CONSOLIDATED FINANCIAL STATEMENTS 2023

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INDEX

Boards of Directors and Statutory Auditors	7
Directors' report on the Consolidated Financial Statements	11
Report of the Board of Statutory Auditors	31
Consolidated Financial Statements	37
Notes to the Consolidated Financial Statements	47
Independent Auditor's Report	143

LETTER TO THE STAKEHOLDERS

2023 was a challenging year and I am proud of the work we have done and the results we have achieved.

The OTB Group closed the year with turnover of 1.9 billion euro, up 10.2% on 2022, EBIT of 140 million euro and capital expenditure totalling more than 200 million euro.

Our brands continued to grow everywhere, not just on key markets like the USA, China and Japan, a historic market for us, but also in new areas like South Korea and other Asian countries. In 2023, Asia drove the Group's growth with a 74% increase in turnover, accounting, together with Japan, for over 40% of the total. The excellent performance of the direct channels (+33.8%) and solid investment in the expansion of the retail network contributed to these positive results.

I am very pleased with the excellent results reported by the brands, in particular Diesel (+13.1%), Jil Sander (+17.3%) and Maison Margiela (+23%). Marni continued to consolidate its positioning, establishing itself as a point of reference for a super-cool global community of artists and creatives.

In a fast-moving and sometimes ephemeral age, our focus is on authentic values such as creativity and the craftsmanship of our products, not just entertainment. These are the factors that determined our success in 2023, together with Staff International's close and collaborative relations with our Made in Italy supply chain partners.

This year we also celebrated the 10th anniversary of the C.A.S.H. (Credito Agevolato - Suppliers' Help) project and marked this milestone with the launch of the M.A.D.E., *Made in Italy, Made Perfectly* docuseries, an initiative that pays tribute to the unique skills of the people behind the scenes of beautiful, well-made Italian products. Eighty percent of the world's luxury goods are made in Italy, whose small producers and small artisans are the true artists who create the products we see on the catwalks and in stores all over the world.

A challenging future lies ahead of us. The luxury sector is evolving constantly, and the global geopolitical and macroeconomic scenario looks increasingly unstable and insidious.

Acting responsibly, supporting our supply chain and continuing to explore the opportunities offered by digital innovation, remain our priorities. This requires commitment, vision, flexibility and, above all, courage.

In this context, we continue working to reduce the environmental impact of an industry that is one of the world's heaviest polluters. Sustainability for us is a mindset, an indispensable asset that we embrace at all levels. During the year, we focused on creating increasingly responsible products and educating consumers to make sustainable choices that put priority on the quality and durability of the items they purchase. At Diesel, for instance, more than 50% of the denim collections use recycled and regenerative organic cotton.

We continued to invest in technology to create ever greater value for our customers and meet the needs of a new generation of consumers. With the AURA Blockchain Consortium, of which we are founding members, we have created digital authenticity certificates for over 800,000 of our products. In addition, with our BVX division we launched an NFT collection for Diesel and the first Web3 Game for Maison Margiela.

My circular vision sees a company create, produce, sell and return part of the value it generates to the community, which is why I am extremely proud of all the initiatives of the OTB Foundation. Since its creation in 2006, the Foundation has implemented more than 350 projects with a concrete impact on the lives of more than 350,000 people in need, in Italy and worldwide.

I want to thank all the OTB Group employees, all our partners and stakeholders who accompany us on this journey and push us to reach ever braver goals, supported by our unique brands and the beauty of our products.

Renzo Rosso

BOARDS OF DIRECTORS AND STATUTORY AUDITORS

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AND STATUTORY
AUDITORS

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Board of Directors of OTB S.p.A.

In office for the three-year period 2021 – 2023 (until 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.

In office for the three-year period 2022 – 2024 (until approval of 2024 Financial Statements)

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Chairman:

Cristiano Agogliati

Statutory Auditors:

Yuri Zugolaro

Bettina Solimando

Alternate Auditors:

Alessandra Maggioni

Silvia Daccò

Independent Auditors

In office for the three-year period 2022 – 2024 (until approval of 2024 Financial Statements)

PricewaterhouseCoopers S.p.A.


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DIRECTORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

DIRECTORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL MARKET AND GROUP PERFORMANCE

Dear Shareholders,

Over the past year, the global economy has further slowed its growth (GDP +3.1% compared to 2022). The causes are many and mainly attributable to rising geopolitical tensions leading to both dangers of conflict escalation and market uncertainty, as well as the persistence of restrictive monetary policies due to high inflation. The latter, despite falling from 2022 values, is still above the 2% set as a target and upper limit by the European Central Bank and the Federal Reserve Bank.

In this context of decreasing consumption and weak global trade, the outlook for 2024 remains uncertain.

Turning to the performance of the major target markets, in Japan GDP grew by 2.0%, driven by steadily recovering domestic demand thanks to supportive economic policies enacted by the Japanese government.

China's economy has entered a relaunch phase compared to 2022 with industrial production, services and retail sales rising sharply. A number of medium- to long-term structural issues remain, including population growth and the housing crisis, the latter with possible repercussions on the financial system.

In the United States, GDP grew by 2.5%. Inflation is now steadily decreasing while remaining at high levels, interest rates during the year reached their highest levels in the past two decades, and are expected to gradually decline in 2024.

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Despite experiencing a technical recession in the last two quarters of 2023, due to an almost across-the-board decline on all production as well as consumption indices, the United Kingdom recorded GDP growth of 0.3% compared to 2022 for the whole of 2023.

Economic activity in the Eurozone remained weak due to weak domestic demand. Overall, the positive aspects were the start of the decline in inflation and a slight decrease in the unemployment rate.

Finally, as regards Italy, GDP growth stood at 0.7%. Despite tightening credit conditions and still high energy prices, the balance of trade remained positive and employment reached record levels.

As regards the fashion industry in which your Company operates, last was a year of consolidation. The segment recorded growth dictated by an increase in sales by value, while there was a decline in volume for the first time following the pandemic compared to the previous year.

This increase in turnover was counterbalanced by a loss of margins, due to rising energy and raw material costs not fully offset by rising market sales prices.

A report recently prepared by the National Chamber of Fashion estimated a 4% increase in sales in 2023 compared to 2022 at 102.8 billion euros (98.8 billion euros in 2022). Driving the growth was mainly exports (+5% compared to 2022) and the consequent maintenance of the largely positive trade balance.

The new year, as mentioned above, opened in a contrasting light. Although the first part of the year is estimated to continue to be affected by the difficulties related to the slowdown in demand, which were already faced in the last four months of 2023, the industry is proving to be resilient and increasingly committed to investments related to environmental and social sustainability, as well as those related to digitisation.

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, MYAR and Max&Co brands for children's collections;

- Staff International S.p.A., operating in the luxury goods sector, managing under license the production and distribution of the high-end brands such as Dsquared2; 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, which, operates in the luxury goods sector, focusing on its core business of men and women's clothing and accessories; production is entrusted to the company Staff International S.p.A. Through the investee company Marni USA Ltd., the Marni group has a 20% interest in Atelier Luxury Group LLC, the US 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-porter* 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 2023 with significant growth that confirms and consolidates the Group's positioning on all the main markets and distribution channels.

Total turnover amounted to Euro 1,867.7 million, up 7.0% from the previous year (Euro 1,745.9 million in 2022), consolidated profit to Euro 89.8 million (profit of Euro 105.0 million) and negative net financial position of Euro 529.4 million, which becomes positive at Euro 60.3 million if the assets and liabilities relating to the accounting treatment of so-called rights of use (IFRS 16) are excluded (negative at Euro 269.7 million in 2022, positive at Euro 293.0 million if the assets and liabilities for leases 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.

SIGNIFICANT EVENTS

Over the past year, the global economy has slowed its growth due to increased geopolitical tensions leading to dangers of conflict escalation and market uncertainty, as well as the continuation of tight monetary policies due to high 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 inflation rate, while declining from the values of 2022 and 2021, is still above the 2% target and ceiling set by central banks.

The Company and the OTB Group have implemented all the appropriate measures to effectively limit the critical issues related to this socio-economic context and the possible impacts on the markets and on our activities are monitored continuously.

The Group grew with all brands and in all geographies despite a difficult and particularly challenging macroeconomic context, confirming the validity of the business model adopted.

2023 was marked by a major turnaround for Diesel, which recorded a 13.1% (at constant exchange rates) increase in sales over 2022. The performance of the Diesel brand was particularly positive, demonstrating the success achieved through the brand's now well-established repositioning process. The effects generated by this new phase include the excellent results of certain products that have become iconic, such as the 1DR bag, but also the growth of the women's collection, which now accounts for almost 50% of the business. In addition, Diesel has been able to create increasing interest in younger consumers, with Gen-Z accounting for 35% of the customer base, an achievement that creates a solid foundation for the brand's future development globally.

In 2023, Diesel opened 15 new stores in Europe, China, India and North America, including flagships in major cities such as Paris, Miami, Antwerp and Guangzhou.

In the luxury segment, Maison Margiela performed very well, gaining an increasingly important role within the Group thanks to a 23% increase in sales (at constant exchange rates) over the previous year. In particular, China and Korea were growth drivers, with sales up 72.4% (at constant exchange rates) over 2022, confirming the growing appreciation for the brand among young Asian consumers. A positioning further strengthened by the haute couture show, Maison Margiela Artisanal Collection 2024, which was a worldwide success and among the best shows of the last decade, establishing John Galliano as a visionary artist and creator of a sensational collection.

In 2023, the brand opened 24 new stores worldwide, in prestigious locations in the cities of Venice, Beijing, Shanghai, Los Angeles, Las Vegas and Seoul, among others. In addition, Maison Margiela's new headquarters in Place des États-Unis in the iconic 16th arrondissement of Paris confirms the Group's desire to consolidate its positioning in France and continue to invest heavily in the country.

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Jil Sander again recorded significant growth of 17.3% (at constant exchange rates) over 2022, confirming it as one of the highest expressions of design and craftsmanship in the global luxury brand context. The brand strengthened its direct channel network in Europe, the United States, Asia-Pacific and Japan, with the opening of 18 new stores in cities such as Paris, Rome, Venice, Madrid, London, Dallas, Los Angeles, Tokyo, Kyoto, Nanjing and Seoul, among others. Jil Sander also renewed its licensing agreement with Coty, a leading global beauty company, for the next ten years, for the development, production and distribution of the brand's cosmetics and fragrances.

Marni, which grew 8.6% (at constant exchange rates) in 2023 over the previous year, continued its global positioning. A direction that has been consolidated over time thanks to the expansion of the retail network-with the opening of 16 new stores in 2023 alone, but also to its itinerant shows, including New York, Tokyo, and Paris, which aim to take the brand's vision and values around the world, further strengthening the international community of brand lovers and celebrities who follow the brand. Following the success of the Paris show in September 2023, as from the FW 2024 season, the brand will again be part of the official Milan Fashion Week calendar. At the beginning of 2024, Marni also signed a new 20-year licensing agreement with Coty for the development, production and global distribution of high-end beauty products and fragrances under the Marni brand.

2023 saw Viktor&Rolf celebrate the 30th anniversary of the brand, an icon of high fashion founded by the two designers still at the creative helm of the fashion house. A year that marked the success of the haute couture shows, with the SS23 collection going viral globally and mentioned among the most significant images of 2023.

The brand also consolidated its historic partnership with l'Oréal for the production and distribution of Viktor&Rolf's iconic fragrances.

Staff International continued to be a highly strategic asset of the Group, strengthening its role as a production and logistics platform for OTB's brands, as well as a licensee for the production and global distribution of high-end brands. With the acquisition in 2023 of a majority interest in the historic Florentine leather goods company Frassineti, Staff International began the implementation of the Group's strategy that aims to acquire know-how in strategic product categories by acquiring interests in key production partners representing the highest excellence of Made in Italy. Other strategic operations following the same direction will be completed during 2024.

Brave Kid, a company specialising in the worldwide production and distribution of childrenswear products of the Group's and third-party brands, announced a new 5-year licensing agreement in 2023 with the MAX&-Co. brand, of the MaxMara Group, to launch the first children's line.

In 2023, the retail channel grew by 33.8% (at constant exchange rates) due to both an increase in the number of stores worldwide–which stands at 610 stores at the end of the year–and an increase in sales in existing stores. Indeed, in 2023 the OTB Group continued to invest in consolidating its direct channels, opening 76 new stores in key markets for international development such as China, Korea and the United States, as well as in Europe.

At the same time, the Group also worked to further strengthen the e-commerce channel through Jil Sander's adoption of the omni-channel MOON platform, OTB's operating model that enables a complete, smooth and personalised digital shopping experience. The weight of direct channels exceeded 50% of total sales, a result that goes in the direction outlined in the Group's strategic plan.

OTB Group's further expansion continued, with the goal of developing international markets in high-potential geographies such as Asian countries, including China, where it opened 30 new stores in 2023; Japan, which accounts for approx. 23% of the Group's business; and South Korea, which is among the top-performing new markets. A recovery of growth was recorded in the North American market, while Europe remained stable due to the complex economic environment.

Investment in innovation continued, with a focus on virtual reality, 3D, customer engagement and artificial intelligence solutions. In order to explore the opportunities AI generates in terms of improving all business processes, in 2023 the Group decided to start training its managers in synergy with leading industry players, with the aim of harnessing the potential of artificial intelligence from the design phase of any project or process.

As a founding member of the AURA Blockchain Consortium, OTB continued its process of mass adoption of blockchain technology, making it an integral part of its business processes, with the goal of further elevating the customer experience of its luxury brands. Through the registration of products on the blockchain platform provided by AURA and the use of a chip placed inside the garments, after the first phase involving some of the most iconic accessories of the Jil Sander, Maison Margiela and Marni brands, the Group extended the creation of its digital certificate of authenticity to all the ready-to-wear collections of the three brands starting with FW24.

Brave Virtual Xperience (BVX), the Group company dedicated to the development of experiences and products in the virtual world, consolidated its role in providing strategic and technological support to Group brands in the creation and implementation of projects for Web3. In particular, in 2023 BVX supported Diesel in launching an NFT collection in partnership with Hape and Maison Margiela in launching the first Web3 game, which, through blockchain technology, allowed gaming and digital collectibles enthusiasts to participate in a minting experience of digital tokens linked to the brand's numeric iconography.

On 12 January 2023, the subsidiary Staff International S.p.A. exercised its right to terminate the contractual relationship with the company CTLK S.a.s. concerning the license of the Koché brand, which thus ended with the completion of activities related to the Spring/Summer 2023 season. A supply relationship continued in the Fall/Winter 2023 season with this company.

On 3 July 2023, the subsidiary Staff International S.p.A., in line with the outcome of the related arbitration award, formalised a settlement agreement with the company Roberto Cavalli S.p.A., the owner of the Just Cavalli brand which was the subject of the licensing agreement terminated during 2021, concerning repayment of the royalties advanced during the licensing relationship and as of the date of the stipulation of the agreement not yet repaid. Following this agreement, the counterparty repaid the full amount due by 31 December 2023.

During the year, the subsidiary Brave Kid S.r.l. terminated its subrental contracts with D.O.S. S.r.l. and took over the direct management of the multi-brand outlets located in Marcianise (CE) and Serravalle Scrivia (AL).

2023 was an important year for the OTB Group in terms of its commitment to supporting its supply chain. Indeed, the Group celebrated the 10th anniversary of the C.A.S.H. project, which to date involves 65 active suppliers who have sold 90% of their receivables. Since the program began in 2013, the total volume of funding disbursed has exceeded 550 million euros.

To celebrate this anniversary, the Group launched the M.A.D.E., Made in Italy, Made Perfectly campaign, an initiative to promote and enhance the value of Made in Italy, which was presented at the Ministry of Enterprises and Made in Italy with Minister Adolfo Urso in September 2023. The campaign involved some of the best production partners in OTB's supply chain and, through the creation of short documentaries, had the objective of narrating the business history of Italian savoir-faire excellence.

Moreover, in 2023 OTB obtained approval of its emission reduction targets from SBTi, the global body that allows companies to set ambitious targets for decreasing their environmental footprint. On the front of its people's well-being, OTB, together with Diesel, obtained the National Gender Equality Certification, confirming its commitment to the issues of Diversity, Equity and Inclusion, which are considered true strategic levers for the Group's development and the organisation's sustainability.

Also during 2023, implementation activities of the sustainability strategy of the Diesel Group, called "*For Responsible Living,*" continued. In this regard, the progress made in developing collections with a lower environmental impact through the use of more responsible materials, treatments and finishes that have led to an increase in product categories that meet the *For Responsible Living* criteria is worthy of note.

Diesel continued its cotton recycling pilot project in Tunisia, as part of its collaboration with the United Nations Industrial Development Organization (UNIDO), to initiate a low-emission circular business system that recycles some of the waste generated in the country from the cutting of denim fabric into fabrics that will be used in future Diesel collections, while the remainder will be used by other supply chains. In addition, the subsidiary Diesel S.p.A. continued the "Diesel Second Hand" project. During 2023, Diesel, following an audit process, obtained the following certifications to be affixed to the finished (marketed) garments:

- RCS: Recycled Claim Standard;
- GRS: Global Recycled Standard;
- GOTS: Global Organic Textile Standard;
- OCS: Organic Content Standard;
- RegenAgri;
- RWS: Responsible Wool Standard;
- RMS: Responsible Mohair Standard;
- RAS: Responsible Alpaca Standard.

The latter three major certifications demonstrate the brand's concrete commitment to promoting animal welfare globally, while the former concern the use of organic, recycled and regenerative agriculture-derived materials.

It should be noted that the OTB Group Sustainability Report as of 31 December 2023 will be approved by the Board of Directors with the same timing as the consolidated financial statements.

In accordance with the provisions of Article Law L.145-46-1 of the French Commercial Code, which establishes in favour of the lessee a pre-emption right 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. exercised, as lessee, a pre-emption right on the premises constituting its registered office, located at 12 place des Etats Unis in Paris, and on 4 May it purchased them.

Effective 1 December 2023, the subsidiary Diesel S.p.A. carried out the partial demerger of its interest in Brave Kid S.r.l. in favour of the parent company OTB S.p.A.

In 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. During 2023 there were no developments. 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.

As is normal for multinational groups, the OTB group was subject to a number of tax audits during the financial year just concluded. Three audits are in progress and not subject to specific disputes by the competent authorities.

Specifically, Italian taxpayers OTB S.p.A. and Italian branch Margiela S.A.S.U. have been the subject to a general audit by the Revenue Agency, while the French subsidiary Margiela S.A.S.U. has an audit, also of a general nature, in progress by the Direction des Verifications Nationales et Internationales.

Having assessed the overall status of the audit processes and the absence of specific and quantifiable disputes, the taxpayers concerned do not believe there is any material obstacle to the closure of the financial statements.

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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)	**2023**	**%**	**2022**	**%**	**23vs22**	**%**
Net sales	1,777.9	95.2%	1,632.9	93.5%	145.0	8.9%
Royalties and other revenue	89.8	4.8%	113.0	6.5%	(23.2)	(20.5)%
Total Revenues	**1,867.7**	**100.0%**	**1,745.9**	**100.0%**	**121.8**	**7.0%**
Cost of sales	(583.3)	(31.2)%	(550.4)	(31.5)%	(32.9)	6.0%
Gross margin	**1,284.4**	**68.8%**	**1,195.5**	**68.5%**	**88.9**	**7.4%**
Royalties and other costs	(21.2)	(1.1)%	(22.8)	(1.3)%	1.6	(7.0)%
Advertising costs	(113.7)	(6.1)%	(109.3)	(6.3)%	(4.4)	4.0%
Sales commission	(30.3)	(1.6)%	(32.0)	(1.8)%	1.7	(5.3)%
Transport costs	(35.6)	(1.9)%	(36.3)	(2.1)%	0.7	(1.9)%
Cost of labour	(363.3)	(19.5)%	(338.9)	(19.4)%	(24.4)	7.2%
General expenses	(368.5)	(19.7)%	(335.5)	(19.2)%	(33.0)	9.8%
Writedown of receivables	(2.4)	(0.1)%	0.6	0.0%	(3.0)	
Gross operating profit	**349.4**	**18.7%**	**321.3**	**18.4%**	**28.1**	**8.7%**
Amortisation/depreciation	(57.8)	(3.1)%	(44.9)	(2.6)%	(12.9)	28.7%
Amortisation of right of use assets	(141.5)	(7.6)%	(132.3)	(7.6)%	(9.2)	7.0%
Trademark amortisation	(10.2)	(0.5)%	(10.1)	(0.6)%	(0.1)	1.0%
Operating profit (EBIT)	**139.9**	**7.5%**	**134.0**	**7.7%**	**5.9**	**4.4%**
Finance income (costs)	(1.8)	(0.1)%	(2.8)	(0.2)%	1.0	(35.7)%
Measurement of equity investments using the equity method	(1.7)	(0.1)%	5.1	0.3%	(6.8)	(133.3)%
Interest on lease liabilities	(13.8)	(0.7)%	(11.4)	(0.7)%	(2.4)	21.1%
Exchange gains (losses)	(10.8)	(0.6)%	(2.1)	(0.1)%	(8.7)	414.3%
Result before tax	**111.8**	**6.0%**	**122.8**	**7.0%**	**(11.0)**	**(9.0)%**
Taxes	(22.0)	(1.2)%	(17.8)	(1.0)%	(4.2)	23.6%
Net result	**89.8**	**4.8%**	**105.0**	**6.0%**	**(15.2)**	**(14.5)%**
Group net result	88.4	4.7%	104.0	6.0%	(15.6)	(15.0)%

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Net sales of Euro 1,777.9 million consist of Euro 923.9 million of direct channel sales (retail, outlets, on-line) and Euro 854.0 million of Indirect channel sales. In 2022, net sales amounted to Euro 1,632.9 million, of which Euro 872.7 million related to indirect channels and Euro 760.2 million related to direct channels.

Revenue from sales of goods and services, consisting of the sum of net sales of Euro 1,777.9 million and royalty income of Euro 39.8 million, coming to a total of Euro 1,817.7 million, breaks down as follows (in millions of Euro):

(in thousands of euro)	**Italy**	**Rest of Europe**	**APAC (excl. India)**	**Japan**	**America**	**Rest of world (incl. India)**	**Total**
Revenue	344.1	503.6	251.6	410.7	203.1	104.6	1,817.7
% of revenue	18.9%	27.7%	13.8%	22.6%	11.2%	5.8%	100.0%

Net sales increased by 8.9% compared with the previous year, driven by increased sales in direct channels, strong performance of brands in the luxury segment, and Diesel's turnaround.

All geographic areas experienced steady growth; in particular, the best performance was seen in Asia-Pacific, a region that was a growth driver and is gaining increasing importance for the Group. Further strengthening of Japan, which with a weight of 22.6% of total business is the Group's key market.

Sales through direct channels accounted for 52.0% of total sales compared to 46.6% in the previous year. Retail sales grew significantly, +25.5% compared to 2022, due to increased sales in existing stores and new openings. On-line sales consolidated their weight within the Group, recording growth of 20.3% compared to the previous year. Revenues from royalties amounted to Euro 39.8 million (Euro 43.9 in 2022).

EBITDA amounted to Euro 349.4 million (Euro 321.3 million in 2022) equal to 18.7% of sales, compared to 18.4% in the previous year.

EBIT amounted to Euro 139.9 million (Euro 134.0 million in 2022) equal a 7.5% of sales, compared to 7.7% in the previous year.

Operating profit amounted to Euro 89.8 million (Euro 105.0 million in 2022). The percentage impact on revenues was 4.8% against 6.0% in 2022. Operating profit amounted to Euro 88.4 million (Euro 104.0 million in 2022).

Financial position

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The Group's statement of financial position at 31 December 2023 is summarised below (in millions of euro):

(in thousands of euro)	**31.12.2023**	**%**	**31.12.2022**	**%**	**23vs22**	**%**
Current assets	965.8	40.0%	1,094.5	46.5%	(128.7)	(11.8)%
Non-current assets	1,446.9	60.0%	1,257.9	53.5%	189.0	15.0%
Total assets	**2,412.7**	**100.0%**	**2,352.4**	**100.0%**	**60.3**	**2.6%**
Current liabilities	683.8	28.3%	698.5	29.7%	(14.7)	(2.1)%
Non-current liabilities	586.8	24.3%	571.8	24.3%	15.0	2.6%
Group shareholders' equity	1,136.1	47.1%	1,077.5	45.8%	58.6	5.4%
Minority interest	6.0	0.2%	4.6	0.2%	1.4	30.4%
Shareholders' equity	**1,142.1**	**47.3%**	**1,082.1**	**46.0%**	**60.0**	**5.5%**
Total liabilities	**2,412.7**	**100.0%**	**2,352.4**	**100.0%**	**60.3**	**2.6%**

Shareholders' equity amounted to Euro 1,142.1 million against Euro 1,082.1 million in 2022.

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)	**2023**	**2022**	**23vs22**	**%**
Net cash and cash equivalents at beginning of year	**300.6**	**582.5**	**(281.9)**	**(48.4)%**
Self-financing	301.5	262.2	39.3	15.0%
Changes in working capital	(158.2)	(132.9)	(25.3)	19.0%
Changes in financial instruments	(3.5)	(1.1)	(2.4)	218.2%
Income tax and interest	(5.1)	14.2	(19.3)	(135.9)%
Net investments for business combinations	(5.0)	(1.2)	(3.8)	316.7%
Net investments	(205.7)	(78.3)	(127.4)	162.7%
Dividends paid	(21.4)	(20.5)	(0.9)	4.4%
Cash flow from IFRS16	(151.6)	(136.4)	(15.2)	11.1%
Cash flow from other financing activities	22.3	(190.1)	212.4	(111.7)%
Net foreign exchange difference	7.5	2.2	5.3	240.9%
Net change in cash and cash equivalents	*(219.2)*	*(281.9)*	*62.7*	*(22.2)%*
Net cash and cash equivalents at end of year	**81.4**	**300.6**	**(219.2)**	**(72.9)%**

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Ratios

The key financial ratios are summarised as follows:

	2023	**2022**	**23vs22**
R.O.I.	5.80%	5.70%	0.10%
R.O.E.	8.57%	10.79%	(2.22)%
R.O.S.	7.49%	7.69%	(0.20)%
Liquidity ratio	1.41	1.57	(0.16)

INVESTMENTS

The investments made by the Group amounted to a total of Euro 206.0 million, compared to Euro 81.8 million in the previous year, and are broken down as follows:

- Intangible assets: Euro 11.3 million;
- Tangible fixed assets: Euro 189.7 million;
- Euro 5.0 million for scope enlargement.

Investments in property, plant and equipment include Euro 120.2 million for the purchase of the building that houses Maison Margiela's headquarters in Place des Etats-Unis in the 16th arrondissement of Paris. Investments in intangible and in the remaining part of tangible fixed assets mainly refer to costs incurred for the development of the retail network, which saw the opening of 76 new points of sale in key markets for international development such as China, Korea and the United States, but also in Europe.

Investments for enlargement of the scope mainly refer to the acquisition of 80% of Frassineti S.r.l., a historic Florentine leather goods company. The transaction is in line with the Group's strategy of acquiring know-how in strategic commodity categories through the acquisition of interests in key production partners representing the highest Made in Italy excellence. For a residual part, scope enlargement investments refer to the purchase of 100% of the company Tre Erre S.r.l. made with a view to strengthening the Group's retail network by securing the lease of a property in the prestigious Piazza San Marco in Venice. The acquisition values are presented in the Notes to the consolidated financial statements.

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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 6,849 employees at 31 December 2023 against 6,261 at 31 December 2022.

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, 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.

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 S.p.A. 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

It should be noted that, as part of the broader investment project in the production chain, in January 2024 the Group finalised a preliminary contract to purchase a majority interest in the capital of a strategic supplier. Completion of the transaction is expected during the first half of 2024.

Business outlook

Although at this start of the year, the economic, political and social context, in continuity with what happened during 2023, continues to be uncertain and challenging due to multiple factors, including the risks related to geopolitical tensions and the continuation of high inflation rates, OTB Group Companies have the objective to continue the turnover growth trend.

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

Breganze, 28 March 2024

THE BOARD OF DIRECTORS

THE CHAIRMAN
RENZO ROSSO

REPORT OF THE BOARD OF STATUTORY AUDITORS

REPORT OF THE
BOARD OF STATUTORY
AUDITORS

REPORT OF THE BOARD OF STATUTORY AUDITORS PURSUANT TO ART. 2429 OF THE CIVIL CODE ON THE FINANCIAL STATEMENTS AT 31 DECEMBER 2023

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 2023 of OTB S.p.A. (hereinafter also "OTB" or "Company") approved by the Board of Directors on 28 March 2024.

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 2023 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 2023 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 2024, 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 2023 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 2023, 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 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.

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

- acquisition of 80% of the company Frassineti S.r.l. by the subsidiary Staff International S.p.A;
- establishment of a new company, Jil Sander Hong Kong Ltd, wholly owned by the subsidiary Jil Sander S.p.A;
- acquisition of 100% of the company Tre Erre S.r.l. by the subsidiary Jil Sander S.p.A;
- liquidation of the company Gold Rush S.A;
- partial demerger of the interest in Brave Kid S.r.l. by the subsidiary Diesel S.p.A. in favour of parent company OTB S.p.A.

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 2024, 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 2023 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 Union*.

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 2023 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 2024

The Board of Statutory Auditors

Dr. Cristiano Agogliati

Dr. Bettina Solimando

Dr. Yuri Zugolaro

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

(in thousands of euro)	Note	31.12.2023	31.12.2022
Assets			
Non-current assets			
Goodwill	1	71,601	68,358
Intangible assets with a finite useful life	1	263,783	278,369
Right of use assets	2	560,038	521,018
Property, plant and equipment	3	324,934	183,116
Equity investments measured with the equity method	4	40,295	39,636
Non-current lease assets	5	0	582
Non-current financial assets	6	2,018	1,053
Other non-current assets	7	40,749	39,029
Deferred tax assets	8	143,512	126,724
Total non-current assets		**1,446,930**	**1,257,885**
Current assets			
Inventories	9	480,258	396,810
Trade receivables	10	250,404	247,419
Tax receivables	11	9,988	14,351
Current lease assets	5	249	762
Current financial assets	6	20,531	9,935
Other current assets	12	116,971	124,352
Cash and cash equivalents	13	87,355	300,879
Total current assets		**965,756**	**1,094,508**
Total assets		**2,412,686**	**2,352,393**
Equity and liabilities			
Shareholders' equity			
Equity attributable to the Group	14	1,136,094	1,077,476
Minority interest	15	6,006	4,622
Total shareholders' equity		**1,142,100**	**1,082,098**
Non-current liabilities			
Non-current lease liabilities	16	460,473	445,527
Non-current financial liabilities	17	50	5
Provisions for risks and charges	18	36,820	30,072
Post-employment benefit plan liabilities	19	8,745	9,107
Other non-current liabilities	20	12,323	15,933
Deferred tax liabilities	21	68,358	71,182
Total non-current liabilities		**586,769**	**571,826**

(in thousands of euro)	Note	31.12.2023	31.12.2022
Current liabilities			
Trade payables	22	306,897	348,207
Other current liabilities	23	138,527	122,488
Current tax liabilities	24	19,307	20,855
Provisions for risks and charges	18	42,058	71,206
Current lease liabilities	16	129,500	117,917
Current financial liabilities	25	47,528	17,796
Total current liabilities		**683,817**	**698,469**
Total liabilities		**1,270,586**	**1,270,295**
Total equity and liabilities		**2,412,686**	**2,352,393**

Consolidated Income Statement

(in thousands of euro)	**Note**	**2023**	**2022**
Revenues from sales and services	28	1,817,702	1,676,842
Other operating income	29	50,031	69,075
Revenue		**1,867,733**	**1,745,917**
Change in inventories	30	(92,722)	(122,790)
Purchases	31	522,729	536,004
Lease and rental costs	32	125,572	112,833
Cost of services	33	540,881	505,146
Personnel costs	34	363,273	338,855
Other operating expenses	35	53,713	48,455
Amortisation/depreciation	36	209,503	187,313
Provisions and impairment losses	37	4,848	6,103
Operating profit		**139,936**	**133,998**
Financial income	38	5,673	626
Measurement of Equity investments using the Equity method	39	(1,712)	5,054
Financial expenses	40	21,316	14,785
Exchange gains (losses)	41	(10,782)	(2,063)
Profit before tax		**111,799**	**122,830**
Income tax	42	22,017	17,810
Profit/(loss) for the period		**89,782**	**105,020**
Profit/(loss) attributable to the Group		88,360	103,969
Profit/(loss) attributable to minority interests		1,422	1,051

Consolidated Statement of other Comprehensive Income

(in thousands of euro)	**2023**	**2022**
Profit/(loss) for the period	**89,782**	**105,020**
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	(15,652)	(5,082)
Net (Loss)/Profit on cash flow hedges:		
Gross (Loss)/Profit on cash flow hedges	9,797	4,320
Tax effect of cash flow hedges	(2,025)	(643)
Net (Loss)/Profit on cash flow hedges	7,772	3,677
Net (Loss)/Profit from cost of hedging:		
Gross (Loss)/Profit from cost of hedging	(2,230)	0
Tax effect cost of hedging	421	0
Net (Loss)/Profit from cost of hedging:	(1,809)	0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(9,689)**	**(1,405)**
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):		
Actuarial profit/(loss) on provisions relating to personnel/agents	13	689
Tax effect of actuarial reserve on provisions relating to personnel/agents	(128)	(202)
Actuarial profit/(loss) net on provisions relating to personnel/agents	(115)	487
Total other comprehensive income components that will not be subsequently reclassified to profit or loss in subsequent periods (net of tax)	**(115)**	**487**
Total other comprehensive income components	**(9,804)**	**(918)**
Total comprehensive profit/(loss) for the year, net of tax	**79,978**	**104,102**
Attributable to:		
Group	78,666	103,197
Non-controlling interests	1,311	905

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Consolidated Cash Flow Statement

(in thousands of euro)	**Note**	**2023**	**2022**
Operating activities			
Profit/(loss) for the period		***89,782***	***105,020***
Non-cash items:			
Depreciation of property, plant and equipment	36	43,810	32,396
Amortisation of intangible fixed assets	36	24,197	22,571
Amortisation of rights of use	36	141,496	132,346
Gain (loss) on disposal of property, plant and equipment and intangible assets		1,493	646
Capital losses/(gains) on disposal of rights of use		(3,285)	(8,351)
Write-down/(Write-back) of equity investments	39	1,712	(5,054)
Provision/(Release) of bad debts		2,379	(560)
Provision/(Release) risks and charges		10,672	(15,665)
Reinstatement of value of right of use assets		(10,565)	0
Other non-cash items		(205)	(1,197)
Total non-cash items		***211,704***	***157,132***
Taxes	42	***22,017***	***17,810***
Interest		***1,752***	***2,802***
IFRS16 interest	38, 40	***13,891***	***11,356***
Dividends		***0***	***0***
Changes in working capital:			
Change in inventories		(94,916)	(122,823)
Change in current and non-current receivables and other assets		(9,504)	(65,089)
Change in current and non-current payables and other liabilities		(53,764)	55,018
Total changes in working capital		***(158,184)***	***(132,894)***
Net change in derivative financial instruments		***(3,550)***	***(1,144)***
Income tax paid		***(42,800)***	***(17,798)***
Total cash flow from operating activities		**134,612**	**142,284**

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(in thousands of euro)	Note	2023	2022
Cash flow from investing activities:			
Payments for intangible assets	1	(11,274)	(15,003)
Purchase of property, plant and equipment	3	(189,717)	(65,606)
Proceeds from sale of intangible assets		833	197
Proceeds from sale of property, plant and equipment		(304)	3,435
Other changes in property, plant and equipment and intangible assets		(482)	(674)
Purchase of minority interests		0	0
Proceeds from sale of equity investments		600	0
Other changes of unconsolidated equity investments		(6,599)	(5,484)
Net investments for business combinations		(4,964)	(1,174)
Financial investments		(988)	(749)
Dividends received	4	2,221	5,606
Total cash flow from investing activities		**(210,674)**	**(79,452)**
Cash flow from financing activities			
Other changes in Shareholders' Equity		0	0
Dividends paid to shareholders	14	(20,000)	(20,000)
Change in non-current financial liabilities		47	(80,167)
Change in current financial liabilities		24,053	(107,656)
Reimbursement of lease liabilities		(151,613)	(136,362)
Interest paid		(1,743)	(2,718)
Dividends paid to minority interests		(1,440)	(514)
Other changes to minority interests		0	484
Total cash flow from financing activities		**(150,696)**	**(346,933)**
Net change in cash and cash equivalents		**(226,758)**	**(284,101)**
Net foreign exchange difference		**7,487**	**2,244**
Net cash and cash equivalents at beginning of year		**300,644**	**582,501**
Net cash and cash equivalents at end of year		**81,373**	**300,644**

Consolidated Statement of Changes in Equity

	Share Capital	Legal reserve	Other reserves	Foreign currency translation reserve	Profit for financial year	Shareholders' equity attributable to the Group	Minority interest	Total shareholders' equity
Balance as at 31.12.2021	**25,000**	**5,000**	**846,729**	**(9,299)**	**140,542**	**1,007,972**	**5,765**	**1,013,737**
Allocation of 2021 profit	0	0	140,542	0	(140,542)	0	0	0
Dividend payments	0	0	(20,000)	0	0	(20,000)	(514)	(20,514)
Increases	0	0	0	0	0	0	484	484
Other changes	0	0	(13,531)	(162)	0	(13,693)	(2,018)	(15,711)
Profit for the year	0	0	0	0	103,969	103,969	1,051	105,020
Total other comprehensive income changes	0	0	4,181	(4,953)	0	(772)	(146)	(918)
Balance as at 31.12.2022	**25,000**	**5,000**	**957,921**	**(14,414)**	**103,969**	**1,077,476**	**4,622**	**1,082,098**
Allocation of 2022 profit	0	0	103,969	0	(103,969)	0	0	0
Dividend payments	0	0	(20,000)	0	0	(20,000)	0	(20,000)
Increases	0	0	0	0	0	0	0	0
Other changes	0	0	(1,003)	954	0	(49)	73	24
Profit for the year					88,360	88,360	1,422	89,782
Total other comprehensive income changes	0	0	5,840	(15,533)	0	(9,693)	(111)	(9,804)
Balance as at 31.12.2023	**25,000**	**5,000**	**1,046,727**	**(28,993)**	**88,360**	**1,136,094**	**6,006**	**1,142,100**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 IFRS Interpretations Committee, which was formerly called 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.

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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.

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Adoption of IFRS

The consolidated financial statements of OTB Group (hereinafter "the Group") for the year ended 31 December 2023 were prepared in accordance with IFRS.

Newly issued accounting standards and interpretations effective 1 January 2023

Newly issued accounting standards and interpretations that came into effect on 1 January 2023, and as a result of which there is no material impact on the income statement or balance sheet, are summarised below:

- *IFRS 17 – Insurance contracts*. In May 2017, the International Accounting Standards Board (IASB) issued *IFRS 17–Insurance contracts* which defines the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued, as well as guidelines relating to reinsurance contracts held and investment contracts with discretionary holding characteristics issued. In June 2020, the IASB also issued amendments to IFRS 17 aimed at facilitating its implementation process and simplifying the way companies report their financial performance.

- *IFRS 17–Insurance contracts: Initial Application and IFRS 9–Comparative Disclosure (and IFRS 4–Insurance Contracts.)*. In December 2021, the IASB issued amendments that provide a transition option related to comparative disclosure on financial assets presented upon initial application of IFRS 17. The amendment is intended to help entities avoid temporary accounting mismatches between financial assets and liabilities arising from insurance contracts, and thus improve the usefulness of comparative information. Moreover, in June 2020, the IASB issued amendments extending the expiry date to the temporary exemption from application of IFRS 9 to annual periods beginning on or after 1 January 2023, to align it with the introduction of IFRS 17.

- *IAS 1–Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of accounting policies*. In February 2021, the IASB issued amendments that require the disclosure of information about accounting standards that are relevant to them as well as those that are significant, and provide guidance on how to apply the concept of materiality to disclosures about accounting standards.

- *IAS 8-Accounting standards, changes in accounting estimates and errors: Definition of accounting estimates*. In February 2021, the IASB issued amendments which clarify how companies should distinguish changes in accounting standards from changes in accounting estimates.

- *IAS 12-Income taxes: Deferred taxes related to Assets and Liabilities arising from a single transaction*. In May 2021, the IASB issued amendments in order 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.

- *IFRS 4-Insurance contracts*. In June 2020, the IASB issued amendments extending the expiry date to the temporary exemption from application of IFRS 9 to annual periods beginning on or after 1 January 2023.

- *IAS 12-Income taxes: International tax reform-Rules of the second pillar model*. In May 2023, the IASB issued amendments to clarify the application of IAS 12 in relation to tax laws enacted or substantially enacted to implement the rules of the Organization for Economic Cooperation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) (second-pillar income tax model). These amendments introduced: (i) a temporary mandatory exception to the accounting of deferred taxes resulting from the jurisdictional implementation of the second-pillar model rules, which was effective immediately after the amendment was issued; and (ii) disclosure requirements for covered entities to help users of financial statements better understand an entity's exposure to Pillar 2 income taxes arising from that legislation, particularly prior to the effective date of the Pillar 2 model rules, which apply to annual reporting periods beginning on or after 1 January 2023, but not for interim periods ending on or before 31 December 2023.

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International accounting standards not yet applicable

The following new standards, amendments and interpretations are effective on or after 1 January 2024. The Company does not expect any significant impact from the adoption of these amendments:

- *IAS 1–Financial statement presentation: Classification of liabilities as current and non-current*. In January 2020, the IASB issued amendments to clarify the classification between payables and other liabilities as current or non-current. In particular, the amendments issued focus on how to classify liabilities with uncertain settlement dates and liabilities that can be settled by conversion to equity. These amendments have not yet been approved by the European Union.

- *IAS 1–Financial statement presentation: Non-current liabilities with covenants*. In October 2022, the IASB issued amendments 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 have not yet been approved by the European Union.

- *IFRS 16–Leasing: Liabilities in the sale and leaseback transaction*. In September 2022, the IASB issued amendments to specify. measuring the liability arising from a sale and leaseback transaction, in order 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. The amendments take effect on 1 January 2024.

- *IAS 7–Statement of cash flows and IFRS 7–Financial instruments: supplementary disclosures: Supplier Finance Arrangements.* In May 2023, the IASB issued amendments introducing new requirements designed to improve the disclosure of information provided on Supplier Finance Arrangements, intended to assist users in understanding the effects of Supplier Finance Arrangements on liabilities, cash flows, and exposure to liquidity risk. The amendments take effect on 1 January 2024 or later.

- *IAS 21–Effects of changes in foreign currency exchange rates: Lack of Exchangeability.* In August 2023, the IASB issued amendments to clarify how an entity should apply a consistent approach when assessing the possibility of currency conversions, to determine the exchange rate to be used and the disclosures to be made. The amendments take effect on 1 January 2025 or later.

The Group intends to adopt these standards and interpretations, if applicable, when they come into force. These changes are not expected to have a material impact on the Group's financial statements.

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 equipment
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.

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

	Useful life
Buildings	33–80 years
Plants and equipments	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 up to a maximum of 10 years lease terms
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.

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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.

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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 cash 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:

- 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 flow 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.

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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 above-mentioned 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). Risks arising from the granting of return rights are measured and recognized in the financial statements by posting, on the one hand, a liability for future refunds and a corresponding reduction in accrued revenue for the gross value of expected returns, and, on the other, by posting an asset for returns to be received and a corresponding reduction in expenses for the cost value of expected returns. 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 liabilities
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 consolidated 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 rates of exchange 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/depreciation
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.

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.

Assets for expected returns and liabilities for refunds on expected returns
The Group estimates the variable considerations to be included in the transaction price for the sale of products with the right of return. The Group has developed a model for forecasting sales returns. It is based on historical return data for each brand/country/customer and agreements made for each season with individual customers to obtain expected return rates. The resulting percentages are applied to the value of sales made per season to determine the expected value of the variable consideration. Any future changes compared to historical experience will affect the Group's estimated expected return rates.

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.

AREA AND PRINCIPLES OF CONSOLIDATION, TRANSLATION OF FOREIGN FINANCIAL STATEMENTS

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 2023 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.	Milan	Eur	300,000		100%	(1)
Brave Kid S.r.l.	Marostica (VI)	Eur	550,000	90%		
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	1,100,846,839		100%	(1)
Diesel Dragon (Shanghai) Trading Co. Ltd.	Shanghai	Cny	1,067,336,426		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)

Name	Registered Office	Currency	Share capital	Share held Direct	Share held Indirect	Held via
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)
Diesel Fashion India Reliance Pvt. Ltd	Mumbai	Inr	1,235,000,000		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	44,600,000		100%	(2)
Frassineti S.r.l.	Rufina (FI)	Eur	304,200		80%	(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		100%	(4)
Marni Japan Ltd	Tokyo	Yen	99,900,000		100%	(4)
Marni Suisse S.A. in liquidation	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	50,000		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)
Marni Shanghai Ltd	Shanghai	Cny	78,133,610		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)

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Name	Registered Office	Currency	Share capital	Share held Direct	Share held Indirect	Held via
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	54,000,000		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)
Jil Sander Hong Kong Ltd	Hong Kong	Hkd	4,500,000		100%	(6)
Tre Erre S.r.l.	Venice	Eur	10,329		100%	(6)
BVX S.r.l.	Breganze (VI)	Eur	100,000	90%		
OTB Korea Ltd.	Seoul	Krw	16,700,000,000	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 Group 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:

- acquisition of 80% of the company Frassineti S.r.l. by the subsidiary Staff International S.p.A;
- establishment of a new company, Jil Sander Hong Kong Ltd, wholly owned by the subsidiary Jil Sander S.p.A;
- acquisition of 100% of the company Tre Erre S.r.l. by the subsidiary Jil Sander S.p.A;
- liquidation of the company Gold Rush S.A;
- partial demerger of the interest in Brave Kid S.r.l. by the subsidiary Diesel S.p.A. in favour of parent company OTB S.p.A.

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, 73.875% 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 2023, 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 and, accordingly, it has 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.

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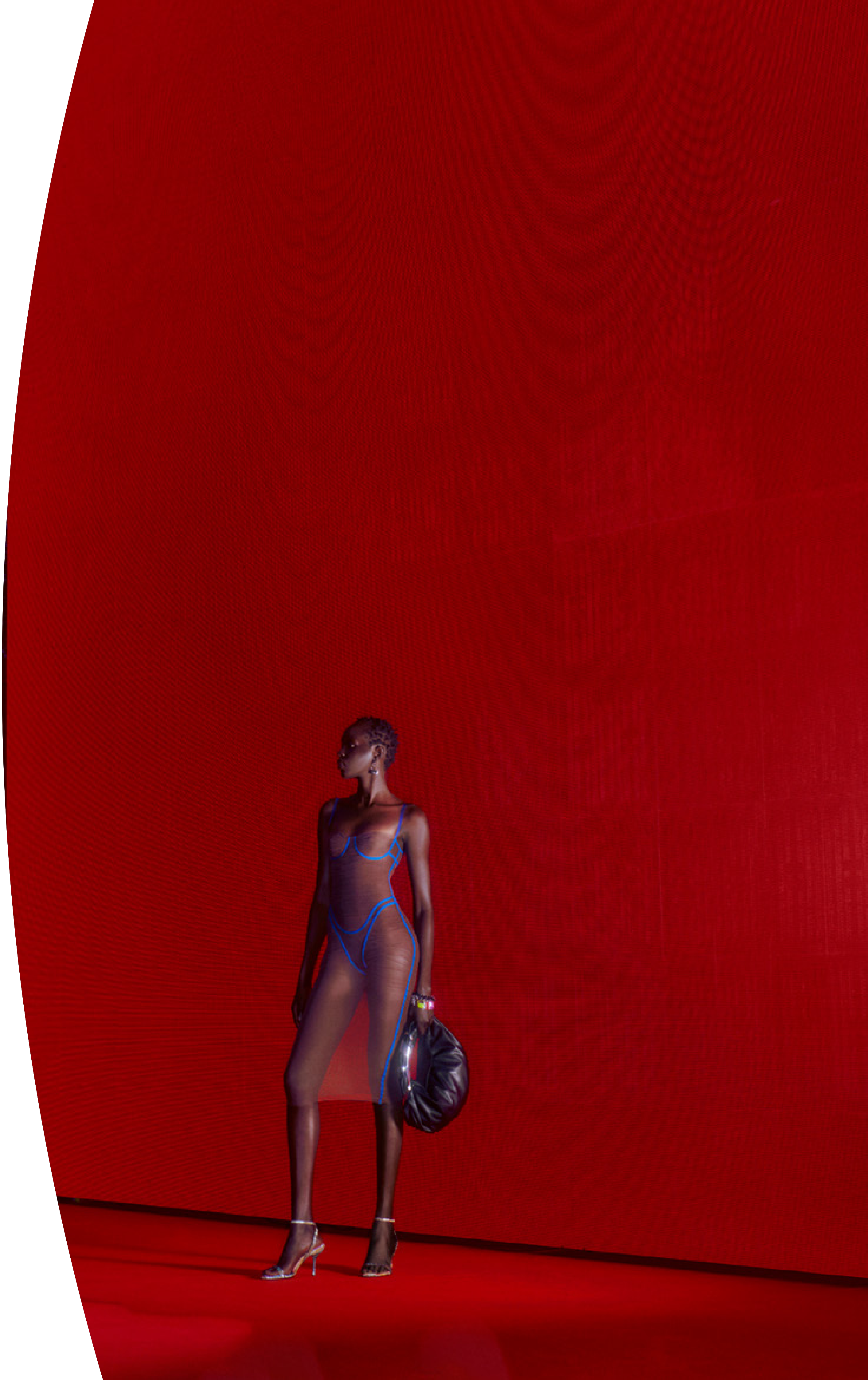
TRANSLATION OF FOREIGN CURRENCY FINANCIAL STATEMENTS

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 rate of exchange 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**	
		2023	**2022**	**31.12.2023**	**31.12.2022**
US Dollar	USD	1.0813	1.053	1.105	1.0666
Danish Krone	DKK	7.4509	7.4396	7.4529	7.4365
Swedish Krona	SEK	11.4788	10.6296	11.096	11.1218
British Pound	GBP	0.86979	0.85276	0.86905	0.88693
Norwegian Krone	NOK	11.4248	10.1026	11.2405	10.5138
Swiss Franc	CHF	0.9718	1.0047	0.926	0.9847
Hong Kong Dollar	HKD	8.465	8.2451	8.6314	8.3163
Japanese Yen	YEN	151.9903	138.0274	156.33	140.66
Chinese Renminbi	CNY	7.66	7.0788	7.8509	7.3582
Won Sud	KRW	1412.88	1358.07	1433.66	1344.09
Canadian Dollar	CAD	1.4595	1.3695	1.4642	1.444
Indian Rupee	RUPEE	89.3001	82.6864	91.9045	88.171
Pataca	MOP	8.7189	8.4927	8.8903	8.5658
Moroccan Dirham	MAD	10.956	10.678	10.928	11.158



FINANCIAL RISKS

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 and of the size of the debt 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 their dynamics, the income performance of the Group is only marginally sensitive to changes in the same.

A hypothetical shift in the interest rate curve up and down by 25 basis points (in parallel along the entire curve) would result in the following effects. The simulation is representative of the effects that would be generated during 2024 if risk exposures remain as they were on 31 December 2023 throughout the year.

31.12.2023 *(in thousands of euro)*	Book value	of which subject to RR	Rate risk (RR) +25bp Income/(Charges)	 –25bp Income/(Charges)
Non-current financial assets	2,018	–	–	–
Trade receivables	250,404	–	–	–
Current financial assets	103	–	–	–
Cash and cash equivalents	87,355	72,273	183	(183)
Total financial assets			**183**	**(183)**

31.12.2023 *(in thousands of euro)*	Book value	of which subject to RR	Rate risk (RR) +25bp Income/(Charges)	 –25bp Income/(Charges)
Non-current financial liabilities	50	–	–	–
Trade payables	306,897	–	–	–
Current financial liabilities	41,641	40,112	(100)	100
Total financial liabilities			**(100)**	**100**

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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.

The counterparties of these derivative instruments are leading financial institutions.

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 2023 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 writedowns made by the Group.

OTHER RISKS

The normal management of the business and the development of its strategy exposes the OTB Group to several types of risks, listed below, which could adversely affect the Group's financial performance and financial condition.

Risks related to markets and general geopolitical and economic conditions

The OTB Group operates through its brands in the apparel and accessories sector, particularly in the premium casual wear, prêt-à-porter and luxury segments. The sector is characterised by an important correlation between the demand for goods and the level of economic growth and political stability of the countries where the demand is generated. Thus, it is evident that development of the business also depends on the political stability and economic situation of the various countries in which it operates. The Group is present with its companies and third-party distributors in a significant number of countries worldwide, which significantly reduces the above risks, although any deterioration in economic, social, or political conditions in one or more markets could lead to adverse effects on sales and economic-financial results.

Cyber risks

The strong and growing relationship of dependence and interconnection between information and communication technologies causes significant vulnerabilities to information systems due to the increasing sophistication and frequency of cyber attacks. On this front, the OTB Group periodically reviews risks, in addition to investing both organisational and technical resources to limit this type of risk as much as possible, including from a business continuity perspective. No successful attacks were incurred during 2023.

Risks related to brand image, reputation and recognition

The industry in which the OTB Group operates is significantly influenced by the image, reputation and recognition of its brands, and as a result, its financial results are also affected by these aspects.

For this reason, the Group considers it essential to constantly enhance and strengthen the image and positioning of its brands by investing in product quality, innovation, research and development, communication strategies and distribution network.

Risks associated with relations with third-party manufacturers

The OTB Group directly manages the creation and development of the collections, while for production it relies on independent third parties operating under the Group's close supervision.

It should be pointed out that the Group does not depend significantly on any third party, and this makes it possible to significantly reduce the risk that any interruptions or terminations of the relationship may adversely affect sales and economic-financial results.

In addition, the Group has constant control over the manufacturer chain in place in order to ensure, in addition to high quality and financial reliability requirements, full compliance with, inter alia, labour, worker safety and environmental laws, as well as the principles of its Code of Ethics and Conduct. For this reason, audits are conducted periodically at subcontractors and their sub-suppliers.

Risks associated with dependence on key figures

The OTB Group's results also depend on the ability of management, which plays a key role in the Group's growth, thanks to significant industry knowledge and experience. Termination of the relationship with some of these professionals could create a certain impact on growth prospects.

For this reason, the Group has adopted an operational and management structure capable of ensuring business continuity, including through the adoption of retention plans for key professional figures, as well as talent management programs aimed at developing skills and retaining talent.

Risks associated with trademark and product counterfeiting and intellectual property right protection

The market in which the Group operates is characterised by brand and product counterfeiting phenomena that could create negative effects on sales and economic results.

The OTB Group has made significant investments in the adoption of innovative technologies that enable product tracking throughout the value chain to prevent and mitigate the effects of counterfeiting activities on its brands and products, thereby protecting its intellectual property rights with reference to the various commodity classes and in the territories in which it operates.

Risks associated with the changing regulatory framework

The OTB Group operates in a complex international environment and is subject, in the various jurisdictions in which it is active, to laws and regulations, which are constantly monitored, especially with regard to worker health and safety, environmental protection, legislation on the manufacture of products and their composition, consumer protection, protection of personal data, protection of industrial and intellectual property rights, competition rules, tax and customs regulations, and, in general, all relevant regulatory provisions.

ACQUISITIONS IN 2023

Business combinations

During the year, 80% of Frassineti S.r.l., a historic Florentine leather goods company and former long-term strategic supplier for the Jil Sander brand, was acquired by HIM co S.p.A. (67.13%) and Gaia Frassineti (12.87%). The transaction is in line with the Group's strategy of acquiring know-how in strategic commodity categories through the acquisition of interests in key production partners representing the highest Made in Italy excellence. As described in the section on measurement criteria in these Notes, the identifiable assets acquired and liabilities taken were measured at their respective fair values at the date of acquisition. The acquisition took effect on 3 May 2023. The following table shows the values.

(in thousands of euro)	**acquisition date**
Assets	
Non-current assets	
Trademark	0
Intangible assets with a finite useful life	15
Right of use assets	941
Property, plant and equipment	250
Other non-current assets	0
Deferred tax assets	53
Total non-current assets	**1,259**
Current assets	
Inventories	2,288
Trade receivables	2,423
Tax receivables	0
Other current assets	822
Cash and cash equivalents	1,795
Total current assets	**7,328**
Total assets	**8,587**
Equity and liabilities	

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(in thousands of euro)	**acquisition date**
Shareholders' equity	**4,256**
Non-current liabilities	
Non-current lease liabilities	768
Non-current financial liabilities	0
Provisions for risks and charges	0
Post-employment benefit plan liabilities	723
Other non-current liabilities	0
Deferred tax liabilities	0
Total non-current liabilities	**1,491**
Current liabilities	
Trade payables	2,040
Other current liabilities	405
Current tax liabilities	222
Provisions for risks and charges	0
Current lease liabilities	173
Current financial liabilities	0
Total current liabilities	**2,840**
Total liabilities	**4,331**
Total equity and liabilities	**8,587**

The Group measures acquired lease liabilities by considering the present value of the remaining lease payments at the acquisition date. The right-of-use asset was recognised at the same value as the lease liability.

The fair value of net assets acquired thus determined was compared with the consideration transferred and the excess of the latter over the former was allocated to goodwill. The following table shows the values:

(in thousands of euro)	**Frassineti S.r.l.**
Price paid	6,121
Share of net assets acquired expressed at fair value	3,406
Difference allocated to goodwill	**2,715**

Charges accessory to the transaction were consistently recognised in the income statement when incurred.

A call & put exists on the minority interest, which resulted in a liability being recorded at the time of acquisition. Pursuant to IFRS 10, the directors have assessed that the risks and benefits have been transferred to Group and therefore, as an offsetting item to the liability being recognised, the portion of minority shareholders' equity of Euro 851 thousand has been written-off and the goodwill emerging from the purchase price allocation made at the time of the purchase has been increased by Euro 550 thousand.

Assets acquisition

During the financial year, the subsidiary Jil Sander S.p.A. acquired 100% of the company Tre Erre S.r.l., with the aim of strengthening its retail network, guaranteeing the rental of a property in the prestigious Piazza San Marco in Venice.

The acquired company only includes the rental agreement for the shop 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 "Business Combination". Therefore, the acquisition was treated as an "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 property.

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The following table shows the values:

(in thousands of euro)	**Tre Erre S.r.l.**
Price paid	489
Net assets acquired	(55)
Difference between price paid and net assets acquired	**544**


JIL SANDER

COMMENTS ON THE MAIN ITEMS OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Non-current assets

(in thousands of euro)	**31.12.2023**	**31.12.2022**
Non-current assets	1,446,930	1,257,885

1. GOODWILL AND INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

Goodwill and intangible assets with a finite useful life which, as at 31 December 2022, totalled Euro 346,727 thousand, as at 31 December 2023 amounted to Euro 335,384 thousand.

Movements in intangible assets for the year ended 31 December 2023 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 31.12.2022	**149,899**	**307,759**	**44,283**	**19,336**	**107,123**	**11,810**	**640,210**
Increases	0	499	665	0	7,577	2,533	11,274
Decreases	0	(6)	(5,270)	(1,382)	(2,152)	(161)	(8,971)
Exchange differences	(107)	391	(1,252)	88	(180)	(15)	(1,075)
Other changes	3,265	20	511	0	8,347	(9,426)	2,717
Impairment							
As at 31.12.2023	**153,057**	**308,663**	**38,937**	**18,042**	**120,715**	**4,741**	**644,155**
Accumulated amortisation							
As at 31.12.2022	**81,541**	**68,620**	**40,644**	**16,196**	**86,482**	**0**	**293,483**
Amortisation/ depreciation	0	10,158	1,772	902	11,365	0	24,197
Decreases	0	(4)	(5,056)	(1,033)	(1,853)	0	(7,946)
Exchange differences	(85)	247	(1,020)	74	(143)	0	(927)
Other changes	0	0	136	0	(172)	0	(36)
As at 31.12.2023	**81,456**	**79,021**	**36,476**	**16,139**	**95,679**	**0**	**308,771**
Net book value							
As at 31.12.2022	**68,358**	**239,139**	**3,639**	**3,140**	**20,641**	**11,810**	**346,727**
As at 31.12.2023	**71,601**	**229,642**	**2,461**	**1,903**	**25,036**	**4,741**	**335,384**

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

(in thousands of euro)	**31.12.2023**	**31.12.2022**
Marni	46,175	46,175
Diesel Japan	7,088	7,088
Diesel Canada	4,337	4,337
Viktor&Rolf	5,766	5,766
Other	8,235	4,992
Total	**71,601**	**68,358**

Goodwill included in the "other" category increased compared to the previous year due to goodwill determined at the time of the purchase price allocation made at the time of the acquisition of Frassineti S.r.l., already described in the section on acquisitions made in 2023 of these Notes to the Financial Statements. "Other" 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:

(in thousands of euro)	**31.12.2023**	**31.12.2022**
Marni	95,633	100,667
Jil Sander	130,164	134,941
Other	3,845	3,531
Total	**229,642**	**239,139**

The item Other includes Diesel, 55DSL, Margiela and Viktor&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 to support production, planning and logistics and on the Group's finance and commercial infrastructure. During the year, investments were made in innovation, with a focus on virtual reality, 3D and customer engagement solutions.

The item Intangible assets under construction, almost for its entirety, includes 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 impairment test, carried out in compliance with IAS 36 at the end of 2023, did not find any significant elements that could lead to believe that these assets might be impaired. This test was carried out by determining the recoverable value with reference to the value in use, and usually identifying as Cash Generating Units (CGUs) the company or sub-group to which the company refers, consistent with the way in which management monitors business performance and thus according to the different Business Worlds characterising the OTB group, namely:

- Diesel Business World
- Staff International Business World
- Marni Business World
- Margiela Business World
- Jil Sander Business World
- Viktor&Rolf Business World
- Brave Kid Business World

The impairment test is performed using the Discounted Cash Flow (DCF) method, aimed at determining the Value in Use of the identified cash generating unit (CGU) or the fair value less cost to sell.

The value in use is 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.

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The WACC is determined in consideration of the geographical context in which the Group operates.

For the purpose of the impairment test at the end of 2023, the most up-to-date forecast data were used, taking due account of the current macroeconomic situation and market forecasts, for a conventional period of up to 5 years at the end of which a terminal value was determined and the main parameters used were:

- 2% growth rate in perpetuity ("g");
- WACC equal to 9.8%.

With regard more specifically to the significantly more significant goodwill impairment test allocated to the Marni CGU, the invested capital included not only the value of the goodwill but also that of the Marni brand: due to this technicality, the trademark was also subjected to the aforementioned impairment test, despite the absence of indicators of impairment (not even identified, moreover, with regard to the additional trademarks registered and listed above).

The result of the impairment tests to determine the Value in Use were 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.

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 2023 are shown in the following table:

(in thousands of euro)	**Right of use assets – Buildings**	**Right of use assets – Other**	**Total**
Cost			
Al 31.12.2022	**953.470**	**15.916**	**969.386**
Increases	221,768	3,256	225,024
Decreases	(99,041)	(750)	(99,791)
Exchange differences	(27,759)	31	(27,728)
Acquisition values	0	0	0
Other changes	847	0	847
Impairment			
As at 31.12.2023	**1,049,285**	**18,453**	**1,067,738**
Accumulated amortisation			
As at 31.12.2022	**438,585**	**9,783**	**448,368**
Amortisation/ depreciation	138,271	3,225	141,496
Decreases	(65,908)	(489)	(66,397)
Exchange differences	(14,941)	31	(14,910)
Acquisition values	0	0	0
Other changes	(857)	0	(857)
As at 31.12.2023	**495,150**	**12,550**	**507,700**
Net book value			
As at 31.12.2022	**514,885**	**6,133**	**521,018**
As at 31.12.2023	**554,135**	**5,903**	**560,038**

Buildings refers to rental contracts for shops, offices and other spaces. Other refers to rental contracts for vehicles and other assets.

Increases for the year refer to the signing of new lease agreements for the opening of new stores. The decreases refer to the early termination of existing lease agreements and in particular the lease agreement related to Maison Margiela's headquarters in Paris, which, as mentioned in note (3) below and in the section on significant events in the Management Report, was acquired during the first half of 2023.

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment amount to Euro 324,934 thousand at 31 December 2023 compared to Euro 183,116 thousand at 31 December 2022.

Movements in property, plant and equipment for the year ended 31 December 2023 are summarised in the following table:

(in thousands of euro)	**Land and buildings**	**Plants and equipments**	**Office furniture and equipment**	**Improvements to third party goods**	**Other assets**	**Construction in progress**	**Total**
Cost							
As at 31.12.2022	**129,503**	**63,234**	**135,498**	**208,825**	**31,150**	**1,164**	**569,374**
Increases	102,442	22,711	16,637	42,737	1,435	3,755	189,717
Decreases	(105)	(443)	(17,950)	(13,916)	(1,678)	(89)	(34,181)
Exchange differences	(9)	56	(2,352)	(8,885)	(1,149)	(34)	(12,373)
Acquisition values	0	0	0	0	0	0	0
Other changes	3,227	1,834	606	(2,253)	186	(977)	2,623
Impairment							
As at 31.12.2023	**235,058**	**87,392**	**132,439**	**226,508**	**29,944**	**3,819**	**715,160**
Accumulated amortisation							
As at 31.12.2022	**51,013**	**59,313**	**114,732**	**138,841**	**22,359**		**386,258**
Amortisation/ depreciation	4,824	2,062	9,633	25,482	1,809		43,810
Decreases	(45)	(411)	(17,489)	(13,612)	(1,627)		(33,184)
Exchange differences	(5)	52	(1,588)	(5,472)	(979)		(7,992)
Acquisition values	0	0	0	0	0		0
Other changes	212	777	275	(52)	122		1,334
As at 31.12.2023	**55,999**	**61,793**	**105,563**	**145,187**	**21,684**		**390,226**
Net book value							
As at 31.12.2022	**78,490**	**3,921**	**20,766**	**69,984**	**8,791**	**1,164**	**183,116**
As at 31.12.2023	**179,059**	**25,599**	**26,876**	**81,321**	**8,260**	**3,819**	**324,934**

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. The increases include Euro 101,165 thousand million for the purchase of the building that houses Maison Margiela's headquarters in Place des Etats-Unis in the 16th arrondissement of Paris. In accordance with the provisions of Article Law L.145-46-1 of the French Commercial Code, which establishes a pre-emption right 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. exercised a pre-emption right on the premises constituting its registered office, concluding the purchase on 4 May 2023.

Plant and equipment mainly relates to new equipments and the cost of installing general plant. The increases include Euro 19,040 thousand for the purchase of the building that houses Maison Margiela's headquarters, as mentioned above. For the remaining part, they mainly refer to investments incurred in the development of the "Autostore" system for warehouse management at the Isola Vicentina logistics center.

Leasehold improvements mostly relate to the restructuring and alteration of leased premises accommodating the dedicated stores managed directly by the Group. The increases in the classes Leasehold improvements and Office furniture and equipment mainly refer to costs incurred for the development of the retail network, which saw the opening of 76 new points of sale in key markets for international development such as China, Korea and the United States, but also in Europe.

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 impairment indicators relating to the retail network, 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 external 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 2023 amounted to Euro 40,295 thousand compared to Euro 39,636 thousand as of 31 December 2022 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	**38,841**
Profit/(Loss) for the period: pro rata	5,286
Dividends paid during the period	(2,221)
Trademark amortisation	(416)
Exchange differences	(1,407)
Measurement using the equity method at the end of the period	**40,083**
IS effect of equity method measurement of the investment	**4,870**

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

(in thousands of euro)	**31.12.2023**	**31.12.2022**
Current assets	97,153	92,009
Non-current assets	46,242	45,784
Total assets	**143,395**	**137,793**
Shareholders' equity	(91,744)	(79,515)
Current liabilities	(22,093)	(26,517)
Non-current liabilities	(29,557)	(31,761)
Total liabilities	**143,395**	**137,793**

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

(in thousands of euro)	**31.12.2023**	**31.12.2022**
Sales	198,546	216,405
Cost of sales	(76,563)	(75,228)
Personnel costs	(23,916)	(17,398)
Operating costs	(65,071)	(54,584)
Other expenses	(6,570)	(5,189)
Net Profit/(loss)	**26,428**	**64,007**

The residual portion of the item Investments valued using the equity method is equal Euro 212 thousand (Euro 795 thousand in the previous year) 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 73.87% of the share capital, but over which it is unable to exercise a dominant influence. During the year, the share increased from 67.39% to 73.87% as a result of the subscription of new shares and the exercise of the pre-emption right on the share capital increase not subscribed by the other shareholders for a total value of Euro 6,584 thousand, on the one hand, and the sale of a share equal to 5% of the shareholding on the other, realizing a capital gain of Euro 199 thousand. The company ended the financial situation at 31 December 2023, with shareholders' equity of Euro 287 thousand and a loss of Euro 7,734 thousand. Measurement of the investment using the equity method leads to the recognition of a write-down of Euro 6,781 thousand in the income statement for the financial year.

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5. LEASE ASSETS

(in thousands of euro)	**31.12.2023**	**31.12.2022**	**change**
Non-current lease assets	0	582	(582)
Current lease assets	249	762	(513)
Total lease assets	**249**	**1,344**	**(1,095)**

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	0	0	0
Current lease assets	249	0	0	249
Total lease assets	**249**	**0**	**0**	**249**

6. OTHER FINANCIAL ASSETS

(in thousands of euro)	**31.12.2023**	**31.12.2022**	**change**
Non-current financial assets	2,018	1,053	965
Current financial assets	20,531	9,935	10,596
Total financial assets	**22,549**	**10,988**	**11,561**

The item Non-current financial assets, includes a loan of Euro 2,000 thousand (Euro 1,000 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 in 2024. The loan provides for a rate of 0.75% and maturity in 2027.

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

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7. OTHER NON-CURRENT ASSETS

The composition of other non-current assets at 31 December 2023 e al 31 December 2022 is as follows:

(in thousands of euro)	**31.12.2023**	**31.12.2022**	**change**
Deposits	45	76	(31)
Other accrued income and prepaid expenses	243	429	(186)
Other tax receivables	89	17	72
Guarantee deposits	40,178	38,313	1,865
Other receivables	194	194	0
Other non-current assets	**40,749**	**39,029**	**1,720**

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. Changes in deferred tax assets during the year are as follows:

(in thousands of euro)	**01.01.2023**	**Increases**	**Decreases**	**Other changes**	**31.12.2023**
Inventories writedown reserve	34,230	23,478	(20,999)	(773)	35,936
Risk provisions	13,765	7,266	(8,007)	(837)	12,187
Bad debt provision	4,232	411	(498)	(61)	4,084
Amortisation/depreciation	20,966	1,601	(5,062)	(373)	17,132
Leases – IFRS16	6,588	1,636	(1,304)	(98)	6,822
Elimination of intercompany profits	31,786	39,364	(31,786)	0	39,364
Deferred tax assets on tax losses	2,357	11,692	(597)	(3)	13,449
Exchange differences	0	1,122	(300)	1,081	1,903
Other temporary differences	12,800	1,282	(398)	(1,049)	12,635
Total deferred tax assets	**126,724**	**87,852**	**(68,951)**	**(2,113)**	**143,512**

Deferred tax assets on tax losses increased from the previous year due to the recognition of taxes on tax losses that can be carried forward for which future taxable income is deemed probable.

The amount of deferred tax assets and deferred tax liabilities on temporary differences related to the treatment of leases in accordance with IFRS 16 amounts to Euro 6,822 thousand (as shown in the table above) and Euro 150 thousand (as indicated in note (21) of these notes), respectively, and was determined by offsetting the value of right-of-use assets and the value of lease liabilities. The following table shows the values of deferred taxes on right-of-use assets and lease liabilities in the absence of offsetting:

(in thousands of euro)	**31.12.2023**
Deferred tax assets on Leases – IFRS16	6,822
Deferred tax liabilities on Leases – IFRS16	(150)
Net deferred taxes on Leases – IFRS16	**6,672**
Deferred tax assets on lease liabilities	150,493
Deferred tax liabilities on right-of-use assets	(143,821)
Net deferred taxes on Leases – IFRS16	**6,672**

The following table shows the amount of tax losses that can be carried forward on which no deferred tax assets have been allocated and the value of potential deferred tax assets:

(in thousands of euro)	**31.12.2023**
Tax losses that can be carried forward on which deferred tax assets have not been allocated	240,850
Potential deferred tax assets	**60,262**

The value of tax losses that can be carried forward limited to the next 5 years is Euro 51,836 thousand, while the value of tax losses that can be carried forward without a time limit is Euro 189,014 thousand.

OTB

Current assets

(in thousands of euro)	**31.12.2023**	**31.12.2022**
Current assets	965,756	1,094,508

9. INVENTORIES

Inventories amount to Euro 480,258 thousand at 31 December 2023 compared to Euro 396,810 thousand at 31 December 2022.

The composition of inventories at 31 December 2023 and 31 December 2022 is as follows:

	31.12.2023			**31.12.2022**			**change**
(in thousands of euro)	**Gross**	**Provision**	**Net**	**Gross**	**Provision**	**Net**	
Raw materials	68,218	(27,563)	40,655	63,862	(29,186)	34,676	5,979
Work in progress	19,164	(1,002)	18,162	24,449	(3,300)	21,149	(2,987)
Finished products	515,256	(93,815)	421,441	444,868	(103,883)	340,985	80,456
Total inventories	**602,638**	**(122,380)**	**480,258**	**533,179**	**(136,369)**	**396,810**	**83,448**

OTB

The net value of inventories recorded an increase of Euro 83,448 thousand (+21%) 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 13,989 thousand (-10%) 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 2023 amounted to Euro 250,404 (Euro 247,419 thousand in the previous year).

Trade receivables are stated net of an allowance for doubtful accounts of Euro 25,263 thousand.

The composition of trade receivables at 31 December 2023 and 31 December 2022 is as follows:

(in thousands of euro)	**31.12.2023**	**31.12.2022**	**changes**
Trade receivables	275,667	273,742	1,925
Bad debt provision	(25,263)	(26,323)	1,060
Trade receivables, net	**250,404**	**247,419**	**2,985**

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

Pursuant to IFRS9, accounting for impairment losses on the Group's financial assets is performed following 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**	**Rest of Europe**	**APAC (excl. India)**	**Japan**	**America**	**Total**
Trade receivables	95,337	69,005	14,330	44,396	21,302	275,667

OTB

The Group was not subject to any significant concentration of credit risk at the reporting date.

As at 31 December 2023 and 31 December 2022, 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**
31.12.2023	275,667	211,206	37,903	10,262	4,953	3,605	7,738
31.12.2022	273,742	196,087	51,662	9,773	1,995	4,523	9,702

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

(in thousands of euro)	**As at 1.1.2023**	**Conversion difference**	**Allocations/ (Releases)**	**Utilisations**	**Other changes**	**As at 31.12.2023**
Bad debt provision	26,323	(200)	1,780	(2,756)	116	25,263

OTB

11. TAX RECEIVABLES

Current tax assets amount to Euro 9,988 thousand at 31 December 2023 (Euro 14,351 thousand at 31 December 2022).

The composition of current tax assets receivables at 31 December 2023 and 31 December 2022 is as follows:

(in thousands of euro)	**31.12.2023**	**31.12.2022**	**change**
Income tax receivable	9,988	14,351	(4,363)
Other tax receivables	0	0	0
Total tax receivables	**9,988**	**14,351**	**(4,363)**

The item Income tax receivables includes the following:

- Euro 1,664 thousand consisting of an IRAP receivable;
- Euro 4,686 thousand upon the successful conclusion of the *Mutual Agreement Procedure* (MAP) between Italy–Spain, Italy–Denmark and Italy– USA in reference to the previous tax years;
- Euro 854 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.

12. OTHER CURRENT ASSETS

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

(in thousands of euro)	**31.12.2023**	**31.12.2022**	**change**
VAT credits	**49,162**	**44,293**	**4,869**
Other tax receivables	**13,978**	**10,176**	**3,802**
Amounts due from employees	256	233	23
Amounts due from agents	52	48	4
Guarantee deposits	530	467	63
Other receivables	7,829	30,484	(22,655)
Total other receivables	**8,667**	**31,232**	**(22,565)**
Assets for expected returns	**8,902**	**0**	**8,902**
Accrued income	**56**	**57**	**(1)**
Deferred lease and rental income	3,976	2,343	1,633
Prepaid maintenance expenses	393	1,003	(610)
Prepaid insurance premiums	253	184	69
Other prepaid expenses	31,584	35,064	(3,480)
Total Prepaid expenses	**36,206**	**38,594**	**(2,388)**
Total other current assets	**116,971**	**124,352**	**(7,381)**

VAT credits include the balance of the VAT settlement of the Group in Italy of Euro 20,735 thousand and the VAT credit for the third quarter of 2023 of Euro 10,000 thousand requested as a refund within the scope of the Group VAT. The remaining VAT credits are related to Italian companies not included in Group VAT and foreign companies.

The item Other tax receivables mainly includes:

- Euro 11,481 thousand as the tax credit for research and development, technological innovation, design and aesthetic conception, of which Euro 3,360 thousand in reference to costs incurred during financial year 2023. During the 2023 financial year, the Group offset tax credits deriving from investments in Research and Development, technological innovation, design and aesthetic conception referring to the previous financial years amounting to Euro 579 thousand;

- Euro 2,273 thousand as the tax credit for the development of the Autostore system for the management of warehouse logistics;

- Euro 85 thousand for the tax credit for competitiveness and employment (CICE) with the French tax authority.

Other receivables mainly refer to advance payments made on advertising fees to licensees by a Group company and advances paid to service providers. The decrease refers to the return of royalty advances due to the termination of the relationship with a licensing company.

Assets for expected returns are related to the assessment of risks arising from granting return rights to customers. This assessment leads to recognition in the financial statements, on the one hand, of a liability for future refunds and a corresponding reduction in accrued revenue for the gross value of expected returns, and, on the other, by posting an asset for returns to be received and a corresponding reduction in expenses for the cost value of expected returns.

Other prepaid expenses mainly include advance payments for services invoiced during the year that relate to the following accounting period 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 2023 amount to Euro 87,355 thousand (Euro 300,879 thousand at 31 December 2022).

The composition thereof is as follows:

(in thousands of euro)	**31.12.2023**	**31.12.2022**	**change**
Bank and postal demand deposits	83,990	297,197	(213,207)
Cash and cash equivalents	3,365	3,682	(317)
Total Cash and cash equivalents	**87,355**	**300,879**	**(213,524)**
Bank overdrafts	(5,982)	(235)	(5,747)
Total Net Cash by Cash Flow Statement	**81,373**	**300,644**	**(219,271)**

Shareholders' equity

(in thousands of euro)	31.12.2023	31.12.2022
Shareholders' equity	1,142,100	1,082,098

The changes recorded in net equity items in the financial year 2023 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 2023 amount to Euro 1,136,094 thousand (Euro 1,077,476 thousand at 31.12.2022).

The increase in group equity in 2023 compared to 31 December 2022, amounting to Euro 58,618 thousand, mainly reflects on the one hand, the net profit of the Group (Euro 88,360 thousand) and the positive change resulting from the hedge accounting treatment of financial instruments (Euro 5,016 thousand) and, on the other, the negative change in the translation reserve (Euro 14,579 thousand) and in the distribution of dividends (Euro 20,000 thousand).

Share Capital

Share capital as of 31 December 2023 is fully subscribed and paid-in and totals Euro 25,000 thousand.

OTB

Other reserves

Other reserves are detailed below:

(in thousands of euro)	31.12.2023	31.12.2022	change
First time adoption reserve	(146,391)	(146,390)	(1)
Cost of hedging reserve	(4,232)	(2,408)	(1,824)
Cash flow hedge reserve	11,184	4,344	6,840
Actuarial reserve	365	478	(113)
Reserve for future capital increase	148,318	148,318	0
Extraordinary reserve	314,102	323,593	(9,491)
Consolidation reserve and retained earnings	723,381	629,986	93,395
Total Other reserves	**1,046,727**	**957,921**	**88,806**

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:

	31.12.2023		31.12.2022	
(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	22,663	538,483	18,358	534,982
Results of consolidated companies	146,904	1,870,994	128,881	1,755,338
Reversal of intercompany dividends received	(66,005)	0	(26,697)	0
Acquisition income	0	0	0	0
Elimination of intercompany profits in inventories of consolidated subsidiary companies, net of taxes	(27,136)	(101,726)	(29,898)	(82,142)
Consolidation differences	0	62,778	0	59,514
Goodwill arising on consolidation allocated to trademarks (including deferred tax liabilities)	181	363	181	181
Value attributed to Trademark from acquisitions (including deferred tax liabilities)	(3,444)	93,848	(3,444)	97,292
Value attributed to right-of-use assets from asset acquisitions	(258)	1,437	(22)	1,151
Book value of equity investments in consolidated companies	0	(1,262,856)	0	(1,206,912)
Consolidation adjustments to consolidated equity investments	0	0	(14,116)	6
Consolidation adjustments to consolidated equity investments(JS)	0	0	0	0
Measurements of investments according to the equity method	(5,553)	(22,098)	(7,320)	(16,545)
Measurement of PUT&CALL minority share	3,477	(12,077)	0	(15,593)
Reversal of reserve for retail channel returns net of taxes	866	5,420	(1,176)	4,561
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	18,087	(27,612)	40,273	(44,881)
As per consolidated financial statements	**89,782**	**1,142,100**	**105,020**	**1,082,098**
Attributable to non-controlling interests	1,422	6,006	1,051	4,622
Profit and equity attributable to the Group	**88,360**	**1,136,094**	**103,969**	**1,077,476**

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 2023 amount to Euro 6,006 thousand (Euro 4,622 thousand at 31.12.2022).

Please refer to note 20 for the change in the minority stake of a subsidiary.

Non-current liabilities

(in thousands of euro)	**31.12.2023**	**31.12.2022**
Non-current liabilities	586,769	571,826

16. LEASE LIABILITIES

(in thousands of euro)	**31.12.2023**	**31.12.2022**	**change**
Non-current lease liabilities	460,473	445,527	14,946
Current lease liabilities	129,500	117,917	11,583
Total lease liabilities	**589,973**	**563,444**	**26,529**

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	292,241	168,232	460,473
Current lease liabilities	129,500	0	0	129,500
Total lease liabilities	**129,500**	**292,241**	**168,232**	**589,973**

17. NON-CURRENT FINANCIAL LIABILITIES

Details of non-current financial liabilities are provided below:

(in thousands of euro)	**31.12.2023**	**31.12.2022**	**change**
Loans from third parties	50	5	45
Non-current financial liabilities	**50**	**5**	**45**

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	50	0	50
Total long term loans	**0**	**50**	**0**	**50**

The Group's net cash/debt at 31 December 2023 and 31 December 2022 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.

OTB

(in thousands of euro)			
Net financial position		**31.12.2023**	**31.12.2022**
A.	Cash	3,365	3,682
B.	Other cash equivalents	83,990	297,197
C.	Total cash and cash equivalents (A+B)	87,355	300,879
D.	Current lease assets	249	762
E.	Current loans receivable	20,531	9,935
F.	Current bank payables	(5,982)	(235)
G.	Other current financial payables	(41,546)	(17,561)
H.	Current payables (F+G)	(47,528)	(17,796)
I.	Current lease liabilities	(129,500)	(117,917)
J.	Current net financial position (C+D+E+H+I)	(68,893)	175,863
K.	Non-current financial payables	(50)	(5)
L.	Non-current lease liabilities	(460,473)	(445,527)
M.	Non-current net financial position (K+L)	(460,523)	(445,532)
No.	**Net financial position (J+M)**	**(529,416)**	**(269,669)**

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 2023 and 31 December 2022 would be as follows:

(in thousands of euro)			
Net financial position		**31.12.2023**	**31.12.2022**
A.	Cash	3,365	3,682
B.	Other cash equivalents	83,990	297,197
C.	Total cash and cash equivalents (A+B)	87,355	300,879
D.	Current loans receivable	20,531	9,935
E.	Current bank payables	(5,982)	(235)
F	Other current financial payables	(41,546)	(17,561)
G.	Current loans and borrowings (E+F)	(47,528)	(17,796)
H.	Current net financial position (C+D+G)	60,358	293,018
I.	Non-current financial payables	(50)	(5)
J.	Non-current net financial position (I)	(50)	(5)
K.	**Net financial position (H+J)**	**60,308**	**293,013**

18. PROVISIONS FOR RISKS AND CHARGES

The composition of provisions at 31 December 2023 and movements therein for the year then ended are set out as follows:

OTB

(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 1.1.2023	**16,728**	**16,980**	**3,126**	**3,678**	**1,356**	**11,186**	**48,224**	**101,278**
Increases during year	0	0	2,988	683	190	4,154	16,214	24,229
Uses/Releases	(739)	0	(1,105)	(2,013)	(701)	(1,750)	(23,078)	(29,386)
Acquisition values	0	0	0	0	0	0	0	0
Reclassifications	0	(16,911)	0	0	0	0	756	(16,155)
Exchange differences	(2)	(69)	(42)	66	0	(871)	(170)	(1,088)
As at 31.12.2023	**15,987**	**0**	**4,967**	**2,414**	**845**	**12,719**	**41,946**	**78,878**
Current	15,983	0	4,967	2,414	845	1,899	15,950	42,058
Non-current	4					10,820	25,996	36,820

The provision for returns has been reclassified into the items assets for expected returns and liabilities for refunds on expected returns. The provision for discounts relates to year end discounts and allowances payable to customers.

OTB

The provision for legal disputes relates to legal disputes that were still pending as of 31 December 2023.

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.

Other provisions refers to the allocation for certain or probable charges whose date of occurrence has not yet been defined.

19. POST-EMPLOYMENT BENEFIT PLAN LIABILITIES

Post-employment benefit plan liabilities relate entirely to the provision for employee termination indemnities. Changes during the year are shown in the table below:

(In thousands of euro)	**As at 1.1.2023**	**Service costs**	**Interest cost**	**Actuarial losses/ (gains)**	**Uses for indemnities paid and advances**	**Other changes**	**As at 31.12.2023**
Post-employment benefit plan liabilities	9,107	456	282	197	(839)	(458)	8,745

OTB

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 Italian of Group 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.

Technical evaluations were made based on the assumptions described in the following table:

Actuarial calculation assumptions	
Inflation rate	2.30%
Discount rate	3.17%
Remuneration increase rate	3.00%

In accordance with the provisions of IAS 19, a sensitivity analysis was performed on changes in the main technical bases included in the calculation model.

From the baseline scenario, the most significant assumptions were varied, namely the average annual discount rate, average inflation rate, remuneration growth rate and turnover rate. The results obtained are summarised in the table below:

(in thousands of euro)	**Changes in assumptions**	**Impact on liability**	
Actuarial calculation assumptions		**Increase in assumptions**	**Decrease in assumptions**
Inflation rate	+/−0.25%	8,822	8,669
Discount rate	+/−0.50%	8,455	9,055
Remuneration increase rate	+/−2.00%	8,746	8,757

OTB

The following table shows an estimate of expected payments (in nominal value) over the next 10 years:

(in thousands of euro)	**Within 12 months**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Between 5 and 10 years**	**Total**
Actuarial calculation assumptions	709	606	2,643	4,301	8,259

OTB

20. OTHER NON-CURRENT LIABILITIES

Details of other non current liabilities are shown below:

(in thousands of euro)	**31.12.2023**	**31.12.2022**	**change**
Amounts due to social security and welfare institutions	30	53	(23)
Amounts due to employees	0	0	0
Deferred income	81	147	(66)
Current tax liabilities	0	108	(108)
Other payables	12,212	15,625	(3,413)
Other non-current liabilities	**12,323**	**15,933**	**(3,610)**

Other payables refers mainly to the payable arising from the valuation of the calls & puts existing on minority interests in subsidiaries, which decreased by Euro 3,516 thousand compared to the previous year. The value of the liability was determined with reference to the equity value of the company.

The item increased by Euro 1,401 thousand as a result of the valuation of the existing call & put on the minority interest in the company Frassineti S.r.l., acquired in the first half of the year. Pursuant to IFRS 10, the directors have assessed that the risks and benefits have been transferred to Group and therefore, as an offsetting item to the liability being recognised, the portion of minority shareholders' equity of Euro 851 thousand has been written-off and the consolidation difference emerging from the purchase price allocation made at the time of the purchase has been increased by Euro 550 thousand.

The item decreased due to the distribution of dividends to minority shareholders for the amount of Euro 1,440 thousand and the updated valuation of call & put options made at the end of the year for the amount of Euro 3,477 thousand.

21. DEFERRED TAX LIABILITIES

The table below provides a breakdown of deferred tax liabilities at 31 December 2015 and 2014:

(in thousands of euro)	**01.01.2023**	**Increases**	**Decreases**	**Other changes**	**31.12.2023**
Fixed assets	65,892	167	(2,785)	(17)	63,257
Leases - IFRS16	232	127	(199)	(10)	150
Exchange differences	990	595	(560)	0	1,025
Other temporary differences	4,068	314	(402)	(54)	3,926
Total deferred tax liabilities	**71,182**	**1,203**	**(3,946)**	**(81)**	**68,358**

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)	**31.12.2023**	**31.12.2022**
Current liabilities	683,817	698,469

22. TRADE PAYABLES

Trade payables at 31 December 2023 amount to Euro 306,897 thousand, representing a decrease Euro 41,310 thousand compared to 31 December 2022.

(in thousands of euro)	**31.12.2023**	**31.12.2022**	**change**
Trade payables	306,897	348,207	(41,310)

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

23. OTHER CURRENT LIABILITIES

Other current liabilities at 31 December 2023, amount to Euro 138,527 thousand (Euro 122,488 thousand in the previous year).

Details thereof are shown below:

(in thousands of euro)	**31.12.2023**	**31.12.2022**	**change**
Customer advance payments	16,045	22,598	(6,553)
Amounts due to employees	39,767	37,201	2,566
Amounts due to social security and welfare institutions	14,127	13,633	494
Due to others	5,016	13,515	(8,499)
Total other payables	**74,955**	**86,947**	**(11,992)**
VAT payable	**8,684**	**8,574**	**110**
Withholding tax payable	**8,108**	**7,968**	**140**
Other current tax liabilities	**1,690**	**1,921**	**(231)**
Liabilities for refunds on expected returns	**27,046**	**0**	**27,046**
Accrued lease and rental expenses	2,601	2,536	65
Accrued service expenses	1,518	1,294	224
Accrued maintenance expenses	24	27	(3)
Other accrued expenses	12,954	12,204	750
Total accrued expenses	**17,097**	**16,061**	**1,036**
Deferred lease and rental income	68	67	1
Other prepaid expenses	879	950	(71)
Total deferred income	**947**	**1,017**	**(70)**
Other current liabilities	**138,527**	**122,488**	**16,039**

Liabilities for expected returns are related to the assessment of risks arising from granting return rights to customers. As already mentioned, this assessment leads to recognition in the financial statements, on the one hand, of a liability for future refunds and a corresponding reduction in accrued revenue for the gross value of expected returns, and, on the other, by posting an asset for returns to be received and a corresponding reduction in expenses for the cost value of expected returns.

24. CURRENT TAX LIABILITIES

Income tax payable may be broken down as follows:

(in thousands of euro)	**31.12.2023**	**31.12.2022**	**change**
Income tax payable	19,307	20,855	(1,548)
Current tax liabilities	**19,307**	**20,855**	**(1,548)**

Income tax payable is recognised net of current tax receivables, where the offset relates to the same jurisdiction and the same taxation.

Income tax payables include Euro 10,668 thousand for the IRES payable generated under the "National Consolidation", a group taxation system adopted by the parent company OTB S.p.A. together with its Italian subsidiaries.

25. CURRENT FINANCIAL LIABILITIES

Details of current financial liabilities are provided below:

(in thousands of euro)	**31.12.2023**	**31.12.2022**	**change**
Bank overdrafts	5,982	235	5,747
Derivative financial instruments	5,887	5,229	658
Other current financial liabilities	35,659	12,332	23,327
Total financial liabilities	**47,528**	**17,796**	**29,732**

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	5,982	0	0	5,982
Derivative financial instruments	5,887	0	0	5,887
Other current financial liabilities	35,659	0	0	35,659
Total financial liabilities	**47,528**	**0**	**0**	**47,528**

The increase in bank overdrafts refers to the use of bank overdraft lines for short-term needs. The increase in Other current financial liabilities refers to the short-term bank loans received from the parent company OTB S.p.A. due in the first quarter of 2024. These needs arise from investments made during 2023 and changes in working capital.

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 2023 and 31 December 2022.

31.12.2023	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	0			0				
Non-current financial assets	2,018			2,018				
Other non-current assets	40,749			40,749				
Total non-current financial assets	**42,767**	**0**	**0**	**42,767**				
Trade receivables	250,404			250,404				
Current lease assets	249			249				
Assets for derivative financial instruments		20,428		20,428		20,428		20,428
Current financial assets	103			103				
Other current assets	116,971			116,971				
Cash and cash equivalents	87,355			87,355				
Total current financial assets	**455,082**	**20,428**	**0**	**475,510**		**20,428**		**20,428**

31.12.2023	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	460,473			460,473				
Non-current financial liabilities	50			50				
Other non-current liabilities	246		12,077	12,323			12,077	12,077
Total non-current financial Liabilities	**460,769**	**0**	**12,077**	**472,846**			**12,077**	**12,077**
Trade payables	306,897			306,897				
Other current liabilities	138,527			138,527				
Current lease liabilities	129,500			129,500				
Liabilities for derivative financial instruments		5,887		5,887		5,887		5,887
Current financial liabilities	41,641			41,641				
Total current financial liabilities	**616,565**	**5,887**	**0**	**622,452**		**5,887**		**5,887**

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**	**0**	**15,593**	**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**

The carrying amount of financial assets and liabilities outstanding at 31 December 2023 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.

The following table presents the book value of derivative financial instruments outstanding as at 31 December 2023:

31.12.2023	**amount in foreign currency**	**countervalue**	**average exchange rate**	**Fair value in Euros**	
(in thousands of euro)		**in Euros**		**pos**	**neg**
Outright sales:					
AUD v/EUR	820	492	1.67	1	(12)
CAD v/EUR	4,600	3,118	1.48	18	(22)
CHF v/EUR	10,160	10,695	0.95	0	(418)
CNY v/EUR	396,000	52,137	7.60	1,224	(140)
DKK v/EUR	1,300	175	7.43	0	0
GBP v/EUR	62,200	70,152	0.89	54	(808)
HKD v/EUR	106,000	12,406	8.54	177	(1)
JPY v/EUR	2,000,000	13,445	148.75	270	0
NOK v/EUR	12,500	1,077	11.61	0	(28)
SEK v/EUR	13,500	1,160	11.64	5	(61)
KRW v/EUR	37,400,000	26,283	1,422.97	405	(123)
Total outright sales				**2,154**	**(1,613)**
Outright Purchases:					
CAD v/EUR	1,400	953	1.47	0	0
CHF v/EUR	1,100	1,196	0.92	0	0
DKK v/EUR	8,100	1,088	7.44	0	0
GBP v/EUR	7,500	8,597	0.87	0	(5)
HKD v/EUR	30,000	3,512	8.54	0	(47)
JPY v/EUR	311,000	2,016	154.27	0	0
NOK v/EUR	2,000	177	11.27	0	0
SEK v/EUR	7,800	703	11.09	0	(1)
USD v/EUR	25,000	22,427	1.11	0	(12)

31.12.2023	amount in foreign currency	countervalue	average exchange rate	Fair value in Euros	
(in thousands of euro)		**in Euros**		**pos**	**neg**
USD v/JPY	1,500	204,295	136.20	58	(9)
Totale outright purchases EUR				**58**	**(74)**
Swap sales:					
CAD v/EUR	10,500	7,165	1.46	1	0
HKD v/EUR	56,500	6,619	8.53	0	(77)
JPY v/EUR	1,950	12,511	155.86	0	(9)
GBP v/EUR	1,700	1,961	0.87	0	(6)
Total swap sales				**1**	**(92)**
Swap purchases:					
CAD v/EUR	9,600	6,560	1.46	8	0
CHF v/EUR	7,000	7,409	0.94	0	(165)
CNY v/EUR	470,000	60,001	7.83	203	(394)
DKK v/EUR	19,000	2,550	7.45	0	0
GBP v/EUR	30,000	34,690	0.86	203	0
JPY v/EUR	500,000	3,204	156.04	0	(5)
NOK v/EUR	5,500	484	11.36	0	(5)
SEK v/EUR	5,700	511	11.16	0	(3)
USD v/EUR	54,000	49,333	1.09	518	0
Total swap purchases				**932**	**(572)**
Call/Put options					
USD v/EUR	13,400	12,992	1.03	244	(634)
CNY v/EUR	51,000	6,500	7.85	111	(157)
JPY v/EUR	30,040	211	142.38	16,928	(2,745)
Total Call/Put options				**17,283**	**(3,536)**
Total derivative instruments				**20,428**	**(5,887)**

The impact of derivative instruments outstanding at the end of the year is shown in the table below:

(in thousands of euro)	**31.12.2023**
Assets for derivative financial instruments	20,428
Liabilities for derivative financial instruments	(5,887)
Derivative financial instrument (net)	**14,541**
of which:	
Cash flow hedge reserve	14,133
Cost of hedging reserve	(5,340)
Equity effect	8,793
Cash flow hedge Revenues/(Purchases) adjustment	6,321
Exchange gains /(losses)	(132)
Cost of hedging	(441)
Effect on income statement	5,748
Total effect	**14,541**

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27. GUARANTEES PROVIDED AND OTHER COMMITMENTS

Guarantees provided and guarantees received are shown below:

(in thousands of euro)	**Description**	**Benefici aries**	**31.12.2023**	**31.12.2022**
Guarantees provided:				
	Bank guarantees	Third parties	11,402	12,825
	Other guarantees	Third parties	144,464	105,190
	Total guarantees granted		**155,866**	**118,015**
Guarantees received:				
	Bank guarantees	Third parties	12,163	10,184
	Other guarantees	Third parties	640	558
	Letters of credit	Clients	20,773	21,855
	Total guarantees received		**33,576**	**32,597**

The item Other guarantees consists of Euro 129,303 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 this OTB S.p.A. can guarantee itself in the aforementioned reimbursement practices. It should be noted, that Euro 29,920 thousand refer to 2020, Euro 35,501 thousand refer to 2021, Euro 48,047 thousand refer to 2022 and Euro 15,835 thousand refer to 2023.

Euro 15,162 thousand, it consists of sureties issued to the benefits of the Tax Authorities, in the interest of:

- Diesel S.p.A, as collateral for a VAT refund requested for 2021 of Euro 7,817 thousand and for 2022 of Euro 7,215 thousand;

- Diesel Italia S.r.l., as collateral for a VAT refund requested for the year 2020 for Euro 130 .

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 1,817,702 thousand (Euro 1,676,842 thousand in 2022), up 8.4% 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)	**2023**	**2022**	**change**
Revenue from sales of products and services	1,765,800	1,624,062	141,738
Revenue from sales of other materials	12,082	8,843	3,239
Revenues from sales	**1,777,882**	**1,632,905**	**144,977**
Royalties	**39,820**	**43,937**	**(4,117)**
Revenues from sales and services	**1,817,702**	**1,676,842**	**140,860**

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In 2023, the effect of the cash flow hedge was recorded separately as an adjustment to sales revenue for the part that refers to sales hedging and as an adjustment to purchases for the part that refers to purchases hedging.

In order to ensure the comparability of the current year's figures with those of the previous year, in the 2022 column of the Income Statement, Euro 2,838 thousand were reclassified from Purchases to Sales and Service Revenues, representing the positive impact on revenues of the cash flow hedge related to the sales hedge for the year 2022.

The breakdown of Revenue by geographical area is shown below:

(in thousands of euro)	**Italy**	**Rest of Europe**	**APAC (excl. India)**	**Japan**	**America**	**Rest of world (incl. India)**	**Total**
Revenue	344.1	503.6	251.6	410.7	203.1	104.6	1,817.7
% of revenue	18.9%	27.7%	13.8%	22.6%	11.2%	5.8%	100.0%

29. OTHER OPERATING INCOME

Other operating income amounts to Euro 50,031 thousand and consists of the following:

(in thousands of euro)	**2023**	**2022**	**change**
Sundry revenues and income	12,913	31,649	(18,736)
Recoveries of costs and compensation for damages	22,784	27,331	(4,547)
Lease income	373	1,482	(1,109)
Reinstatement of value of right of use assets	10,565	0	10,565
Gains on disposals of non-current assets	3,396	8,613	(5,217)
Total other operating income	**50,031**	**69,075**	**(19,044)**

The item Sundry revenues and income includes Euro 2,344 for contributions paid to licensees, Euro 2,041 thousand for sundry revenues from Group brand Cafes and Euro 1,900 thousand for the amount received for the early termination of the lease agreement related to the Marni store in Monaco.

The item Recoveries of costs and compensation for damages includes Euro 3,360 thousand (Euro 3,822 thousand in 2022) 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.

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

Disbursing entity *(in thousands of euro)*	**Area of intervention**	**2023**
Fondimpresa/Fondirigenti	Training	212
Total		**212**

The item Reinstatement of value of right of use assets refers to reinstatement of the value of the rights of use of the underlying assets of the office and certain store leases of the Jil Sander business world that had been subject to impairment at a time immediately following the Purchase Price Allocation of the Jil Sander group made on the acquisition date in April 2021. This revaluation was classified under the item "Other operating income" since, in the 2021 financial statements, the write-down of these rights of use had been represented as a reduction of the item "Acquisition income" and classified under the "Revenues" macro-category of the Consolidated Income Statement.

The item Gains on disposals of non-current assets includes Euro 2,682 thousand for the capital gain arising from termination of the lease agreement relating to the building that houses the headquarters of Maison Margiela already discussed above in note (3) of these Notes.

30. CHANGE IN INVENTORIES

The change in inventories of raw materials, semi-finished products and finished products is positive at Euro 92,722 thousand (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.

31. PURCHASES

The composition of purchases for the years ended 31 December 2023 and 31 December 2022 is as follows:

(in thousands of euro)	**2023**	**2022**	**change**
Finished products	400,237	422,493	(22,256)
Raw materials	117,558	109,023	8,535
Consumable materials	4,934	4,488	446
Total Purchases	**522,729**	**536,004**	**(13,275)**

For the reclassification of comparative data, please refer to that described in note (28) of these Notes.

32. LEASE AND RENTAL COSTS

The composition of lease and rental costs for the years ended 31 December 2023 and 31 December 2022 is as follows:

(in thousands of euro)	**2023**	**2022**	**changes**
Royalties on trademarks and licences	19,787	22,136	(2,349)
Variable rental expense	74,095	64,362	9,733
Other rental expense	22,742	18,552	4,190
Hire and rental costs	8,948	7,783	1,165
Lease and rental costs	**125,572**	**112,833**	**12,739**

The increase in the item Variable rent expense 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.

33. COST OF SERVICES

The composition of cost of services received for the year ended 31 December 2023 compared to the situation at 31 December 2022 is as follows:

(in thousands of euro)	**2023**	**2022**	**change**
Industrial and technical services	173,030	152,184	20,846
Logistics and distribution	50,153	50,050	103
Sales commissions	30,274	31,948	(1,674)
Commercial services	8,400	7,152	1,248
Advertising and communication services	98,400	96,882	1,518
Legal, tax and administrative consultants	7,795	6,979	816
Maintenance services	17,088	18,552	(1,464)
Financial services	15,642	12,729	2,913
Insurance services	3,007	2,727	280
General services	27,044	23,867	3,177
Employee services	23,707	18,158	5,549
Emoluments of company officers	13,098	13,633	(535)
Other services	73,243	70,285	2,958
Total cost of services received	**540,881**	**505,146**	**35,735**

Emoluments of company officers include Directors' remuneration of Euro 11,694 thousand., Statutory Auditors' remuneration of Euro 226 thousand and auditing fees for the entire group of Euro 1,178 thousand.

Fees for the statutory auditor of the parent company OTB S.p.A. are detailed in the table below:

(in thousands of euro)	**2023**
Statutory audit of the parent company OTB S.p.A. on statutory and consolidated financial statements	45
Statutory audit of subsidiaries	207
Audit of consolidation files of certain subsidiaries	405
Other auditing services	33
Other services rendered by the PwC network to the OTB group	302
Total	**992**

34. PERSONNEL COSTS

The composition of Personnel costs for the years ended 31 December 2023 and 31 December 2022 is as follows:

OTB

(in thousands of euro)	**2023**	**2022**	**change**
Wages and salaries	284,510	260,004	24,506
Social security contributions	60,864	58,194	2,670
Pension costs, indemnities and severance indemnities	13,282	12,905	377
Other personnel costs	4,617	7,752	(3,135)
Personnel costs	**363,273**	**338,855**	**24,418**

Employee numbers at 31.12.2023 and 31.12.2022 are set out below.

	31.12.2023	**31.12.2022**	**change**
no. of employees	6,849	6,261	588

35. OTHER OPERATING EXPENSES

The composition of other operating expenses for the years ended 31 December 2023 and 31 December 2022 is as follows:

(in thousands of euro)	**2023**	**2022**	**change**
Advertising material	12,440	9,808	2,632
Consumable materials	12,990	12,406	584
Taxation on rental costs	4,331	4,874	(543)
Other tax and duties	5,641	4,347	1,294
Contributions for corners and flagship stores	873	1,095	(222)
Loss on disposal of non-current assets	356	533	(177)
Other costs	17,082	15,392	1,690
Total other operating expenses	**53,713**	**48,455**	**5,258**

36. AMORTISATION/DEPRECIATION

The composition of depreciation and amortisation expenses for the years ended 31 December 2023 and 31 December 2022 is as follows:

(in thousands of euro)	**2023**	**2022**	**Change**
Depreciation of tangible fixed assets	43,810	32,396	11,414
Amortisation of intangible fixed assets	24,197	22,571	1,626
Amortisation of rights of use	141,496	132,346	9,150
Total depreciation and amortisation	**209,503**	**187,313**	**22,190**

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.

37. PROVISIONS AND IMPAIRMENT LOSSES

The composition of provisions and impairment losses for the years ended 31 December 2023 and 31 December 2022 is as follows:

(in thousands of euro)	**2023**	**2022**	**change**
Provisions for risks and charges	1,820	6,400	(4,580)
Provision/(Release) of bad debts	1,780	(672)	2,452
Writedown of non-current assets	1,248	375	873
Total depreciation, amortisation and writedowns	**4,848**	**6,103**	**(1,255)**

Provisions for risks and charges relate to provisions made by some Group companies for contingencies as of 31 December 2023 for future charges.

38. FINANCIAL INCOME

The composition of finance income for the years ended 31 December 2023 and 31 December 2022 is as follows:

(in thousands of euro)	**2023**	**2022**	**change**
Bank interest	1,730	486	1,244
Other interest income	218	119	99
Interest on lease assets	6	9	(3)
Other financial income	3,719	12	3,707
Total financial income	**5,673**	**626**	**5,047**

39. 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 2023 compared to the situation as at 31 December 2022 is as follows:

(in thousands of euro)	**2023**	**2022**	**change**
Measurement of Equity investments using the Equity method	(1,712)	5,054	(6,766)
Total Measurement of Equity investments using the Equity method	**(1,712)**	**5,054**	**(6,766)**

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

40. FINANCIAL EXPENSES

The composition of finance costs for the years ended 31 December 2023 and 31 December 2022 is as follows:

(in thousands of euro)	**2023**	**2022**	**change**
Bank interest expenses	5,015	1,351	3,664
Interests on lease liabilities	13,897	11,365	2,532
Other interest expenses	442	47	395
Other financial expenses	1,962	2,022	(60)
Total financial expenses	**21,316**	**14,785**	**6,531**

Interests on lease liabilities refer to interests accruing on lease liabilities. For further details, please refer to the measurement criteria sections of these Notes.

41. EXCHANGE GAINS (LOSSES)

The composition of the item Exchange gains /(losses) for the year ended 31 December 2023 compared with that of 31 December 2022 is as follows:

(in thousands of euro)	**2023**	**2022**	**change**
Realised exchange rate gains	56,640	41,061	15,579
Unrealised exchange rate gains	19,416	15,507	3,909
Exchange rate gains	**76,056**	**56,568**	**19,488**
Realised exchange rate losses	(55,655)	(37,669)	(17,986)
Unrealised exchange rate losses	(31,183)	(20,962)	(10,221)
Exchange rate losses	**(86,838)**	**(58,631)**	**(28,207)**
Exchange gains (losses)	**(10,782)**	**(2,063)**	**(8,719)**

42. INCOME TAX

The composition of income tax expense for the years ended 31 December 2023 and 31 December 2022 is as follows:

(in thousands of euro)	**2023**	**2022**	**change**
IRES	15,192	3,128	12,064
IRAP (Regional Business Tax)	4,064	4,923	(859)
Other income taxes	22,235	21,709	526
Total current taxes	**41,491**	**29,760**	**11,731**
Deferred tax liabilities	(22,219)	(11,121)	(11,098)
Prior year taxation	2,745	(829)	3,574
Total deferred and prior year taxation	**(19,474)**	**(11,950)**	**(7,524)**
Total income tax	**22,017**	**17,810**	**4,207**

The IRES item mainly relates to the taxes resulting from the tax consolidation referred to in note (24) of these Notes.

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 (24) 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)	**2023**	**%**	**2022**	**%**
Profit before tax	111,799	100.0%	122,830	100.00%
Theoretical taxes	26,832	24.0%	29,479	24.0%
Effect of different rates in force in other countries	(7,326)	(6.55)%	(14,957)	(12.18)%
IRAP (Regional Business Tax)	2,511	2.2%	3,288	2.68%
Actual tax charge	**22,017**	**19.7%**	**17,810**	**14.50%**

The new rules related to OECD Pillar 2 are applicable to the OTB group since the regulations were made enforceable in Italy and came into effect on 1 January 2024.

Since the regulations are not effective, although in force as of 31 December 2023, the group has no impact on current taxes for the year.

The group applies the exception provided by the amendment to IAS 12 issued on 23 May 2023 and approved on 9 November 2023, regarding the recognition and disclosure of deferred taxes.

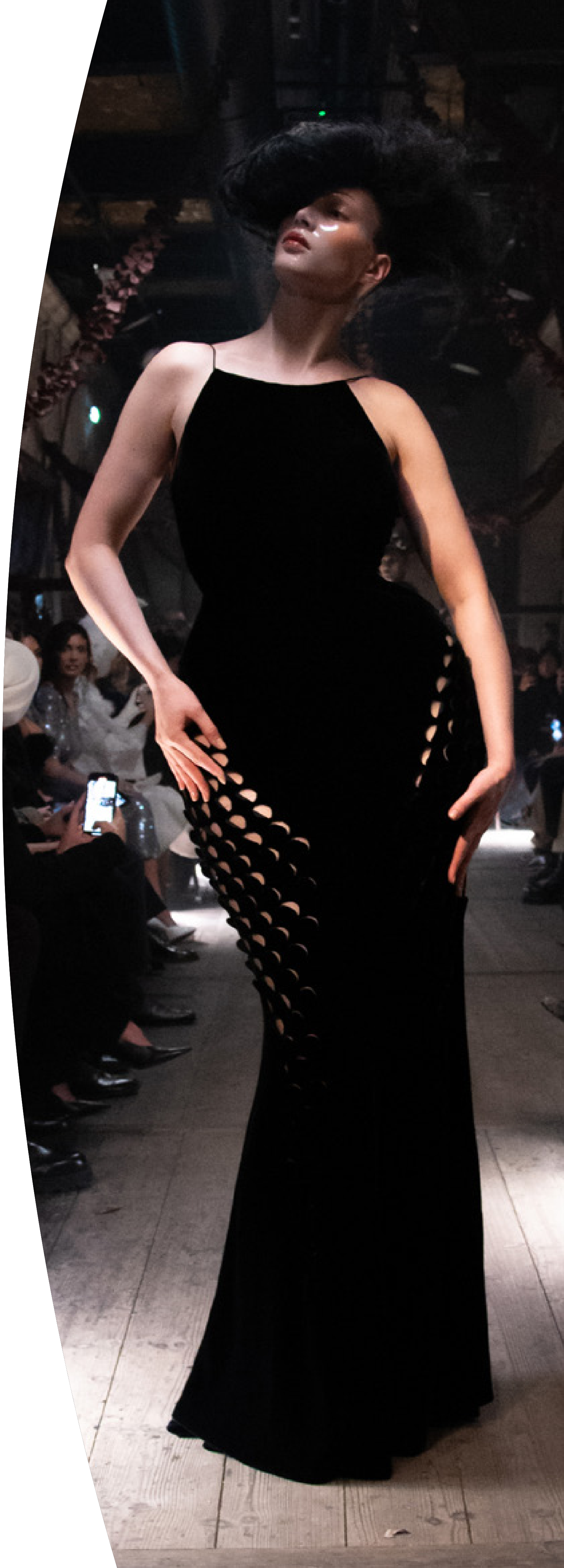
Based on this regulation, the group is liable to pay a top-up tax given by the difference between the "GloBE effective tax rate" per jurisdiction in which it operates and the minimum tax rate of 15%.

A preliminary analysis based on 2023 data shows no jurisdictions in which the effective tax rate is less than 15%.

It should be noted that, as is normal for multinational groups, the OTB group was subject to a number of tax audits during the financial year just concluded. Three audits are in progress and not subject to specific disputes by the competent authorities.

Specifically, Italian taxpayers OTB S.p.A. and Italian branch Margiela S.A.S.U. have been the subject to a general audit by the Revenue Agency, while the French subsidiary Margiela S.A.S.U. has an audit, also of a general nature, in progress by the Direction des Verifications Nationales et Internationales.

Having assessed the overall status of the audit processes and the absence of specific and quantifiable disputes, the taxpayers concerned do not believe there is any material obstacle to the closure of the financial statements.



OTHER INFORMATION

Related party transactions

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 2023 and transactions for the year then ended are provided below.

(in thousands of euro)	**Name/Role**	**Fee**	**Sales**	**Purchases of goods and services**	**Variable rents**	**Receivables at 31/12/2023**	**Payables at 31/12/2023**	**Right of use assets as at 31/12/2023**	**Lease liabilities as at 31/12/2023**
Members of the Board of Directors	Total directors	11,6944							
	Directors (Viktor&Rolf BV)		–	1,904	–			–	–
Companies associated with Group companies:									
	Reliance Brands Limited/ JV Partners		729	30	–	502	209		
Companies related to the majority shareholders of OTB:									
	BREBIS MADRID SLU		–	8	–			–	–
	AVCON JET			3,752					
	BBSVR		–	92	–		4	–	
	Sporting 55 S.r.l.		2	266		3	–		
	Lardi & Partners SA			117			43		
	COGITO SRL		–	250	–			–	–
	Brave Wine Società Agricola S.r.l.			142			71		
	Matilde S.r.l.			189	–	–	–	391	399
	Markus S.r.l.			1	–			3,027	3,150
	RETROSUPERFUTURE S.R.L.		212	206	–	180	39	–	–
	Red Circle S.r.l.		9	1,916	–	298	61	52,600	59,104
	Red Circle Fly High		1	–	–	1			
	Red Circle NY Corp.		–	–	–	–	–	4,118	7,263
	Red Circle LA LLC		–	–	342			–	–
Total			**953**	**8,873**	**342**	**984**	**427**	**60,136**	**69,916**

Significant events subsequent to 31 December 2023

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, having reviewed all the initiatives implemented during 2023, the accrued balances, the 2024 budget and, having regard to the financial structure and functionality of the Companies within the broader operations of the OTB Group, do not believe that there are any uncertainties that could affect 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, 28 March 2024

OTB S.p.A.
The Chairman of the Board of Directors
Renzo Rosso

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

OTB

Independent auditor's report

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

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 2023, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended and the notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2023, 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 pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with 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.

PricewaterhouseCoopers SpA

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The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate 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 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 of 27 January 2010

The directors of OTB SpA are responsible for preparing a report on operations of the Group as of 31 December 2023, 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 2023 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 2023 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Bologna, 3 April 2024

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

OTB

Share Capital: EUR 25,000,000 fully paid up

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