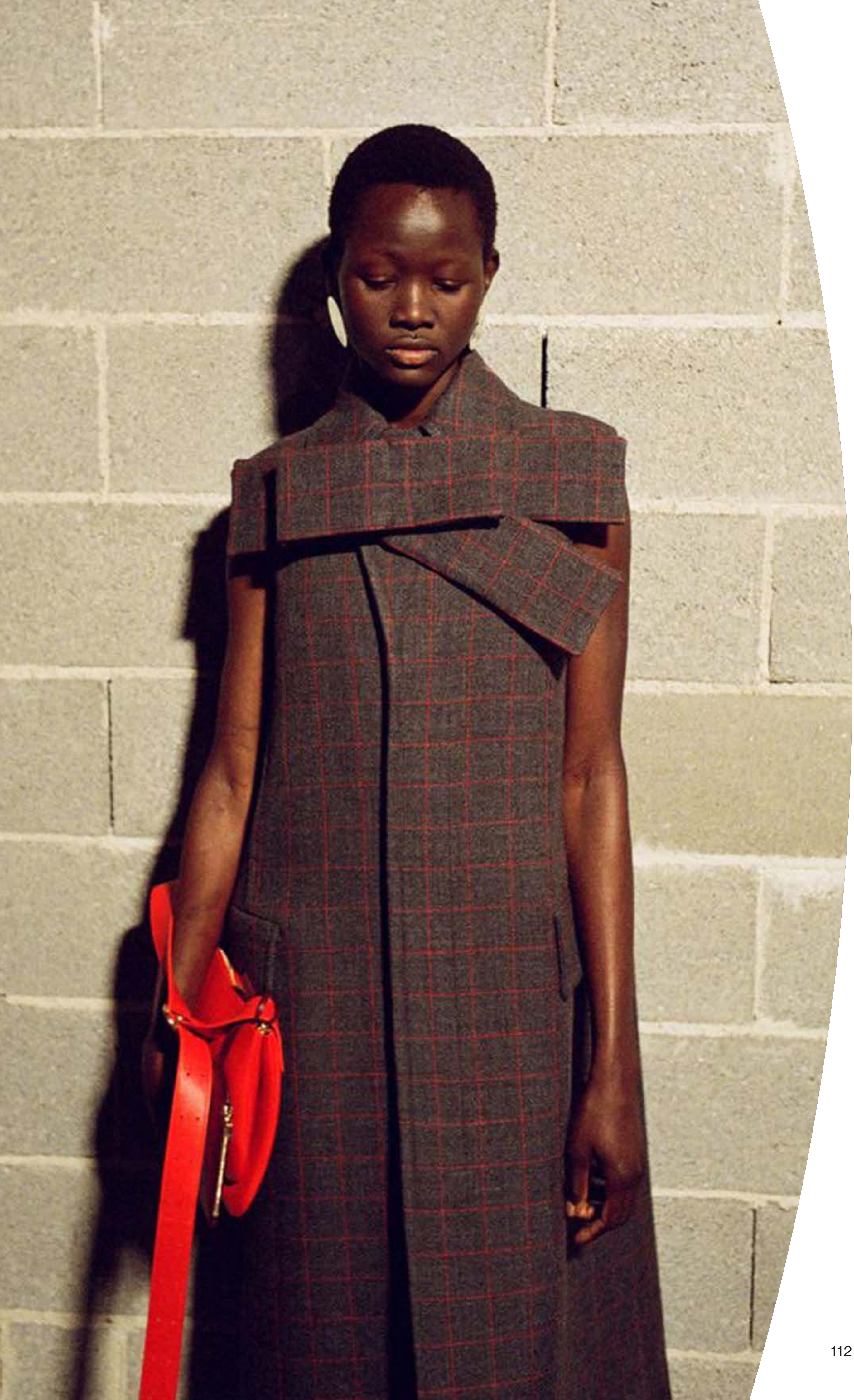
(in thousands of euro)	31.12.2022	31.12.2021
Current assets	1,094,508	1,194,217

9. Inventories

Inventories amount to Euro 396,810 thousand at 31 December 2022 compared to Euro 277,938 thousand at 31 December 2021.
The composition of inventories at 31 December 2022 and 31 December 2021 is as follows:

			31.12.2022			31.12.2021	change
(in thousands of euro)	Gross	Provision	Net	Gross	Provision	Net	
Raw materials	63,862	(29,186)	34,676	51,830	(24,413)	27,417	7,259
Work in progress	24,449	(3,300)	21,149	22,151	(4,665)	17,486	3,663
Finished products	476,584	(135,599)	340,985	377,906	(144,871)	233,035	107,950
Total inventories	**564,895**	**(168,085)**	**396,810**	**451,887**	**(173,949)**	**277,938**	**118,872**

The net value of inventories recorded an increase of Euro 118,872 thousand (+43%) and corresponds to the growth recorded by all the brands of the Group during the year and to the expectations of further development envisaged during the next year.
The contraction of the related provision for Euro 5,864 thousand (-3%) corresponds to the reduction of the risks of loss of value of the finished products coinciding with the end of the risks associated with the Covid-19 pandemic.



10. Trade receivables

The balance of trade receivables at 31 December 2022 amounted to Euro 247,419 (Euro 201,105 thousand in the previous year).
Trade receivables are stated net of an allowance for doubtful accounts of Euro 26,323 thousand.

The composition of trade receivables at 31 December 2022 and 31 December 2021 is as follows:

(in thousands of euro)	31.12.2022	31.12.2021	changes
Trade receivables	273,742	231,809	41,933
Bad debt provision	(26,323)	(30,704)	4,381
Trade receivables, net	**247,419**	**201,105**	**46,314**

Trade receivables arise from commercial transactions with domestic and foreign customers. They do not include any amounts due beyond 1 year. Write-downs have been determined on a prudent basis that reflects both a review of individual accounts and the general risk of collection losses.

The adoption of IFRS 9 as from 2018 substantially changed the accounting for losses due to the reduction in value of the financial assets of the Group, replacing the incurred loss approach of IAS 39 with an *Expected Credit Losses - ECL* approach. IFRS9 requires the Group to recognise a write-down equal to the ECL for all debt instruments not held at fair value recognised in the income statement and for contractual assets.

Details of the gross amount of trade receivables by geographical area are shown below:

(in thousands of euro)	Italy	European Union	Rest of Europe	America	Rest of the world	Total
Crediti commerciali	104.512	58.672	14.988	25.407	70.163	273.742

The Group was not subject to any significant concentration of credit risk at the reporting date.
As at 31 December 2022 and 31 December 2021, the ageing analysis of trade receivables is, as follows:

(in thousands of euro)	Total	Not past due	Past due				
			1-60 days	61-120 days	121-180 days	181-360 days	beyond 360 days
31.12.2022	273,742	196,087	51,662	9,773	1,995	4,523	9,702
31.12.2021	231,809	158,857	36,411	8,564	3,626	4,501	19,850

Movements in the allowance for doubtful accounts are summarised in the following table:

(in thousands of euro)	As at 1.1.2022	Conversion difference	Provisions	Uses/Releases	Other movements	As at 31.12.2022
Bad debt provision	30,704	328	3,986	(8,637)	(58)	26,323

11. Tax receivables

Current tax assets amount to Euro 14,351 thousand at 31 December 2022 (Euro 12,517 thousand at 31 December 2021).

The composition of current tax assets receivables at 31 December 2022 and 31 December 2021 is as follows:

(in thousands of euro)	31.12.2022	31.12.2021	change
Income tax receivable	14,351	12,517	1,834
Other tax receivables	0	0	0
Total tax receivables	**14,351**	**12,517**	**1,834**

The item Income tax receivables includes the following:

- Euro 1,152 thousand consisting of an IRAP receivable;
- Euro 4,189 thousand upon the successful conclusion of the *Mutual Agreement Procedure* (MAP) between Italy - Spain and Italy - Denmark in reference to the previous tax years;
- Euro 993 thousand for the request of an IRES and IRAP refund relating to the 2020 tax year following the successful conclusion of the bilateral Advance Pricing Agreement (APA) between Italy – Japan;
- Euro 699 thousand for the reimbursement request activated following the audit by the French tax authorities of the subsidiary Diesel France SAS;

The remainder relates to amounts due from the tax authorities of the various countries where the subsidiaries are located.
It should be noted that the parent company OTB S.p.A., as the parent company, together with its Italian subsidiaries, adheres to the group taxation regime called "National Consolidation" envisaged by Art. 117 to 129 of the Italian Consolidated Law on Income Tax.

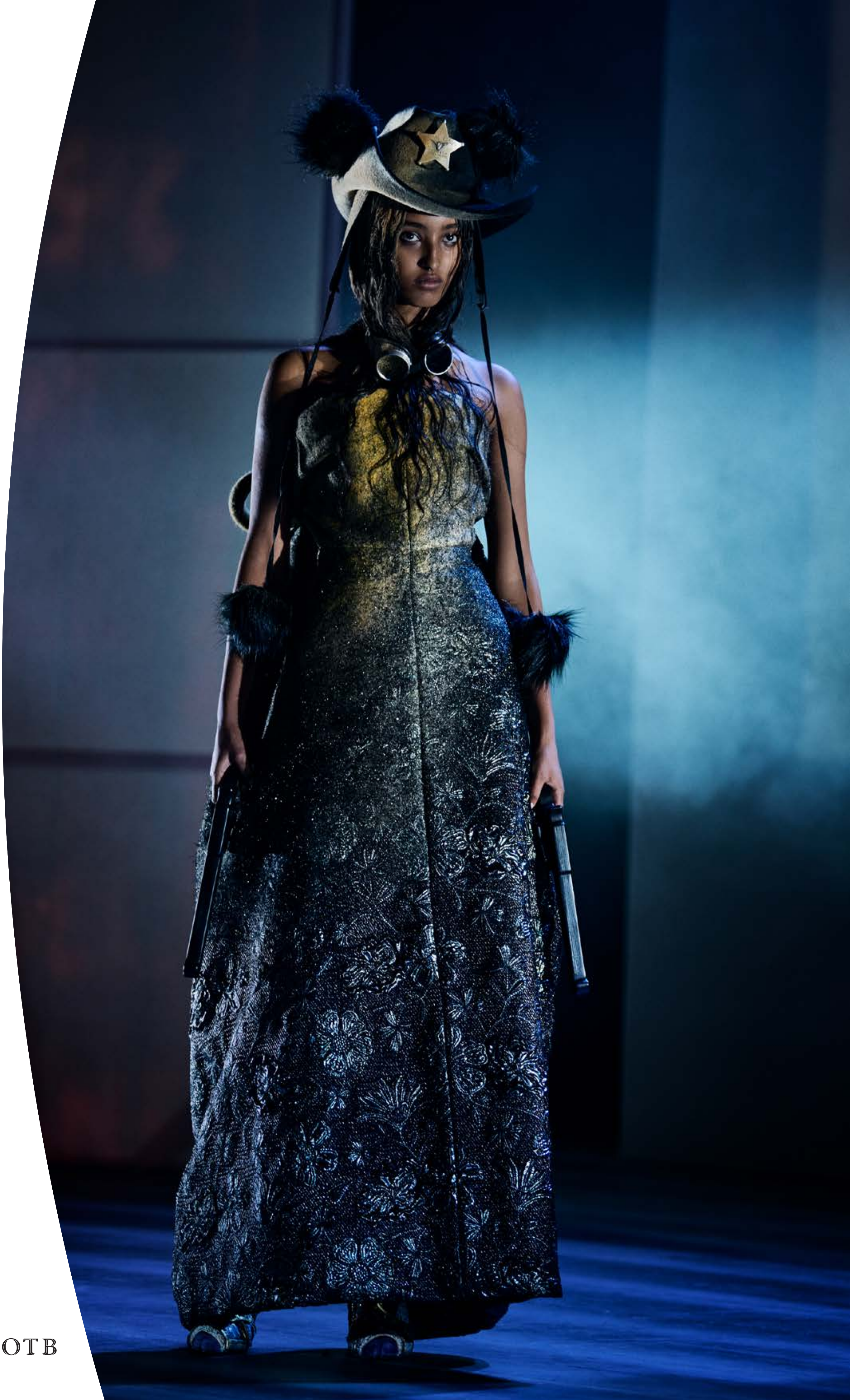
12. Other current assets

Other current assets consist solely of amounts due within one year and include:

(IN THOUSANDS OF EURO)	31.12.2022	31.12.2021	CHANGE
VAT credits	**44,293**	**33,785**	**10,508**
Other tax receivables	**10,176**	**6,735**	**3,441**
Amounts due from employees	233	425	(192)
Amounts due from agents	48	115	(67)
Guarantee deposits	467	393	74
Other receivables	30,484	36,464	(5,980)
Total other receivables	**31,232**	**37,397**	**(6,165)**
Accrued income	**57**	**202**	**(145)**
Deferred lease and rental income	2,343	2,668	(325)
Prepaid maintenance expenses	1,003	2,407	(1,404)
Prepaid insurance premiums	184	246	(62)
Other prepaid expenses	35,064	29,881	5,183
Total Prepaid expenses	**38,594**	**35,202**	**3,392**
Total other current assets	**124,352**	**113,321**	**11,031**

VAT credits include the VAT credit for the third quarter of 2022 of Euro 5,847 thousand requested as a refund within the scope of the Group VAT.
The item Other tax receivables mainly includes:

- Euro 8,725 thousand as the tax credit for research and development, technological innovation, design and aesthetic conception, of which Euro 3,822 thousand in reference to costs incurred during financial year 2022. During the 2022 financial year, the Group did not offset tax credits deriving from investments in Research and Development, technological innovation, design and aesthetic conception referring to the previous financial years;
- Euro 929 thousand as the tax credit for the development of the Autostore system for the management of warehouse logistics;
- Euro 160 thousand for the tax credit for competitiveness and employment (CICE) with the French tax authority.



Other receivables include Euro 22,990 thousand of advance payments made on royalties and advertising fees to licensees by a Group company. The remaining part mainly refers to advances paid to service providers.Other prepaid expenses mainly include advance payments for services invoiced during the year that relate to the following accounting period, royalty costs relating to future years and the current portion of advance payments made to a licensee to fit out corners and flagship stores as provided for by the licence agreement.

13. Cash and cash equivalents

Cash and cash equivalents at 31 December 2022 amount to Euro 300,879 thousand (Euro 584,261 thousand at 31 December 2021).

The composition thereof is as follows:

(in thousands of euro)	31.12.2022	31.12.2021	change
Bank and postal demand deposits	297,197	581,724	(284,527)
Cash and cash equivalents	3,682	2,537	1,145
Total Cash and cash equivalents	**300,879**	**584,261**	**(283,382)**
Bank overdrafts	(235)	(1,760)	1,525
Total Net Cash by Cash Flow Statement	**300,644**	**582,501**	**(281,857)**

SHAREHOLDERS' EQUITY

(IN THOUSANDS OF EURO)	31.12.2022	31.12.2021
Shareholders' equity	1,082,098	1,013,737

The changes recorded in net equity items in the financial year 2022 and in the previous year are presented in a specific table of the Notes.

14. Group Shareholders' Equity

Shareholders' Equity attributable to the Group at 31 December 2022 amount to Euro 1,077,476 thousand (Euro 1,007,972 thousand at 31.12.2021).

The increase in Group shareholders' equity in 2022 compared to 31 December 2021, of Euro 69,504 thousand, mainly reflects, on the one hand, the positive result of the Group (Euro 103,969 thousand) and the positive change relating to the *hedge accounting* treatment of financial instruments (Euro 3,703 thousand) and the actuarial reserve (Euro 478 thousand) and, on the other hand, the negative change in the translation reserve (Euro 5,115 thousand), the distribution of dividends (Euro 20,000 thousand), the valuation of the *call & put* existing on the minority stake in a subsidiary (Euro 13,541 thousand).

Share Capital

Share capital as of 31 December 2022 is fully subscribed and paid-in and totals Euro 25,000 thousand.

Other reserves

Other reserves are detailed below:

(IN THOUSANDS OF EURO)	31.12.2022	31.12.2021	CHANGE
First time adoption reserve	(146,390)	(146,389)	(1)
Actuarial reserve	478	0	478
Reserve for future capital increase	148,318	148,318	0
Extraordinary reserve	323,593	333,537	(9,944)
Consolidation reserve and retained earnings	629,986	513,030	116,956
Total Other reserves	**955,985**	**848,496**	**107,489**

A reconciliation of equity and profit for the year as reported by OTB S.p.A. to the amounts reported in the consolidated financial statements is provided in the following table:

	31.12.2022		31.12.2021	
(IN THOUSANDS OF EURO)	PROFIT FOR THE YEAR	SHAREHOLDERS' EQUITY	PROFIT FOR THE YEAR	SHAREHOLDERS' EQUITY
As per the income and financial situation of OTB S.p.A. IFRS compliant	18,358	534,982	12,341	536,899
Results of consolidated companies	128,881	1,755,338	79,060	1,693,490
Reversal of intercompany dividends received within the Group	(26,697)	0	(26,039)	0
Acquisition income	0	0	130,232	0
Elimination of intercompany profits in inventories of consolidated subsidiary companies, net of taxes	(29,898)	(82,142)	2,587	(55,964)
Consolidation differences	0	59,514	0	61,698
Goodwill arising on consolidation allocated to trademarks (including deferred tax liabilities)	181	181	(3,629)	76,210
Value attributed to Trademark from acquisitions (including deferred tax liabilities)	(3,444)	97,292	(2,583)	100,736
Value attributed to right-of-use assets from asset acquisitions	(22)	1,151	0	0
Book value of equity investments in consolidated companies	0	(1,206,912)	0	(1,507,446)
Consolidation adjustments to consolidated equity investments	(14,116)	6	0	(2,799)
Consolidation adjustments to consolidated equity investments (JS)	0	0	0	147,201
Measurements of investments according to the equity method	(7,320)	(16,545)	(2,789)	(9,225)
Measurement of PUT&CALL minority share	0	(15,593)	0	0
Reversal of reserve for retail channel returns net of taxes	(1,176)	4,561	289	5,729
Reversal of the release of deferred tax assets not recognised in the consolidated accounts	0	30,145	0	30,145
Deferred tax liabilities on reserves in tax deferral	0	(34,999)	0	(34,999)
Other consolidation adjustments	40,273	(44,881)	(47,497)	(27,938)
Operating result and shareholders' equity as reported in the consolidated financial statements	**105,020**	**1,082,098**	**141,972**	**1,013,737**
Attributable to non-controlling interests	1,051	4,622	1,430	5,765
Operating result and shareholder's equity attributable to the Group	**103,969**	**1,077,476**	**140,542**	**1,007,972**

For the purposes of a better representation of the connection between the profit for the year and the shareholders' equity of the company OTB S.p.A. and the corresponding consolidated values, it was considered appropriate to attribute the impact of the consolidation entries on the Result and on the total net assets instead of on the Result and net equity attributable to the Group.

15. Capital and reserves attributable to non-controlling interests

Capital and reserves attributable to non-controlling interests at 31 December 2022 amount to Euro 4,622 thousand (Euro 5,765 thousand at 31.12.2021).
Please refer to note 20 for the change in the minority stake of a subsidiary.

Non-current liabilities

(in thousands of euro)	31.12.2022	31.12.2021
Non-current liabilities	571,826	540,901

16. Lease liabilities

(in thousands of euro)	31.12.2022	31.12.2021	change
Non-current lease liabilities	445,527	351,033	94,494
Current lease liabilities	117,917	97,060	20,857
Total lease liabilities	**563,444**	**448,093**	**115,351**

Lease liabilities refer to subleasing in contracts. For further details, please refer to the measurement criteria sections of these Notes.

Lease liabilities are broken down by maturity date as follows

(in thousands of euro)	Up to 1 year	From 1 to 5 years	Beyond 5 years	Total
Non-current lease liabilities	0	281,588	163,939	445,527
Current lease liabilities	117,917	0	0	117,917
Total lease liabilities	**117,917**	**281,588**	**163,939**	**563,444**

17. Non-current financial liabilities

Details of non-current financial liabilities are provided below:

(in thousands of euro)	31.12.2022	31.12.2021	change
Loans from third parties	5	80,174	(80,169)
Non-current financial liabilities	**5**	**80,174**	**(80,169)**

The decrease in the item compared to the previous financial year relates to the early repayment of the loan of Euro 80,000 thousand which matured in the third quarter of 2023. The loans were accounted using the amortised cost method.
Non-current financial liabilities are broken down by maturity date as follows:

(in thousands of euro)	Up to 1 year	From 1 to 5 years	Beyond 5 years	Total
Loans from third parties	0	5	0	5
Total long term loans	**0**	**5**	**0**	**5**

The Group's net financial position at 31 December 2022 and 31 December 2021 is summarised below. It should be noted that the net financial position has been determined with ample reference to the "Recommendations for the consistent implementation of the European Commission's regulation on prospectuses" issued by Consob.

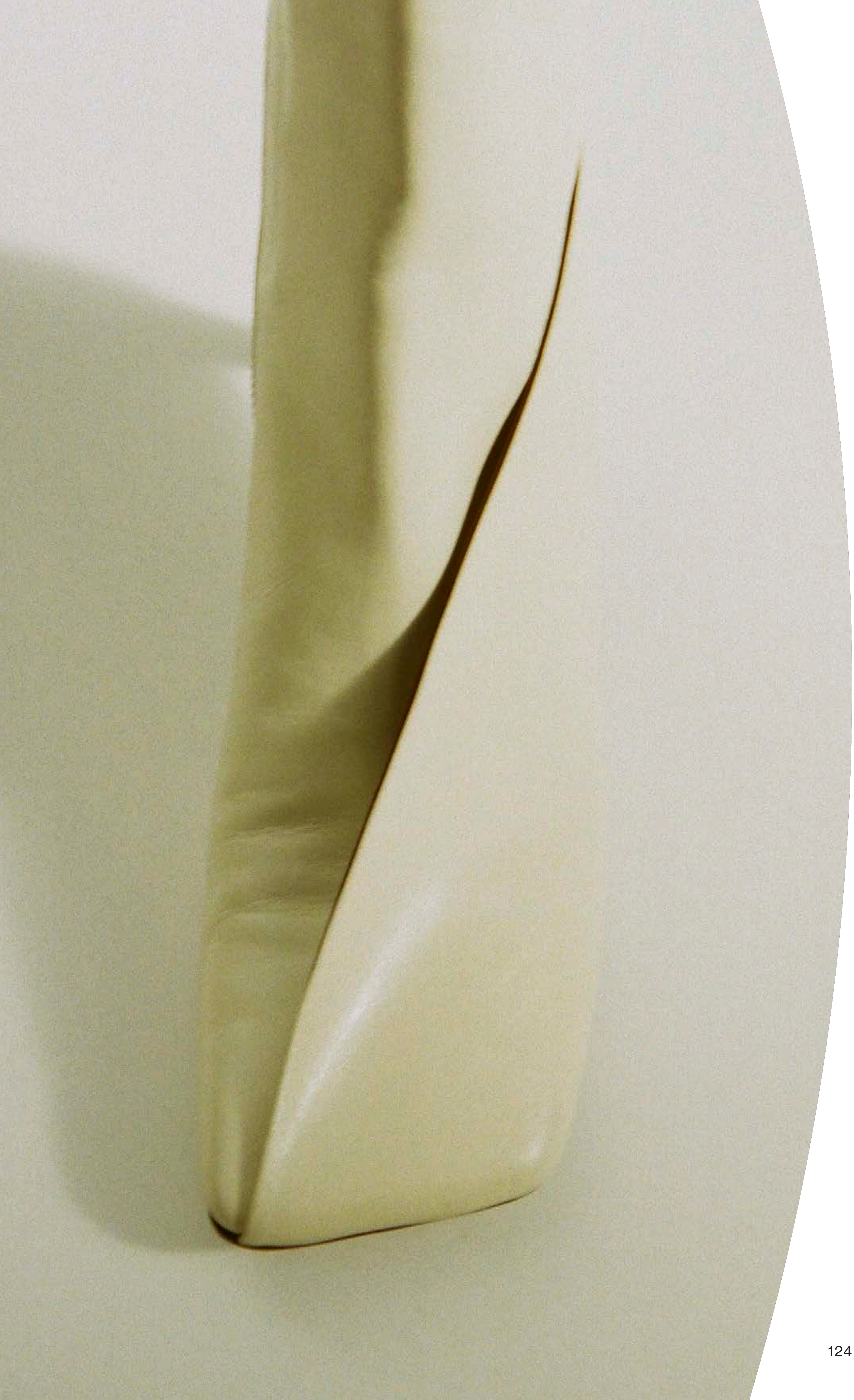
(IN THOUSANDS OF EURO)

NET FINANCIAL POSITION		31.12.2022	31.12.2021
A.	Cash	3,682	2,537
B.	Other cash equivalents	297,197	581,724
C.	Total cash and cash equivalents (A+B)	300,879	584,261
D.	Current lease assets	762	296
E.	Current loans receivable	9,935	4,779
F.	Current bank payables	(235)	(1,760)
G.	Other current financial payables	(17,561)	(124,545)
H.	Current payables (F+G)	(17,796)	(126,305)
I.	Current lease liabilities	(117,917)	(97,060)
J.	Current net financial position (C+D+E+H+I)	175,863	365,971
K.	Non-current financial payables	(5)	(80,174)
L.	Non-current lease liabilities	(445,527)	(351,033)
M.	Non-current net financial position (K+L)	(445,532)	(431,207)
N.	**Net financial position (J+M)**	**(269,669)**	**(65,236)**

Excluding current and non-current assets and liabilities related to the recognition of usage rights, according to IFRS16, the Group's Net Financial Position as of 31 December 2022 and 31 December 2021 would be as follows:

(IN THOUSANDS OF EURO)

NET FINANCIAL POSITION		31.12.2022	31.12.2021
A.	Cash	3,682	2,537
B.	Other cash equivalents	297,197	581,724
C.	Total cash and cash equivalents (A+B)	300,879	584,261
D.	Current loans receivable	9,935	4,779
E.	Current bank payables	(235)	(1,760)
F	Other current financial payables	(17,561)	(124,545)
G.	Current loans and borrowings (E+F)	(17,796)	(126,305)
H.	Current net financial position (C+D+G)	293,018	462,735
I.	Non-current financial payables	(5)	(80,174)
J.	Other non-current financial payables	0	0
K.	Non-current net financial position (I+J)	(5)	(80,174)
L.	**Net financial position (H+K)**	**293,013**	**382,561**



18. Provisions for risks and charges

The composition of provisions at 31 December 2022 and movements therein for the year then ended are set out as follows:

(IN THOUSANDS OF EURO)	PROVISION FOR TAX DISPUTES	PROVISION FOR RETURNS	PROVISION FOR DISCOUNTS	PROVISION FOR LEGAL DISPUTES	PROVISION FOR AGENT INDEMNITIES	PROVISION FOR LEASEHOLD RESTORATION	OTHER PROVISIONS	TOTAL
As at 1.1.2022	**17,474**	**19,228**	**3,651**	**3,575**	**2,003**	**9,385**	**71,253**	**126,569**
Increases during year	429	7,740	1,881	1,580	290	5,807	18,459	36,186
Uses/Releases	(1,175)	(10,039)	(2,430)	(1,534)	(202)	(3,593)	(40,724)	(59,697)
Acquisition values	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	(735)	210	(893)	(1,418)
Exchange differences	0	51	24	57	0	(623)	129	(362)
As at 31.12.2022	**16,728**	**16,980**	**3,126**	**3,678**	**1,356**	**11,186**	**48,224**	**101,278**
Current	15,983	16,980	3,126	3,678	1,356	2,974	27,109	71,206
Non-current	745					8,212	21,115	30,072

The provision for returns relates to the cost of potential returns by customers subsequent to the year end in respect of sales made during the financial year. The provision for discounts relates to year end discounts and allowances payable to customers.

The provision for legal disputes relates to legal disputes that were still pending as of 31 December 2022.

The provision for agent indemnities relates to obligations of certain Group companies for agent indemnities and represents a prudent estimate of the liability to agents that would arise if agency agreements were terminated under circumstances defined in the relevant legislation.

The provision for leasehold restoration meets contractual obligations to return a leased property to the lessor at the end of the lease term in a specified condition.

The item Other provisions refers to provisions for certain or probable charges whose occurrence date has yet to be defined and includes, inter alia, a provision to cover any risks relating to a license agreement interrupted during the previous financial year.

19. Post-employment benefit plan liabilities

Post-employment benefit plan liabilities relate entirely to the provision for employee termination indemnities:

(IN THOUSANDS OF EURO)	31.12.2022	31.12.2021	CHANGE
Net employee benefit liabilities	9,107	8,856	251
Other employee benefit liabilities	0	0	0
Post-employment benefit plan liabilities	**9,107**	**8,856**	**251**

The provision for employee severance indemnities mainly refers to the Italian companies of the Group. As a result of changes made to the provision for employee termination indemnities by Law 296 of 27 December 2006 (2007 Finance Act) and by subsequent decrees and regulations issued in early 2007, the provision for employee termination indemnities of Group Italian companies accruing from 1 January 2007 onwards, or from the date on which an employee indicated his choice from the options available thereto, is recognised as a defined contribution plan, regardless of whether the employee opted for a supplementary pension scheme or for the INPS Treasury Fund. Accordingly, the accounting treatment accorded to the provision for employee termination indemnities is similar to that for the payment of contributions of a different nature, given that they do not envisage any annual service cost. Consistently, the amount of payables for severance indemnities recorded before the entry into force of the reform and not yet paid to employees existing at the date of preparation of the financial statements, is considered as a defined benefit pension fund and its amount is determined at the end of each financial year on the basis of actuarial assumptions.

20. Other non-current liabilities

Details of other non-current liabilities are shown below:

(In thousands of euro)	31.12.2022	31.12.2021	Change
Amounts due to social security and welfare institutions	53	28	25
Amounts due to employees	0	28	(28)
Deferred income	147	226	(79)
Current tax liabilities	108	93	15
Other payables	15,625	73	15,552
Other non-current liabilities	**15,933**	**448**	**15,485**

The item other payables mainly refers to the payable deriving from the measurement of the existing *call & put* on the minority stake of a subsidiary. The value of the liability was determined with reference to the equity value of the company.
Pursuant to IFRS 10, the directors have assessed that the risks and benefits have been transferred to OTB SpA and therefore, as an offsetting item to the liability being recognised, the portion of minority shareholders' equity has been written-off for Euro 2,052 thousand and the residual reduced the Group item "Other reserves" by Euro 13,541 thousand.

21. Deferred tax liabilities

The table below provides a breakdown of deferred tax liabilities at 31 December 2022 and 2021:

(IN THOUSANDS OF EURO)	31.12.2022	31.12.2021
Fixed assets	65,892	68,628
Leases - IFRS16	232	184
Exchange differences	990	484
Other	4,068	3,187
Total	**71,182**	**72,483**

Deferred tax liabilities relating to non-current assets mainly consist of intangible assets, the consolidated carrying amount thereof is significantly higher than their tax basis (especially the Marni trademark and the Jil Sander trademark, the consolidated carrying amount of which reflects a purchase price allocation made subsequent to the business combination).

Current liabilities

(IN THOUSANDS OF EURO)	31.12.2022	31.12.2021
Current liabilities	698,469	739,788

22. Trade payables

Trade payables at 31 December 2022 amount to Euro 348,207 thousand, representing an increase of Euro 61,715 thousand compared to 31 December 2021.

(IN THOUSANDS OF EURO)	31.12.2022	31.12.2021	CHANGE
Trade payables	348,207	286,492	61,715

The change in the year is attributable to normal trading activities.

23. Other current liabilities

Other current liabilities at 31 December 2022 amount to Euro 122,488 thousand, in line compared to the previous financial year.
Details thereof are shown below:

(IN THOUSANDS OF EURO)	31.12.2022	31.12.2021	CHANGE
Customer advance payments	22,598	19,363	3,235
Amounts due to employees	37,201	40,137	(2,936)
Amounts due to social security and welfare institutions	13,633	15,528	(1,895)
Due to others	13,515	9,952	3,563
Total other payables	**86,947**	**84,980**	**1,967**
VAT payable	**8,574**	**10,208**	**(1,634)**
Withholding tax payable	**7,968**	**7,707**	**261**
Other current tax liabilities	**1,921**	**2,338**	**(417)**
Accrued lease and rental expenses	2,536	2,251	285
Accrued service expenses	1,294	612	682
Accrued maintenance expenses	27	0	27
Other accrued expenses	12,204	10,247	1,957
Total accrued expenses	**16,061**	**13,110**	**2,951**
Deferred lease and rental income	67	71	(4)
Deferred royalty income	0	3,000	(3,000)
Other prepaid expenses	950	1,826	(876)
Total deferred income	**1,017**	**4,897**	**(3,880)**
Other current liabilities	**122,488**	**123,240**	**(752)**

24. Current tax liabilities

Income tax payable may be broken down as follows:

(IN THOUSANDS OF EURO)	31.12.2022	31.12.2021	CHANGE
Income tax payable	20,855	8,029	12,826
Current tax liabilities	**20,855**	**8,029**	**12,826**

Income tax payable is recognised net of current tax receivables, where the offset relates to the same jurisdiction and the same taxation.
Income tax payable includes Euro 1,000 thousand in substitute tax due on the 3% revaluation of the Diesel trademark made in 2020. The payables, originally amounting to Euro 3,000 thousand, was decreased due to the payment of the first two *tranches* during 2021 and 2022.

25. Current financial liabilities

Details of current financial liabilities are provided below:

(IN THOUSANDS OF EURO)	31.12.2022	31.12.2021	CHANGE
Bank overdrafts	235	1,760	(1,525)
Derivative financial instruments	5,229	4,335	894
Other current financial liabilities	12,332	120,210	(107,878)
Total financial liabilities	**17,796**	**126,305**	**(108,509)**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Financial liabilities summarised by due date are as follows:

(IN THOUSANDS OF EURO)	UP TO 1 YEAR	FROM 1 TO 5 YEARS	BEYOND 5 YEARS	TOTAL
Bank overdrafts	235	0	0	235
Derivative financial instruments	5,229	0	0	5,229
Other current financial liabilities	12,332	0	0	12,332
Total financial liabilities	**17,796**	**0**	**0**	**17,796**

The decrease in the item, Other current financial liabilities, refers to the repayment of two bank loans received from OTB S.p.A. expiring in the first quarter of 2022. These loans were accounted using the amortised cost method.

26. FINANCIAL INSTRUMENTS

The classification of financial instruments in accordance with IFRS 9 affects various components of the financial statements. The tables below present the book value of outstanding financial instruments, by category, with indication of the hierarchical level of *Fair value*, as at 31 December 2022 and 31 December 2021.

31.12.2022	FINANCIAL ASSETS			TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
(IN THOUSANDS OF EURO)	AMORTISED COST	FV VS OCI	FV VS P&L					
Non-current lease assets	582			582				
Non-current financial assets	1,053			1,053				
Other non-current assets	39,029			39,029				
Total non-current financial assets	**40,664**	**0**	**0**	**40,664**				
Trade receivables	247,419			247,419				
Current lease assets	762			762				
Assets for derivative financial instruments		9,855		9,855		9,855		9,855
Current financial assets	80			80				
Other current assets	124,352			124,352				
Cash and cash equivalents	300,879			300,879				
Total current financial assets	**673,492**	**9,855**	**0**	**683,347**		**9,855**		**9,855**

31.12.2022	FINANCIAL LIABILITIES			TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
(IN THOUSANDS OF EURO)	AMORTISED COST	FV VS OCI	FV VS P&L					
Non-current lease liabilities	445,527			445,527				
Non-current financial liabilities	5			5				
Other non-current liabilities	340	15,593		15,933			15,593	15,593
Total non-current financial Liabilities	**445,872**	**15,593**	**0**	**461,465**			**15,593**	**15,593**
Trade payables	348,207			348,207				
Other current liabilities	122,488			122,488				
Current lease liabilities	117,917			117,917				
Liabilities for derivative financial instruments		5,229		5,229		5,229		5,229
Current financial liabilities	12,567			12,567				
Total current financial Liabilities	**601,179**	**5,229**	**0**	**606,408**		**5,229**		**5,229**

31.12.2021 (in thousands of euro)	Amortised cost	Financial assets FV vs OCI	FV vs P&L	Total	Level 1	Level 2	Level 3	Total
Non-current lease assets	634			634				
Non-current financial assets	305			305				
Other non-current assets	39,205			39,205				
Total non-current financial assets	**40,144**	**0**	**0**	**40,144**				
Trade receivables	201,105			201,105				
Current lease assets	296			296				
Assets for derivative financial instruments		4,698		4,698		4,698		4,698
Current financial assets	81			81				
Other current assets	113,321			113,321				
Cash and cash equivalents	584,261			584,261				
Total current financial assets	**899,064**	**4,698**	**0**	**903,762**		**4,698**		**4,698**

31.12.2021 (in thousands of euro)	Amortised cost	Financial liabilities FV vs OCI	FV vs P&L	Total	Level 1	Level 2	Level 3	Total
Non-current lease liabilities	351,033			351,033				
Non-current financial liabilities	80,174			80,174				
Other non-current liabilities	448			448				
Total non-current financial Liabilities	**431,655**	**0**	**0**	**431,655**			**0**	**0**
Trade payables	286,492			286,492				
Other current liabilities	123,240			123,240				
Current lease liabilities	97,060			97,060				
Liabilities for derivative financial instruments		4,335		4,335		4,335		4,335
Current financial liabilities	121,970			121,970				
Total current financial Liabilities	**628,762**	**4,335**	**0**	**633,097**		**4,335**		**4,335**

The carrying amount of financial assets and liabilities outstanding at 31 December 2022 is considered a reasonable approximation of the fair value, given their nature.
The Group uses internal valuation models, which are generally used for financial modelling in practice, based on prices provided by market operators or by quoted market prices in active markets obtained from leading info-providers.
For the determination of the fair value of derivatives, a pricing model is used based on market interest rates and exchange rates prevailing at the measurement date.

27. Guarantees provided and other commitments

Guarantees provided and guarantees received are shown below:

(in thousands of euro)	Description	Beneficiaries	31.12.2022	31.12.2021
Guarantees provided:				
	Bank guarantees	Third parties	12,828	8,108
	Other guarantees	Third parties	105,190	100,171
	Total guarantees granted		**118,018**	**108,279**
Guarantees received:				
	Bank guarantees	Third parties	10,184	10,001
	Other guarantees	Third parties	558	517
	Letters of credit	Clients	21,855	20,492
	Total guarantees received		**32,597**	**31,010**

The item Other guarantees consists of Euro 89,719 thousand in payment obligations issued by the parent company OTB S.p.A. to the benefit of the Tax Authorities in their own interest in order to guarantee the VAT credits accrued and requested for reimbursement. The consolidated financial statements show a shareholders' equity exceeding Euro 250,000 thousand and for this reason OTB S.p.A. can guarantee itself in the aforementioned reimbursement practices. It should be noted, that Euro 11,202 thousand refer to 2019, Euro 30,188 thousand refer to 2020, Euro 35,500 thousand refer to 2021 and Euro 12,829 thousand refer to 2022.
Euro 15,471 thousand, it consists of sureties issued to the benefits of the Tax Authorities, in the interest of:

- Diesel Italia S.r.l. as collateral for a VAT refund requested for 2019 of Euro 827 thousand and for 2020 of Euro 130 thousand;
- Diesel S.p.A, as collateral for a VAT refund requested for 2019 of Euro 2,417 thousand and for 2021 of Euro 7,817 thousand;
- Margiela S.a.s. Italian Branch, as collateral for a VAT refund requested for the year 2019 for Euro 3,502 thousand;
- PC S.r.l. in liquidation, as collateral for a VAT refund requested for 2018 of Euro 471 thousand and for 2019 of Euro 307 thousand; these guarantees remain in place until their natural expiry, despite the fact that the company ceased trading in 2020.

COMMENTARY ON KEY COMPONENTS OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The main changes in the components of the consolidated statement of profit or loss are shown in the notes which follow. More comprehensive comments on trends in the Group's results are contained in the directors' report.

28. Revenue

Revenue from sales of goods and services amount to Euro 1,674,004 thousand (Euro 1,487,572 thousand in 2021), up 12.5% on the prior year. Sales revenue is stated net of returns and discounts.
Revenue from sales of goods and services consists of the following:

(IN THOUSANDS OF EURO)	2022	2021	CHANGE
Revenue from sales of products and services	1,621,224	1,449,110	172,114
Revenue from sales of other materials	8,843	6,871	1,972
Revenues from sales	**1,630,067**	**1,455,981**	**174,086**
Royalties	**43,937**	**31,591**	**12,346**
Revenues from sales and services	**1,674,004**	**1,487,572**	**186,432**

The breakdown of Revenue by geographical area is shown below:

(IN THOUSANDS OF EURO)	ITALY	EUROPEAN UNION	REST OF EUROPE	AMERICA	REST OF THE WORLD	TOTAL
Revenue	323.1	348.0	147.5	217.8	637.6	1,674.0
% of revenue	19.3%	20.8%	8.8%	13.0%	38.1%	100.0%

29. Other operating income

Other operating income amounts to Euro 69,075 thousand and consists of the following:

(IN THOUSANDS OF EURO)	2022	2021	CHANGE
Sundry revenues and income	31,649	6,121	25,528
Recoveries of costs and compensation for damages	27,331	25,080	2,251
Lease income	1,482	8,860	(7,378)
Gains on disposals of non-current assets	8,613	2,094	6,519
Total other operating income	**69,075**	**42,155**	**26,920**

The item Other revenues and income, refers for Euro 10,000 thousand to the amount received for the early termination of the lease contract relating to the Jil Sander store in Paris.

The item Recoveries of costs and compensation for damages includes Euro 3,822 thousand (Euro 2,507 thousand in 2021) for the tax credit for research and development, technological innovation, design and aesthetic conception, activities carried out in the year, pursuant to Art. 1, paragraphs 198 to 208 of Law no. 160 of 27 December 2019. Euro 3,700 thousand refers to a receivable form the German government for a grant accruing during the year. Euro 294 thousand refers to the tax credit for the final inventories envisaged by the Relaunch Decree (Legislative Decree 34/2020).

Euro 1,197 thousand of the item Lease income refers to reductions in lease payments granted by lessors as a direct consequence of the Covid-19 epidemic, which were accounted for with impact on the income statement for the full value, as allowed by the Amendment to IFRS16 Covid-19 Related Rent Concession beyond 30 June 2021 discussed in the section on new accounting standards of these Notes.


DIESEL

As required by Law no. 124/2017, as amended, the following table shows the grants received by the Group during the year:

Disbursing entity	Area of intervention	2022
(in thousands of euro)		
Fondimpresa/Fondirigenti	Training	243
Total		**243**

The item Capital gains on disposal of fixed assets mainly refers to the capital gain deriving from closure of the Jil Sander store in Berlin, the right of use of which had been written-down in previous years.

30. Income from Acquisitions

No Income from acquisitions emerged during the year. Income from acquisitions of the previous year, equal to Euro 130,232 thousand, are the result of the Business combinations that took place in 2021 and derived from the comparison between the *fair value* of the net assets acquired of the Jil Sander Group and the consideration for the concluded transaction.

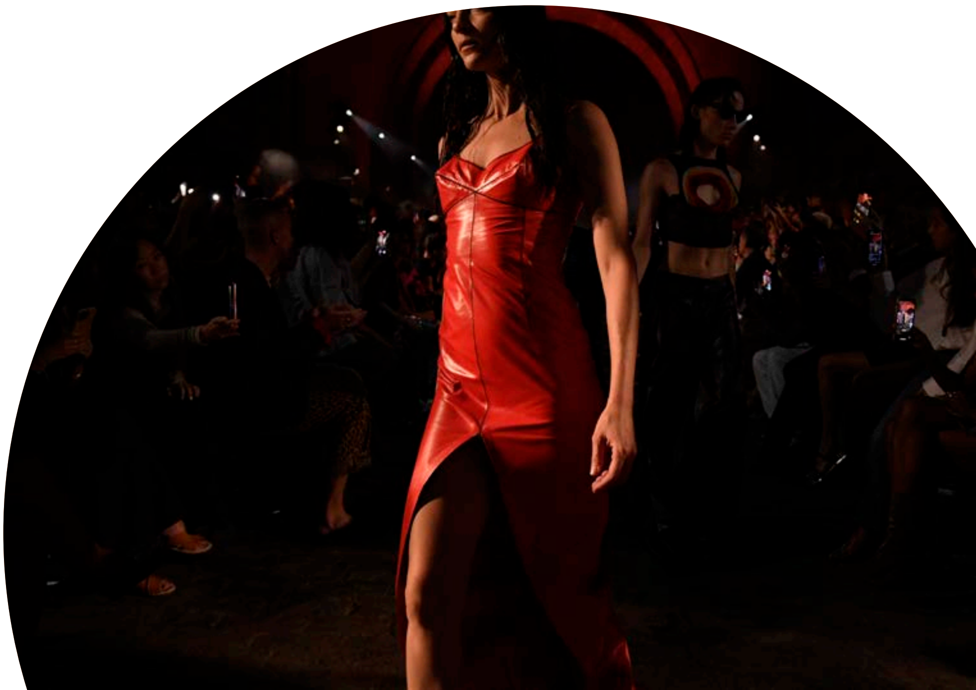
31. Change in inventories

The change in inventories of raw materials, semi-finished and finished products went from a negative change of Euro 48,981 thousand in 2021 to a positive change of Euro 122,790 thousand in 2022. Reference should be made to note (9) of these Notes for details on the changes in inventories.

32. Purchases

The composition of purchases for the years ended 31 December 2022 and 31 December 2021 is as follows:

(in thousands of euro)	2022	2021	change
Finished products	419,655	317,411	102,244
Raw materials	109,023	80,857	28,166
Consumable materials	4,488	3,130	1,358
Total Purchases	**533,166**	**401,398**	**131,768**



33. Lease and rental costs

The composition of lease and rental costs for the years ended 31 December 2022 and 31 December 2021 is as follows:

(IN THOUSANDS OF EURO)	2022	2021	CHANGES
Royalties on trademarks and licences	22,136	20,934	1,202
Rental expense	82,914	61,268	21,646
Hire and rental costs	7,783	6,851	932
Lease and rental costs	**112,833**	**89,053**	**23,780**

The increase in the item Rental expenses, mainly refers to the increase in the variable component of the lease payments of the shops and is explained by the increase in sales compared to the previous year.

34. Cost of services

The composition of cost of services received for the year ended 31 December 2022 compared to the situation at 31 December 2021 is as follows:

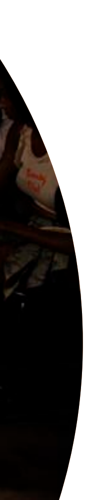
(IN THOUSANDS OF EURO)	2022	2021	CHANGE
Industrial and technical services	152,184	120,333	31,851
Logistics and distribution	50,050	51,234	(1,184)
Sales commissions	31,948	34,100	(2,152)
Commercial services	7,152	5,562	1,590
Advertising and communication services	96,882	70,005	26,877
Legal, tax and administrative consultants	6,979	5,289	1,690
Maintenance services	18,552	14,877	3,675
Financial services	12,729	10,421	2,308
Insurance services	2,727	2,594	133
General services	23,867	15,885	7,982
Employee services	18,158	12,345	5,813
Emoluments of company officers	13,633	13,592	41
Other services	70,285	61,571	8,714
Total cost of services received	**505,146**	**417,808**	**87,338**

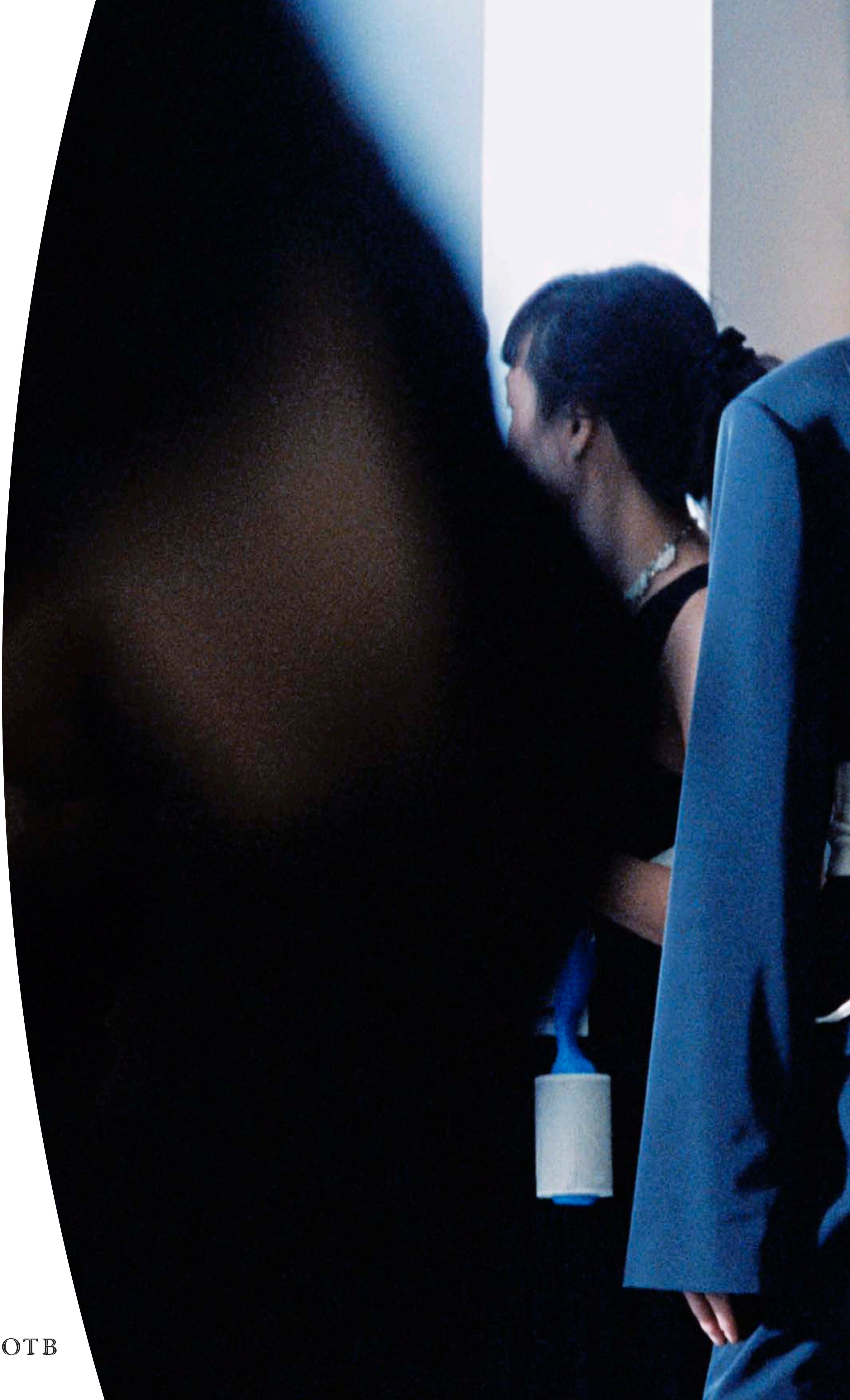
Emoluments of company officers include Directors' remuneration of Euro 12,393 thousand, Statutory Auditors' remuneration of Euro 188 thousand and auditing fees of Euro 1,052 thousand.

35. Personnel costs

The composition of Personnel costs for the years ended 31 December 2022 and 31 December 2021 is as follows:

(IN THOUSANDS OF EURO)	2022	2021	CHANGE
Wages and salaries	260,004	236,653	23,351
Social security contributions	58,194	50,551	7,643
Pension costs	2,000	3,885	(1,885)
Severance payments and employee termination indemnities	10,905	7,934	2,971
Other personnel costs	7,752	1,277	6,475
Personnel costs	**338,855**	**300,300**	**38,555**





Employee numbers at 31.12.2022 and 31.12.2021 are set out below.

	31.12.2022	31.12.2021	Change
no. of employees	**6,261**	**5,980**	**281**

36. Other operating expenses

The composition of other operating expenses for the years ended 31 December 2022 and 31 December 2021 is as follows:

(in thousands of euro)	2022	2021	Change
Advertising material	9,808	10,739	(931)
Consumable materials	12,406	9,249	3,157
Taxation on rental costs	4,874	2,695	2,179
Other tax and duties	4,347	4,191	156
Contributions for corners and flagship stores	1,095	1,442	(347)
Loss on disposal of non-current assets	533	760	(227)
Other costs	15,392	11,696	3,696
Total other operating expenses	**48,455**	**40,772**	**7,683**

37. Amortisation

The composition of depreciation and amortisation expenses for the years ended 31 December 2022 and 31 December 2021 is as follows:

(in thousands of euro)	2022	2021	Change
Depreciation of tangible fixed assets	32,396	29,892	2,504
Amortisation of intangible fixed assets	22,571	20,527	2,044
Amortisation of rights of use	132,346	117,391	14,955
Total depreciation and amortisation	**187,313**	**167,810**	**19,503**

For details of depreciation and amortisation expenses, please see notes (1) and (3) of these Notes which analyse the changes in these two classes in detail.
Amortisation of rights of use refers to the amortisation of the right of use the underlying assets of lease contracts. For further details, please refer to note (2) and to the sections on the new accounting standards in these Notes.

38. Provisions and impairment losses

The composition of provisions and impairment losses for the years ended 31 December 2022 and 31 December 2021 is as follows:

(in thousands of euro)	2022	2021	Change
Provisions for risks and charges	6,400	4,311	2,089
Provision/(Release) of bad debts	(672)	1,746	(2,418)
Writedown of non-current assets	375	1,172	(797)
Total provision and impairment losses	**6,103**	**7,229**	**(1,126)**

Provisions for risks and charges relate to provisions made by some Group companies for contingencies as of 31 December 2022 for future charges.

39. Financial income

The composition of finance income for the years ended 31 December 2022 and 31 December 2021 is as follows:

(IN THOUSANDS OF EURO)	2022	2021	CHANGE
Bank interest	486	102	384
Other interest income	119	252	(133)
Interest on lease assets	9	8	1
Other financial income	12	1,056	(1,044)
Total financial income	**626**	**1,418**	**(792)**

40. Measurement of Equity investments using the Equity method

The composition of the item, Measurement of equity investments using the Equity method for the year ended 31 December 2022 compared to the situation as at 31 December 2021 is as follows:

(IN THOUSANDS OF EURO)	2022	2021	CHANGE
Measurement of Equity investments using the Equity method	5,054	9,645	(4,591)
Total Measurement of Equity investments using the Equity method	**5,054**	**9,645**	**(4,591)**

For further details, see note (4) in these Notes.

41. Financial expenses

The composition of financial expenses for the years ended 31 December 2022 and 31 December 2021 is as follows:

(IN THOUSANDS OF EURO)	2022	2021	CHANGE
Bank interest expense	1,351	1,497	(146)
Interest on lease liabilities	11,365	9,607	1,758
Other interest expense	47	720	(673)
Other financial expense	2,022	4,889	(2,867)
Total financial expenses	**14,785**	**16,713**	**(1,928)**

Interest on lease liabilities refers to interest accruing on lease liabilities. For further details, please refer to the measurement criteria sections of these Notes.

42. Exchange gains (losses)

Exchange gains and (losses) of Euro (2,063) thousand (Euro 2,050 thousand at 31 December 2021) include realised gains and losses on foreign exchange, as well as unrealised gains and losses.

43. Income tax

The composition of income tax for the years ended 31 December 2022 and 31 December 2021 is as follows:

(IN THOUSANDS OF EURO)	2022	2021	CHANGE
IRES	3,586	12,442	(8,856)
IRAP (Regional Business Tax)	4,923	4,217	706
Other income taxes	21,251	24,428	(3,177)
Total current taxes	**29,760**	**41,087**	**(11,327)**
Deferred tax liabilities	(11,121)	4,260	(15,381)
Prior year taxation	(829)	(4,311)	3,482
Total deferred and prior year taxation	**(11,950)**	**(51)**	**(11,899)**
Total income tax	**17,810**	**41,036**	**(23,226)**

The IRES item relates to the taxes resulting from the tax consolidation referred to in note (11).
The item "Deferred taxes" includes the taxes calculated on the temporary differences emerging between the accounting values of the assets and liabilities and the corresponding tax values. During the year, all the deferred tax assets on tax losses resulting from domestic tax consolidation, as mentioned in note (11) of these Notes, were used due to the higher taxable income generated.

Set out below is a reconciliation of the tax charge:

(IN THOUSANDS OF EURO)	2022	%	2021	%
Profit before tax	122,830	100.0%	183,008	100.00%
Theoretical taxes	29,479	24.0%	43,922	24.0%
Effect of different rates in force in other countries	(14,957)	(12.18)%	(6,477)	(3.54)%
IRAP (Regional Business Tax)	3,288	2.7%	3,591	1.96%
Actual tax charge	**17,810**	**14.5%**	**41,036**	**22.42%**

OTHER INFORMATION

Transactions with related parties

The table below provides details of related party transactions and balances. The companies indicated have been identified as related parties because they are linked directly or indirectly to the majority shareholders of OTB Group.

Details of OTB Group's balances with related parties at 31 December 2022 and transactions for the year then ended are provided below.

(IN THOUSANDS OF EURO)	NAME/ROLE	FEE	SALES	PURCHASES OF GOODS AND SERVICES	RENTS	RECEIVABLES AT 31/12/2022	PAYABLES AT 31/12/2022
Members of the Board of Directors	Total directors	12,393					
	Directors (Viktor & Rolf BV)		-	1,064	-	-	-
Companies associated with Group companies:	Reliance Brands Limited/JV Partners		650	2	-	1,036	37
Companies related to the majority shareholders of OTB:	BREBIS MADRID SLU		-	30	-	-	-
	AVCON JET			2,699			
	BBSVR		-	96	-	-	13
	Sporting 55 S.r.l.			231			5
	Lardi & Partners SA			95			
	COGITO SRL		-	300	-	-	111
	Matilde S.r.l.				172		
	RETROSUPERFUTURE S.R.L.		199	360	-	1	
	Red Circle S.r.l.		165		9,650	7	102
	Red Circle NY		-	5	3,172	-	-
	Red Circle Rialto S.r.l.		9		-	-	-
Total			**1,023**	**4,882**	**12,994**	**1,044**	**268**

Significant events subsequent to 31 December 2022

Details of significant events subsequent to the reporting date for these consolidated financial statements are disclosed in the directors' report.

Business continuity

The directors of the Company, after having examined all the areas of activity relating to 2022, both the economic and financial budget for 2023, and the three-year plan 2023 - 2025, given the financial structure and the membership of the Company in the OTB Group, do not believe that there are uncertainties that could jeopardize the going concern assumption, on the basis of which these draft financial statements have been prepared.

Other information

In compliance with the regulations on the transparency of public funding introduced by article 1, paragraphs 125-129 of Law no. 124/2017 and subsequently supplemented by the"security" decree law (no. 113/2018) and the 'simplification' decree law (no. 135/2018), express reference is made to the national register of state aid for more details on the public funding which the Italian companies of the OTB Group benefited from during the year.

Breganze, 17 March 2023

OTB S.p.A.

The Chairman of the Board of Directors

Renzo Rosso

AUDITORS' REPORT

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Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010

To the Shareholders of
OTB SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of OTB Group (the "Group"), which comprise the consolidated statement of financial position as of 31 December 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and the 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 of 31 December 2022 and of the result of its operations and cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

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 OTB SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

The consolidated financial statements of OTB group for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those statements on 28 March 2022.

PricewaterhouseCoopers SpA

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Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the Directors use the going concern basis of accounting unless they either intend to liquidate OTB SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- We concluded on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are

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based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010

The Directors of OTB SpA are responsible for preparing a report on operations of the OTB Group as of 31 December 2022, including its consistency with the relevant consolidated financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of the OTB Group as of 31 December 2022 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the consolidated financial statements of OTB Group as of 31 December 2022 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Bologna, 3 April 2023

PricewaterhouseCoopers SpA

Signed by
Roberto Sollevanti
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

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