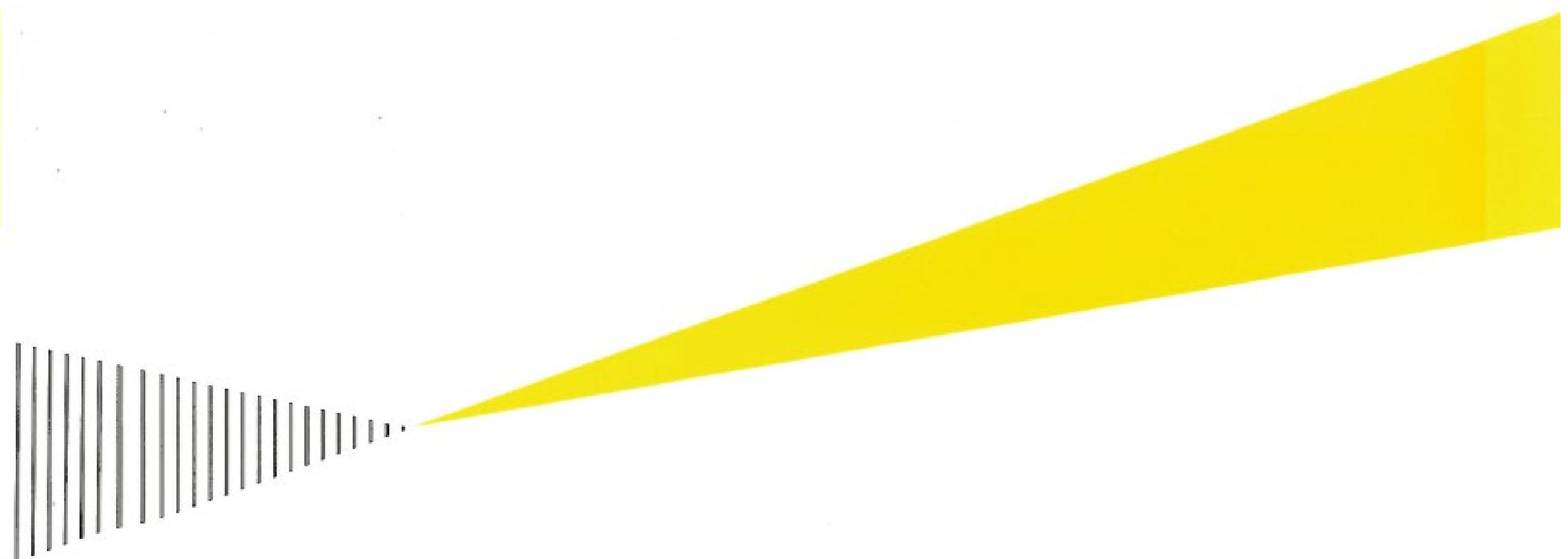
TAKE OFF S.p.A.

Consolidated Financial Statements as at 31st December 2022

Report of the Independent Auditors pursuant to Article 14 of Legislative Decree no. 39 dated 27th January 2010



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Take Off S.p.A.

Consolidated Financial Statements as at 31st December 2022

Report of the independent auditors pursuant to Article 14 of Legislative Decree no. no. 39 dated 27th January 2010

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Independent Auditors' Report Pursuant to Article 14 of Italian Legislative Decree no. 39 dated 27th January 2010

To the Shareholders of
Take Off S.p.A.

Report on the Audit of the Consolidated Financial Statements

Findings

We have audited the Consolidated Financial Statements of the Take Off Group (hereinafter, the "Group"), which comprise the statement of financial position as at 31st December 2022, the Income Statement, the Comprehensive Income Statement, the statement on changes in equity, the statement of cash flows for the year just ended and the Notes to the Consolidated Financial Statements, which also include a summary of significant accounting policies applied.

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of the Take Off Group as at 31st December 2022, the results of its operations and its cash flows for the year just ended, in accordance with International Financial Reporting Standards, as adopted by the European Union.

Basic elements of the findings

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under these standards are further described in the section on *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* of this report. We are independent of the Group in accordance with the standards and principles regarding ethics and independence, applicable in the Italian jurisdiction in auditing financial statements. We believe to have acquired sufficient and appropriate evidence on which to base our opinion.

Other aspects

As required by law, the Group has included in the Notes to the Financial Statements the essential data from the latest Financial Statements of the company that exercises management and coordination activities over the parent company Take Off S.p.A. The opinion on the consolidated financial statements of the Take Off Group does not extend to these figures.

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

The Directors are responsible for the preparation of the Consolidated Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted by the European Union and within the terms of the law, for that part of the internal control they consider necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or unintentional conduct or events.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, in drawing up the Consolidated Financial Statements, for the appropriateness of the use of the assumption of the going concern, as well as for adequate disclosure to this end. The Directors apply the assumption of business continuity in preparing the Consolidated Financial Statements, except whereby they have determined the existence of the conditions for liquidation of the parent company Take Off S.p.A. or the interruption of business or if they have no realistic alternatives to such choices.

EY S.p.A.
Registered Office: Via Meravigli 12 – 20123 Milan
Secondary Site: Via Lombardia 31 – 00187 Rome
Fully paid-up Share Capital 2,525,000.00 euro
Listed in the Ordinary Section of the Business Registry at the Chamber of Commerce of Milan Monza Brianza Lodi
Tax Code and Registration number 00434000584 – Milan R.E.A. number 606158 – VAT number 00891231003
Listed in the Auditor Registry under no. 70945 Published in the Official Gazette. Suppl. 13 – IV Special Series of 17/02/1998
Listed in the Special Registry of Auditing Firms
Consob under Progressive no. 2 Resolution no. 10831 of 16/07/1997

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The Board of Statutory Auditors is responsible for monitoring, within the terms established by the law, the predisposition process of the Group's financial disclosure.

Auditor's responsibility for auditing the Consolidated Financial Statements

Our objectives are the acquisition of reasonable security that the Consolidated Financial Statement as a whole does not contain significant errors, due to fraud or unintentional conduct or events, and the issuing of an Audit Report including our findings. Reasonable surety means a high degree of security which, however, does not provide the assurance that an audit carried out in accordance with the International ISA Italia auditing principles always determines any significant error, if existing. Such errors may result from fraud or unintentional conduct or events and are considered as significant whereby it can be reasonably expected that they, individually or as a whole, are able to influence the economic decisions taken by those who rely on the information on the basis of the Consolidated Financial Statements.

As part of the audit carried out in accordance with international ISA Italia auditing principle, we exercised professional assessment whilst maintaining professional skepticism for the entire duration of the auditing process. Furthermore:

- We have identified and assessed the risks of significant errors in the Consolidated Financial Statements due to fraud or unintentional conduct or events; we have defined and carried out review procedures in response to such risks; we have acquired sufficient and appropriate evidence on which to base our findings. The risk of not detecting a significant error due to fraud is greater than the risk of not detecting a significant error resulting from unintentional conduct or events, since fraud may imply the existence of collusions, forgeries, intentional omissions, misguided representations or manipulation of internal checks;
- We have gained an understanding of the internal checks for the purposes of the audit in defining suitable review procedures under the circumstances and not to express an opinion on the effectiveness of the Group's internal controls;
- We have assessed the appropriateness of the accounting principles used as well as the reasonableness of the accounting estimates made by the Directors and the relative disclosures;
- We have reached a conclusion on the appropriateness of the Administrators' use of the assumption of business continuity and, in accordance with the evidence acquired, on the possible existence of significant uncertainty regarding events or circumstances that may cause significant doubts regarding the Group's ability to continue operating as a functioning entity. In the presence of significant uncertainty, we are required to draw attention in the Audit Report on the relevant Financial Statements or, where such disclosure is inadequate, to reflect on such circumstances in the wording of our findings. Our conclusions are based on the probative elements acquired up to the date of this report. However, subsequent events or circumstances may result in the Group ceasing to operate as a functioning entity;
- We have evaluated the presentation, structure and content of the Consolidated Financial Statements as a whole, including the policy, and whether the Consolidated Financial Statements represent the underlying operations and events so as to provide a correct representation;
- We have obtained sufficient and appropriate evidence regarding the financial information of the undertakings or the various economic activities performed within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the Group's audit undertaking. We are solely responsible for the audit opinion on the Consolidated Financial Statements.

We communicated to those responsible for governance activities, identified at an appropriate level as required by International Standards on Auditing (ISA Italia), amongst other aspects, the scope and planned timing of the audit

and the significant findings, including any significant shortcomings in internal control identified during the audit.

Report on other legal and regulatory provisions
Ruling pursuant to Article 14(2)(e) of Legislative Decree no. 39 dated 27th January 2010

The Directors of Take Off S.p.A. are responsible for drawing up the Take Off Group's Management Report as at 31st December 2022, including its coherence with the relevant Consolidated Financial Statements and its compliance with legal regulations.

We have performed the procedures specified in Auditing Standard (SA Italy) No. 720B in order to express an opinion on the consistency of the Directors' Report with the Consolidated Financial Statements of the Take Off Group as at 31st December 2022 and on their compliance with the law, as well as to issue a statement on any significant errors.

In our opinion, the Management Report is consistent with the Consolidated Financial Statements of the Take Off Group as at 31st December 2022 and has been prepared in accordance with the law.

With reference to the declaration referred to in Article 14(2)(e) of Legislative Decree no. 39 dated 27th January 2010, issued on the basis of the knowledge and understanding of the company and its environment acquired in the course of the Audit, we have nothing to report.

Bari, 7th April 2023

EY S.p.A.

Flavio Renato Deveglia
(Statutory Auditor)

Take Off S.p.A.

Balance Sheet as at 31st December 2022

Report of the independent auditing firm pursuant to Article 14 of Legislative Decree no. 39 dated 27th January 2010

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Independent Auditors' Report
Pursuant to Article 14 of Italian Legislative Decree no. 39 dated 27th January 2010

To the Shareholders of
Take Off S.p.A.

Auditor's Report on the Financial Statements

Findings

We have audited the Financial Statements of Take Off S.p.A. (hereinafter, the "Company"), consisting of the Balance Sheet as at 31st December 2022, the Income Statement, the Comprehensive Income Statement, the Statement on Changes in Equity, the Cash Flow Statement for the year ended on said date and the explanatory notes to the Financial Statements that also include the summary of the most significant accounting standards applied.

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company as at 31st December 2022 and the results of its operations and cash flows for the year just ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

Basic elements of the findings

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under these standards are further described in the section on *Auditor's Responsibilities for the Audit of the Financial Statements* of this report. We are independent of the Company in accordance with the standards and principles regarding ethics and independence, applicable in the Italian jurisdiction in auditing financial statements. We believe to have acquired sufficient and appropriate evidence on which to base our opinion.

Other aspects

As required by law, the Company has included in the Notes to the Financial Statements the essential data from the latest Financial Statements of the company that exercises its management and coordination activities. The opinion on the Financial Statements of Take Off S.p.A. does not extend to these figures.

Responsibilities of the Directors and the Board of Auditors for the Annual Financial Statements.

The Directors are responsible for drafting the Annual Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted by the European Union and, within the terms of the law, for the part of the internal control they consider necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or unintentional conduct or events.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the Annual Financial Statements, for the appropriateness of the use of the going concern assumption, as well as for adequate disclosure. The Directors apply the assumption of business continuity in preparing the Financial Statements, except whereby they have determined the existence of the conditions for liquidation of the Company or the interruption of business or if they have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for monitoring, within the terms established by the law, the predisposition process of the Company's financial disclosure.

Auditing firm's responsibility for auditing the Annual Accounts

Our objectives are the acquisition of reasonable security that the Financial Statements as a whole do not contain significant errors, due to fraud or unintentional conduct or events, and the issuing of an Audit Report including our findings. Reasonable surety means a high degree of security which, however, does not provide the assurance that an audit carried out in accordance with the International ISA Italia auditing principles always determines any significant error, if existing. Such errors may result from fraud or unintentional conduct or events and are considered as significant whereby it can be reasonably expected that they, individually or as a whole, are able to influence the economic decisions taken by those who rely on the information on the basis of the Financial Statement.

As part of the audit carried out in accordance with international ISA Italia auditing principle, we exercised professional assessment whilst maintaining professional skepticism for the entire duration of the auditing process. Furthermore:

- We have identified and assessed the risks of significant errors in the Financial Statement due to fraud or unintentional conduct or events; we have defined and carried out review procedures in response to such risks; we have acquired sufficient and appropriate evidence on which to base our findings. The risk of not detecting a significant error due to fraud is greater than the risk of not detecting a significant error resulting from unintentional conduct or events, since fraud may imply the existence of collusions, forgeries, intentional omissions, misguided representations or manipulation of internal checks;
- We have gained an understanding of the internal checks for the purposes of the audit in defining suitable review procedures under the circumstances and not to express an opinion on the effectiveness of the Company's internal controls;
- We have assessed the appropriateness of the accounting principles used as well as the reasonableness of the accounting estimates made by the Directors and the relative disclosures;
- We have reached a conclusion on the appropriateness of the Administrators' use of the assumption of business continuity and, in accordance with the evidence acquired, on the possible existence of significant uncertainty regarding events or circumstances that may cause significant doubts regarding the Company's ability to continue operating as a functioning entity. In the presence of significant uncertainty, we are required to draw attention in the Audit Report on the relevant Financial Statements or, where such disclosure is inadequate, to reflect on such circumstances in the wording of our findings. Our conclusions are based on the probative elements acquired up to the date of this report. However, subsequent events or circumstances may result in the Company ceasing to operate as a functioning entity;
- We have evaluated the presentation, structure and content of the Financial Statement as a whole, including the policy, and whether the Financial Statement represents the underlying operations and events so as to provide a correct representation;

We have disclosed to those in charge of the governance activities, identified at an appropriate level as required by International Standards on Auditing (ISA Italia), amongst other matters, the planned scope and timing of the audit and the significant findings, including any marked deficiencies in internal control identified during the audit.

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Report on other legal and regulatory provisions

Ruling pursuant to Article 14(2)(e) of Legislative Decree no. 39 dated 27th January 2010

The Directors of Take Off S.p.A. are responsible for drawing up the Take Off S.p.A. Management Report as at 31st December 2022, including its coherence with the relevant Annual Financial Statements and its compliance with legal regulations.

We have performed the procedures specified in Auditing Standard (SA Italy) No. 720B in order to express an opinion on the consistency of the Directors' Report with the Financial Statements of Take Off S.p.A. as at 31st December 2022 and on their compliance with the law, as well as to issue a statement on any significant errors.

In our opinion, the Management Report is consistent with the Financial Statements of Take Off S.p.A. as at 31st December 2022 and has been prepared in accordance with the law.

With reference to the declaration referred to in Article 14(2)(e) of Legislative Decree no. 39 dated 27th January 2010, issued on the basis of the knowledge and understanding of the company and its environment acquired in the course of the Audit, we have nothing to report.

Bari, 7th April 2023

EY S.p.A.

Flavio Renato Deveglia
(Revisore Legale)

TAKE OFF
THE OUTLET COMPANY

Take Off S.p.A.

Annual Financial Report to the Annual and Consolidated Financial Statements as at 31st December 2022

TAKE OFF
THE OUTLET COMPANY

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Management Report

Letter from the Chair to the Shareholders

Dear Shareholders,

The year 2022 closed once again with optimal and satisfying results. These results not only exceeded our expectations but also those of the sector of reference, confirming the reliability of the Group and the validity of our strategy. We have reached a very important milestone.
Despite the still-uncertain historical context, the Group was able to achieve targets above expectations thanks to its adaptability.
The turnover reached 29,838,000 euro (+13.03% over the previous year). Our operating profitability (EBITDA) amounted to 24.4% of sales, with net profit falling by 38.2%. In 2022, we worked on the consumer all-round, significantly increasing interaction and loyalty. We strengthened the quality of our customer network and further developed Take Off's presence on the digital channel nationwide. I would like to mention that in 2022, Take Off continued its strategy of new openings and consolidation of its leadership position at a national level, with 19 new openings – almost two-thirds of those achieved in 10 years of operation. All this whilst remaining true to our unique heritage and maintaining a high degree of control over the business. Still, my task remains to look beyond, to think about tomorrow's Take Off, which we want to be increasingly stronger.
What I see today is a market that is changing profoundly and at an even faster pace than in the past. This is why, together with my team, I have reflected deeply in recent months, with the aim of putting in place actions to address these changes and to increasingly strengthen our brand by setting ourselves even more challenging goals.
Creativity has always been our energy, multiplicity our strength, coherence with ourselves our creed, whilst change is what makes us grow. Take Off sets out to continue exploring its world and that within its vicinity, seeking to do so by engaging in dialogue with an ever-broadening customer base. I wish to conclude by mentioning and emphasising that none of this would be possible if I did not have an exceptional and unique team of people in Take Off. Thus, I would like to thank every single employee for the extensive dedication, humility, talent, energy and passion they devote to Take Off every day.
We would like to thank all our Shareholders and Stakeholders for the trust they have placed in us during the listing phase and for the constant encouragement they provide us in pursuing ever-increasing development. In wrapping up, I am proud to announce that a dividend of 0.06 cents per share shall be distributed.

The Chair of the Board of Directors
Aldo Piccarreta

Corporate bodies of the Parent Company Take Off S.p.A.

Board of Directors

Aldo Piccarreta	Chair and Chief Executive Officer
Giorgia Lamberti Zanardi	Director
Natale Costantino	Director
Fulvio Conti	Independent Director
Maurizio Baldassarini	Independent Director

Appointed by the Shareholders' Meeting on 15th June 2020 for the 2020–2022 three-year period (with the exception of Director Costantino Natale appointed on 20th December 2021 upon the resignation of Valentino Fabbian, and Director Maurizio Baldassarini appointed on 28th March 2022 upon the resignation of Pierluca Mezzetti)

Board of Statutory Auditors

Luca Provaroni	Chair
Sebastiano Bonanno	Statutory Auditor
Egidio Romano	Statutory Auditor

Appointed by the Shareholders' Meeting on 28th April 2022 for the 2022–2024 three-year period

Auditing Company:

EY S.p.A.

Appointed by the Shareholders' Meeting on 27th June 2022 for the 2022–2024 three-year period

Management Report

Premise

Dear Shareholders,

The Annual Financial Statements of Take Off S.p.A. (hereinafter also referred to as "Take Off", the "Company" or the "Parent") and the Consolidated Financial Statements of the Take Off Group and its subsidiaries (henceforth, the "Take Off Group" or "Group") have been prepared in accordance with the applicable provisions of Legislative Decree no. 127 dated 9th April 1991, and the Italian Civil Code.

Article 40(2-bis) of Legislative Decree 127/91 states that the Management Report on the Consolidated Financial Statements and the Management Report on the Annual Financial Statements may be presented in a single document, giving greater prominence (where appropriate) to matters that are relevant to the undertakings included in the consolidation as a whole. Therefore, this Management Report jointly provides information on the Take Off Group and the parent company Take Off S.p.A.

The Consolidated Income Statement, Balance Sheet and financial data indicated below refer to the companies that in 2022 carried out activities considered significant for the purposes of the Take Off Group's consolidation and that were subject to the control and coordination activities pursuant to Article 2497 of the Italian Civil Code.

The companies included in the consolidation area, in addition to Take Off S.p.A., are the following:

- Over S.p.A. (hereinafter, also referred to as "Over"), a wholly-owned direct subsidiary, with registered office in Milan at Via Bagutta 13, having VAT no. 03498990757, following the contribution of shares representing the entire share capital completed on 12.10.2021.

Operating conditions and business development

As is well known, Take Off S.p.A. is the first Italian chain of "fashion boutiques" with outlet prices. Founded in 2012, the company now has 49 sales outlets – of which 42 are direct and 7 affiliated – distributed throughout the country, with a presence mainly concentrated in Southern Italy.

The Take Off fashion boutiques contain a selection of clothing, footwear and accessories from the best international brands along with the exclusive distribution of seven proprietary labels. Thanks to the product mix and design of the fashion boutiques, Take Off's business offering has seen the company become established in its target market whilst aiming towards expansion throughout Italy.

Over S.p.A., rather, is active in the retail trade of children's clothing and accessories, under its proprietary brand Overkids. Its sales network consisted of 114 affiliated sales outlets as at 31.12.2022.

Alternative performance indicators

The Group uses a range of alternative performance indicators, which are not identified as accounting measures under IFRS, to allow for a better assessment of the Group's course.

These alternative performance indicators are constructed exclusively from historical data of the Group and determined in accordance with the Guidelines on Alternative Performance Indicators issued by ESMA/2015/1415

and adopted by CONSOB with Communication no. 92543 dated 3rd December 2015. The Company's net financial indebtedness is determined in accordance with the provisions of Guideline no. 39, issued on 4th March 2021 by ESMA and applicable as of 5th May 2021, in line with the Call for Attention no. 5/21 issued by CONSOB on 29th April 2021.

The indicators refer only to the performance of the accounting period under review and the periods under comparison thus not to the Group's expected performance and as such, should not be considered as a substitute for the indicators required by the relevant accounting standards (IFRS).

Below is the definition of the Alternative Performance Indicators used in the Consolidated Financial Statements:

- **EBITDA** – represented by the Operating Income gross of the amortisation, depreciation and write-downs of tangible and intangible assets and assets by Right-of-Use.
- **Operating Profit or EBIT** – the difference between revenues, other income and the costs of raw materials and consumables, service costs, personnel costs and other operating costs.
- **Net Working Capital** – calculated as the sum of inventories, trade receivables, other current receivables and tax receivables, net of trade payables, return liabilities, tax payables and other current payables and liabilities.
- **Invested Capital** – the total of non-current assets and net working capital, net of liabilities for future employee benefits, provisions for risks and charges and for deferred tax liabilities.
- **Net Financial Indebtedness** – calculated as the sum of current and non-current financial payables, debt instruments, trade and other non-current payables, net of cash and cash equivalents and current financial assets.
- **Adjusted net indebtedness** – calculated as the sum of current and non-current financial payables, debt instruments, trade payables and other non-current payables, excluding lease liabilities, net of cash and cash equivalents and current financial assets.

Operating performance in the 2022 Financial Year

In 2022, the world economy continued to grow at the fast pace of 2021, following the easing of pandemic-related restrictive measures and thanks to national plans to support the development of infrastructure projects, energy transition and digitisation. The strong upturn in economic activity was accompanied by a significant inflationary push, caused mainly by rising energy and commodity prices and disruptions in supply chains, with an amplification induced by the war in Ukraine. In order to contain rising inflation, the major central banks started to reduce some monetary stimuli and raised interest rates. In any case, the level of uncertainty surrounding global macroeconomic developments remains high, with risks of further downward revisions to growth prospects, in view of the possible worsening of the geopolitical crisis related to Ukraine, a resurgence of the global pandemic, as well as the slowdown in demand induced by rising interest rates.

Despite the continuing pandemic crisis, we have continued our growth (since we must always plan our future by looking forward) and opened new shops:

Take Off (adult line): Castelfranco Veneto, Este, Rovigo, Pordenone, Curtatone, Cesano Boscone, San Giuliano Milanese, Benevento, Cassino, Velletri, Stezzano, Ferrara, Marcon, Bellinzago Lombardo, Conegliano, Antegnate, L'Aquila, Canicattì, Giugliano in Campania.

Over (children's line): Ariano Irpino, Favara, Villa Castelli, Partinico, Campobello di Mazara, Botricello, Gioiosa Marina Ionica, Vibo Valentia, Carmiano, San Giovanni Rotondo, Palermo, Barcellona Pozzo Di Gotto, Mesagne, Mazara Del Vallo, Bovalino, Lercara Friddi (PA), Brindisi, Lamezia Terme, Assisi, Marsala, L'Aquila, Sarno, Martina Franca, Nicosia, Terracina, Taranto, Lucerà, Capo di Orlando.

The opening of these shops forms part of our ongoing logic of growth like wildfire which, through a careful selection of locations, allows us to minimise opening investments and achieve break-even.

In order to create greater loyalty amongst our customers and thus encourage the use of online sales channels alongside the service offered by physical stores (a relevant strategy in these times of pandemic and restrictions on free movement), we designed and produced the first Take Off magazine, distributed free of charge in our points of sale and which allows our customers to purchase in advance some of our luxury brands.

Group Financial Highlights

The following table shows the Group's consolidated results achieved in terms of revenue, operating profit and pre-tax profit as at 31st December 2022 and 2021, respectively:

(euro)	1st January 2022– 31st December 2022	1st January 2021– 31st December 2021	Changes	% variations
Revenue from contracts with customers	29,838,343	26,398,965	3,439,378	13.0%
Gross Operating Income (EBITDA)	7,269,263	9,516,965	(2,247,702)	-23.6%
Operating result	4,998,417	7,687,683	(2,689,266)	-35.0%
Pre-tax result	4,602,123	7,197,066	(2,594,942)	-36.1%
Result for the period	3,485,195	5,639,312	(2,154,117)	-38.2%

Consolidated revenues for the 2022 financial year increased by 13% compared to the previous period, recording an upturn of 3,439,000 euro.

Starting from a pre-tax result of 4,602,000 euro (7,197,000 euro in the period 01.01.21–31.12.21), the final result for the period was 3,485,000 euro (5,639,000 euro in the period 01.01.21–31.12.21).

The Reclassified Financial Statement of the Group compared to the same period in 2021 is as follows:

(euro)	1st January 2021 - 31st December 2022	*Incidence % on Revenues 2022*	1st January 2021 - 31st December 2021	*Incidence % of Revenues 2021*	*Changes*	*Changes %*
Revenue from contracts with customers	29,838,343	*100.0%*	26,398,965	*100.0%*	*3,439,378*	*13.0%*
REVENUE	**29,838,343**	***100.0%***	**26,398,965**	***100.0%***	*3,439,378*	*13.0%*
Other income	791,029	***2.7%***	1,591,518	*6.0%*	*(800,488)*	*-50.3%*
Costs for raw materials and consumables	(14,276,088)	*-47.8%*	(12,067,419)	*-45.7%*	*(2,208,669)*	*18.3%*
Costs for services		*-9.7%*	(1,806,071)	*-6.8%*	*(1,101,034)*	*61.0%*
Personnel costs		*-18.9%*	(4,311,107)	*-16.3%*	*(1,322,778)*	*30.7%*
Other operating costs	(543,032)	*-1.8%*	(288,922)	*-1.1%*	*(254,110)*	*88.0%*
EBITDA*	**7,269,263**	***24.4%***	**9,516,965**	***36.1%***	***(2,247,702)***	***-23.6%***
Amortisation, depreciation and write-downs	(2,270,845)	*-7.6%*	(1,829,281)	*-6.9%*	*(441,564)*	*24.1%*
EBIT (Operating Income)*	**4,998,417**	***16.8%***	**7,687,683**	***29.1%***	***(2,689,266)***	***-35.0%***
Financial management result	(396,294)	*-1.3%*	(490,618)	*-1.9%*	*94,324*	*-19.2%*
PRE-TAX RESULT	**4,602,123**	***15.4%***	**7,197,066**	***27.3%***	***(2,594,942)***	***-36.1%***
Income taxes	(1,116,929)	*-3.7%*	(1,557,753)	*-5.9%*	*440,825*	*-28.3%*
RESULT OF THE YEAR	**3,485,195**	***11.7%***	**5,639,312**	***21.4%***	***(2,154,117)***	***-38.2%***

(*) EBITDA corresponds to the net result adjusted for financial management, taxes, depreciation and amortisation of fixed assets, provisions and bad debts. Thus defined, EBITDA represents the indicator used by the Group to monitor and evaluate its operating performance. Since it is not defined as an accounting measure under International Accounting Standards, it should not be considered an alternative measure for evaluating the trend in operating income.
(**) EBIT corresponds to the net result adjusted by the result of financial operations and taxes. Since the composition of EBITDA and EBIT is not governed by the relevant Accounting Standards, the determination criteria applied by the Group may not be homogeneous with those adopted by other entities and thus may not be comparable.

We underline that the item Other Revenues at 791,000 euro mainly includes 433,000 euro pertaining to the contribution to support the increase in the value of final inventories, tax credit per Article 48-bis, and 149,000 euro relating to expenses recharged to affiliated points of sale. The decrease from the previous year is related to other income present in 2021 and not recorded in the current year, in reference to capital gains realised from the sale of furniture to Horizon, Covid grants received to address the pandemic crisis, and the SME listing bonus pocketed for expenses incurred in connection with the listing.

It is evident that raw material costs increased more than proportionally to the increase in revenue, due to the upturn in purchase prices incurred.

Costs for services increased by 1,101,000 euro and were mainly affected by consulting costs incurred by the Group in the post-listing period and advertising costs incurred in connection with the opening of the new shops mentioned above.

Personnel costs, which increased by 1,323,000 euro, were mainly affected by the increase in personnel due to the new openings of directly-operated shops.

The balance of financial operations, a charge of 396,000 euro in 2022 and 491,000 euro in 2021, is mainly affected by interest on loans and financing taken out by Take Off in the past, as well as financial dues on contracts for Rights of Use and the effect of exchange rate differences recognised by Over in the reporting period.

Group Balance Sheet Highlights

The Group's consolidated statement of financial position, compared to that as at 31st December 2021, is as follows:

(euro)	31st December 2022	31st December 2021
Property, plants and machinery	1,760,128	1,375,266
Intangible assets	23,025	23,058
Right-of-use assets	8,852,278	6,635,092
Other non-current assets	641,277	424,478
Deferred tax liabilities	962,854	1,261,777
Capital assets (A)	**12,239,561**	**9,719,671**
Inventories	13,901,024	9,541,167
Trade receivables	392,885	227,184
Other current receivables	533,575	512,614
Tax receivables	230,615	184,568
Short-term operating assets (B)	**15,058,099**	**10,465,532**
Trade payables	(6,215,216)	(4,890,388)
Tax payables	(1,268,018)	(1,819,464)
Other current payables and liabilities	(1,292,079)	(881,370)
Short-term operating liabilities (C)	**(8,775,313)**	**(7,591,222)**
Net working capital* (D) = (B) + (C)	**6,282,786**	**2,874,310**
Liabilities for future employee benefits	(991,393)	(929,803)
Provisions for risks and charges	(52,000)	(42,531)
Other non-current payables and liabilities	(139,450)	(94,500)
Deferred tax liabilities	(108)	(108)
Medium- to long-term liabilities (E)	**(1,182,951)**	**(1,066,943)**
INVESTED CAPITAL (A) + (D) + (E)**	**17,339,397**	**11,527,039**
Net assets	24,380,853	23,654,135
Net non-current indebtedness	7,654,06	9,862,837
Current net liquidity	(14,695,518)	(21,989,934)
EQUITY AND NET FINANCIAL POSITION	**17,339,397**	**11,527,039**

[*] The **Net Working Capital** is calculated as the sum of Inventories, Trade Receivables. Other Current Receivables and Tax Credits, net of Trade Payables, Return Liabilities, Tax Payables and Other Current Payables and Liabilities.
[**] **Invested Capital** is the sum of Net Working Capital and Fixed Assets, net of long-term liabilities and Funds. Since Net Working Capital and Net Invested Capital are not identified as accounting measures under the relevant Accounting Standards, the determination criteria applied by the Group may not be homogeneous with those adopted by others and therefore not comparable.

Fixed assets rose by 2,520,000 euro compared to 31st December 2021, largely due to the accounting in accordance with IFRS 16 regarding rights-to-use (amounting to 8,852,000 euro as at 31st December 2022) in connection with new lease agreements. The increase in short-term operating assets is mainly due to the rise in inventories following the procurement of goods for the 2022–2023 winter season and the increase in receivables from advances to suppliers for the A/W 2022 and S/S 2023 seasons.

The change in Net Working Capital (NWC) thus resulted in a cash outflow of 3,408,000 euro compared to 31st December 2021. This change is mainly due to the dynamics just described on short-term assets.

Group Financial Highlights

The Group's net indebtedness as of 31st December 2022, compared to 31st December 2021, is as follows:

(euro)	31st December 2022	31st December 2021
A - Cash and Cash Equivalents	19,479,276	26,455,694
B - Machinery equivalent to cash and cash equivalents	0	0
C - Other current financial assets	0	0
D - Liquidity (A + B + C)	**19,479,276**	**26,455,694**
E - Current financial payables	(2,651,465)	(2,951,044)
F - Part of current financial payables	(2,132,292)	(1,514,716)
G - Current financial indebtedness (E + F)		**(4,783,758)**
		(4,465,760)
H - Net current financial indebtedness (D + G)	**14,695,518**	**21,989,934**
I - Non-current financial payables	(6,847,808)	(8,656,468)
K - Trade and other non-current payables	(806,255)	(1,206,369)
L - Non-current financial indebtedness (I + J + K)	**(7,654,062)**	**(9,862,837)**
M - Net financial assets/(liabilities) (H + L)	***7,041,456***	***12,127,096***
N - Payables from the application of IFRS 16	*8,980,100*	*6,946,520*
O - Availability/Adjusted net financial (indebtedness) (M + N)	*16,021,556*	*19,073,616*

Net financial liquidity (M) for the year decreased from the previous year by about 5,086,000 euro. This change is due to the combined effect of the distribution of dividends, the recognition of the financial liability of the right of use due to the stipulation of new lease agreements, plus the changes in working capital commented on above.

In view of the particular historical context and the current increase in interest rates, in evaluating the economic impacts and considering the high liquidity at its disposal, it should be noted that the Group deemed it necessary and prudent to proceed with the repayment of almost all loans in order to mitigate the aforementioned risk, resulting in repayments of 5,399,000 euro.

It was deemed appropriate to also present, in the table above, the adjusted net financial indebtedness, which excludes – with respect to the calculation previously presented – the liability for Rights of Use amounting to 78,980,000 euro determined at 31.12.2022 (6,947,000 euro at 31.12.2021), and which, pursuant to IFRS 16, is classified under Other Financial Payables. Net of this amount, the net financial indebtedness at 31.12.2022 was positive (Liquidity) to the amount of 16,022,000 euro (19,074,000 euro as at 31.12.2021).

Economic and efficiency indicators of the Group

For a better description of the Group's income, equity and financial situation, the tables below show some profitability, equity and financial ratios compared with the same ratios as of 31st December 2021.

	31st December 2022	31st December 2021
EBITDA	7,269,263	9,516,965
EBITDA margin	24.4%	36.1%
ROE Before Tax (Profit/(Loss) for the Period Before Tax/PN)	18.9%	30.4%
ROI (EBIT/Total Assets)	10.7%	16.5%
ROS (EBIT/Revenues)	16.8%	29.1%

The economic indices confirm the dynamics already commented on and the management results achieved. As at 31st December 2022, EBITDA decreased to 24.4% of revenue from 36.1% in the previous year. This change is due to the combined effect of the advertising costs incurred for the opening of the new sales outlets and the absence of any significant public contribution, which was instead present in the year 2021.

The table below shows certain balance sheet ratios describing: (i) the financing of medium-/long-term loans; and (ii) the composition of financing sources, compared with the same ratios for the Consolidated Financial Statements for the year ended 31st December 2021.

The current ratio shows the Group's ability to repay debt. In both periods under comparison, the index shows the Group's ability to cover its liabilities with its assets. The ratio confirms the Group's already good ability to cover its liabilities as at 31st December 2022.

	31st December 2022	31st December 2021
Current ratio (Current Assets/Current Liabilities)	2,55	3,06
Acid test (Current Assets - Inventories)/Current Liabilities	1,52	2,27
Structure Margin (PN - AF)	12,141,291	13,934,464

[1]ROE *(Return On Equity)* – This describes the ratio of profit before tax to the net assets of the company. It summarises the profitability and return on equity.

ROI (Return On Investment) – This describes the ratio of operating income to total assets. It expresses the characteristic return on capital employed, where characteristic return means the return before financial management and taxation.

ROS (Return On Sales) – This describes the ratio of operating income to sales revenue. In percentage terms, this expresses the operating margin realised on sales from ordinary operations, where ordinary profitability means profitability before financial management and tax burden.

Structure Margin (also called Fixed Assets Coverage Margin) – In absolute terms, this measures the company's ability to finance fixed assets with its own capital, being with sources contributed by shareholders. It allows for an assessment of whether or not the net assets are sufficient to cover the fixed assets.

Primary Structure Quotient (also called Fixed Asset Coverage) - This measures in percentage terms the company's ability to finance fixed assets with equity capital. This permits an assessment of the ratio between net assets (including profit or loss for the year) and total fixed assets as a percentage.

Secondary structure margin (PN + DML - AF)	20,978,304	24,864,244

Main economic data of the Parent Company

The following table shows the results of the Parent Company Take Off achieved in terms of revenue, operating profit and pre-tax profit as at 31st December 2022 and 2021, respectively:

(euro)	1st January 2022– 31st December 2022	1st January 2021– 31st December 2021	Changes	% variations
Revenue from contracts with customers	23,714,011	19,898,713	3,815,297	19.2%
Gross Operating Income (EBITDA)	5,037,675	7,019,627	(1,981,952)	-28.2%
Operating result	2,821,062	5,291,726	(2,470,663)	-46.7%
Pre-tax result	2,564,125	5,028,685	(2,464,560)	-49.0%
Result for the period	1,832,312	3,888,637	(2,056,325)	-52.9%

Revenues for the 2022 financial year increased by 19.2% compared to the previous period, recording an increase of 3,815,000 euro, mainly due to the opening of new points of sale.

Starting from a pre-tax result of 2,564,000 euro (5,029,000 euro in 2021), the final result for the period was 1,832,000 euro (3,889,000 euro in 2021).

The Income Statement of the parent company Take Off, compared to the same period in 2021, is as follows:

(euro)	1st January 2022 – 31st December 2022	*Incidence % on Revenues 2022*	1st January 2021 – 31st December 2021	*Incidence % on Revenues 2021*	*Changes*	*% variations*
Revenue from contracts with customers	23,714,011	*100%*	19,898,713	*100%*	*3,815,297*	*19.2%*
REVENUE	23,714,011	*100%*	19,898,713	*100%*	*3,815,297*	*19.2%*
Other income	**194,214**	***1%***	**1,494,707**	***8%***	***(1,300,493)***	***-87.0%***
Costs for raw and ancillary materials and consumables and changes in inventories	(10,984,148)	*-46%*	(8,977,791)	*-45%*	*(2,006,356)*	*22.3%*
Costs for services	(2,275,967)	*-10%*	(1,411,498)	*-7%*	*(864,470)*	*61.2%*
Personnel costs	(5,094,997)	*-21%*	(3,765,809)	*-19%*	*(1,329,188)*	*35.3%*
Other operating costs	(515,438)	*-2%*	(218,696)	*-1%*	*(296,742)*	*100%*
EBITDA	**5,037,675**	***21%***	**7,019,627**	***35%***	***(1,981,952)***	***-28.2%***
Amortisation, depreciation and write-downs	(2,216,613)	*-9%*	(1,727,901)	*-9%*	*(488,712)*	*28.3%*
EBIT	**2,821,062**	***12%***	**5,291,726**	***27%***	***(2,470,663)***	***-46.7%***
Financial management result	(256,938)	*-1%*	(263,041)	*-1%*	*6,103*	*-2.3%*
PRE-TAX RESULT	**2,564,125**	***11%***	**5,028,685**	***25%***	***(2,464,560)***	***-49.0%***
Income taxes	(731,813)	*-3%*	(1,140,048)	*-6%*	*408,235*	*-35.8%*
RESULT FOR THE PERIOD	**1,832,312**	***8%***	**3,888,637**	***20%***	***(2,056,325)***	***-52.9%***

We wish to point out that the decrease in the item related to other revenues refers to grants received by Take Off in the year 2021 as a result of tax credits received to address the pandemic crisis along with other miscellaneous revenues and income realised from the sale of furniture to the correlated company Horizon in the year 2021.

It should be noted that raw material costs increased in line with the rise in revenue.

I Costs for services increased by 864,000 euro and were mainly affected by consulting costs incurred by the Company in the post-listing period and advertising costs incurred in connection with the opening of the new directly-operated shops.

II Personnel costs, which increased by 1,329,000 euro, were mainly affected by the upswing in the workforce following the opening of the new directly-operated shops.

The balance of financial operations, a charge of 257,000 euro in 2022 and 263,000 euro in 2021, is mainly affected by interest on loans and financing taken out by Take Off, as well as financial dues on contracts for right of use.

Main balance sheet data of the Parent Company

The statement on the financial position of the parent company Take Off, compared to the statement on the financial position as at 31st December 2021, is as follows:

(euro)	31st December 2022	31st December
Property, plants and machinery	1,739,480	1,361,365
Intangible assets	14,086	16,111
Assets for rights of use	8,662,504	6,364,739
Shareholding in subsidiaries	250,000	250,000
Other non-current assets	613,279	408,518
Deferred tax liabilities	72,912	128,355
Capital assets (A)	**11,352,262**	**8,529,088**
Inventories	7,661,387	5,236,631
Trade receivables	141,587	93,931
Other current receivables	240,600	508,613
Tax receivables	230,207	182,338
Short-term operating assets (B)	**8,273,781**	**6,021,513**
Trade payables	(3,122,005)	(1,920,645)
Tax payables	(293,473)	(838,726)
Other current payables and liabilities	(1,200,845)	(716,394)
Short-term operating liabilities (C)	**(4,616,323)**	**(3,475,766)**
Net working capital (D) = (B) + (C)	**3,657,457**	**2,545,747**
Liabilities for future employee benefits	(826,972)	(748,434)
Provisions for risks and charges	(52,000)	(42,531)
Deferred tax liabilities	(108)	(108)
Medium- to long-term liabilities (E)	**(879,080)**	**(791,074)**
INVESTED CAPITAL (A) + (D) + (E)	**14,130,639**	**10,283,761**
Net assets	19,660,021	20,600,584
Non-current financial indebtedness	6,653,037	8,379,775
Net current financial indebtedness	(12,182,418)	(18,696,597)

EQUITY AND NET FINANCIAL POSITION	14,130,639	10,283,761

The following table shows the reconciliation between net assets and net profit of the parent company Take Off S.p.A. along with the net assets and net profit attributable to the Group.

[euro]	31st December 2022		31st December 2021	
	Net assets as at 31st December 2022	**Operating result as at 31st December 2022**	**Net assets as at 31st December 2021**	**Result for the year to 31st December 2021**
Operating result and operating result for the Parent Company TAKE OFF S.p.A.	**19,660,021**	**1,832,312**	**20,600,584**	**3,888,637**
Net assets and operating result of the companies consolidated using the line-by-line method	4,720,832	1,652,883	3,053,552	1,750,675
Inter-company Dividends	0	0	0	0
Adjustment of equity investments consolidated using the equity method	0	0	0	0
Adjustment to Group Accounting Principles and Other Consolidation Adjustments	0	0	0	0
Group Total	**24,380,853**	**3,485,195**	**23,654,135**	**5,639,312**

Parent Company Financial Highlights

The Parent Company Take Off's net indebtedness as of 31st December 2022, compared to 31st December 2021, is is as follows:

(euro)	31st December 2022	31st December 2021
A - Cash and Cash Equivalents	16,928,228	23,129,918
B - Machinery equivalent to cash and cash equivalents	0	0
C - Other current financial assets	0	0
D - Liquidity (A + B + C)	**16,928,228**	**23,129,918**
E - Current financial payables	(2,651,465)	(816,926)
F - Part of non-current financial payables	(2,094,344)	(3,616,395)
G - Current financial indebtedness (E + F)	**(4,745,810)**	**(4,433,321)**
H - Current financial indebtedness (E + F)	**12.182.418**	**18.696.597**
I - Non-current financial payables	(6,653,037)	(8,379,775)
J - Debt instruments	0	0
K - Trade and other non-current payables	0	0
L - Non-current financial indebtedness (I + J + K)	(6,653,037)	(8,379,775)
M - Net financial assets/(liabilities) (H + L)	5,529,382	10,316,822
N - Payables from the application of IFRS 16	*8,747,381*	*6,637,387*
O - Availability/Adjusted net financial (indebtedness) (M + N)	*14,276,763*	*16,954,209*

Net financial liquidity (M) for the year decreased from the previous year by about 4,787,000 euro. This change is due to the combined effect of the distribution of dividends, the recognition of the financial liability of the right of use due to the stipulation of new lease agreements, plus the absorption of cash and cash equivalents mainly attributable to operation management.

As previously mentioned, in view of the particular historical context and the current increase in interest rates, in evaluating the economic impacts and considering the high liquidity at its disposal, the Group deemed it necessary and prudent to proceed with the repayment of almost all loans in order to mitigate the aforementioned risk, resulting in repayments of 5,399,000 euro.

It was deemed appropriate to also present, in the table above, the adjusted net financial indebtedness, which excludes – with respect to the calculation previously presented – the liability for Rights of Use amounting to 8,747,000 euro determined at 31.12.2022 (6,637,000 euro at 31.12.2021), and which, pursuant to IFRS 16, is classified under Other Financial Payables. Net of this amount, the net financial indebtedness as at 31st December 2022 was positive and equal to 14,277,000 euro (16,954,000 euro as at 31st December 2021).

Economic and Efficiency Indicators of the Parent Company

For a better description of the parent company Take Off's income, equity and financial situation, the tables below show some profitability, equity and financial ratios compared with the same ratios as of 31st December 2021.

	31st December 2022	31st December 2021
EBITDA	5,037,675	7,019,627
EBITDA margin	21.2%	35.3%
ROE Before Tax (Profit/(Loss) for the Period Before Tax/PN)	13.0%	24.4%
ROI (EBIT/Total Assets)	7.7%	14.0%
ROS (EBIT/Revenues)	11.9%	26.6%

The economic indices[3] confirm the dynamics already commented on and the management results achieved. As at 31st December 2022, EBITDA decreased to 21.2% of revenue from 35.3% in the previous year. This decrease is due to the combined effect of the advertising costs incurred for the opening of the new sales outlets and the absence of any significant public contribution, which was instead present in the year 2021.

[3]ROE (Return On Equity) – This describes the ratio of profit before tax to the net assets of the company. It summarises the profitability and return on equity.

ROI (Return On Investment) – This describes the ratio of operating income to total assets. It expresses the characteristic return on capital employed, where characteristic return means the return before financial management and taxation.

ROS (Return On Sales) – This describes the ratio of operating income to sales revenue. In percentage terms, this expresses the operating margin realised on sales from ordinary operations, where ordinary profitability means profitability before financial management and tax burden.

The table below shows certain balance sheet ratios describing: (i) the financing of medium-/long-term loans; and (ii) the composition of financing sources, compared with the same ratios for the financial statements as at 31st December 2021.

The *current ratio* shows the parent company Take Off's ability to repay debt. In both periods under comparison, the index shows the Group's ability to cover its liabilities with its assets.

	31st December 2021	31st December 2021
Current ratio (Current assets/Current liabilities)	2,69	3,69
Acid test (Current Assets - Inventories)/Current Liabilities	1,87	3,02
Structure margin (NP - FA)	8,307,759	12,071,496
Secondary structure margin (PN + DML - AF)	15,839,875	21,242,344

Environment and personnel-related information

In view of the company's social role, as highlighted in the document on the management report of the National Council of Certified Accountants and Accounting Experts, it is considered appropriate to provide the below information pertaining to the environment and personnel.

Personnel

During the reporting period:

- There were no serious accidents at work resulting in significant injuries to personnel in the company register;
- There were no noted occupational diseases concerning employees or former employees nor cases of bullying for which the company was declared definitively liable.

During the period, the Group invested in personnel safety.

The workforce as at 31st December 2022, net of terminations, was as follows:

(No. units)	31st December 2022	31st December 2021
Take OFF		
Management	3	2
Clerks	10	5
Labourers	273	192
Over		
Clerks	8	8
Labourers	11	12
Total	**305**	**219**

[4] Structure Margin (also called Fixed Assets Coverage Margin) – In absolute terms, this measures the company's ability to finance fixed assets with its own capital, being with sources contributed by shareholders. It allows for an assessment of whether or not the net assets are sufficient to cover the fixed assets.

Primary Structure Ratio (also known as Fixed Asset Coverage) – In percentage terms, this measures the company's ability to finance fixed assets with equity capital. This permits an assessment of the ratio between net assets (including profit or loss for the year) and total fixed assets as a percentage.

The increase is due to personnel hired following the new openings of directly-operated shops.
Training plays a crucial role for our company given the ever-changing trends in the fashion industry. Staff training was aimed at developing the technical and commercial skills of all employees. In particular, much effort went towards the commercial sector, being certainly strategic.

Environment

Thanks to investments in the renovation of our company premises, we have adapted our locations to ensure compliance with all requirements under current environmental legislation.

As far as safety is concerned, we have appointed an external professional to complete the task of training for risk prevention in the workplace, always in compliance with the relevant legislation.

Investments

During the period, investments were made in the following areas:

(euro)	1st January 2022 - 31st December 2022	1st January 2021- 31st December 2021	Variation
Investments in intangible assets	6,100	12,913	(6,813)
Investments in property, plants and machinery	764,876	399,693	365,183
Total investments	**770,976**	**4-12,606**	**358,370**

Research and Development

Pursuant to Article 2428(2)(1) of the Italian Civil Code, it is hereby declared that Take Off and Over did not engage in any Research and Development activities during the period.

Relationships with correlated parties

During the reporting period, there were commercial and financial transactions with correlated parties. All business dealings were based on normal market conditions, whilst relations of a financial nature are non-interest-bearing. Such transactions, which do not include any atypical and/or unusual operations, are governed by normal market conditions.

Treasury shares and shares/quotas of parent companies

The Company does not own and has not acquired nor disposed of any treasury shares or shares in parent companies during the period, either directly or through trust companies or intermediaries.

Main risks and uncertainties

The main risk elements to which the Company and the Group are exposed are described below, identifiable by type – strategic, operational, financial and compliance.

Market and strategic risks

Market risks related to social, economic and political changes

The clothing market is highly dependent on the economic availability and spending propensity of consumers, as well as the general economic trend. Events causing political instability and/or economic recession, along with any events that may adversely affect the confidence of the type of customers targeted by the Group, could also have negative repercussions on the Group's economic, financial and asset situation. This market is also closely linked to changes in the propensity to consume as well as possible changes in lifestyles.

Competition-related risks

The clothing market is highly competitive and thus it cannot be excluded that in the coming years, new companies will position themselves in the segment in which the Group operates, becoming direct competitors of the Group.

Risks associated with the definition and implementation of strategies

In formulating its strategy, the Group takes into account certain hypothetical assumptions regarding economic trends and the evolution of demand for clothing in the various geographic areas and the prospects of potential locations in which to locate its shops. Should the Group be unable to realise its strategy and/or should the basic assumptions on which the Group has based its strategy prove incorrect, the Group's business and prospects could be adversely affected.

Operational Risks

Risk associated with directly-operated outlets

The risk associated with the management of currently-existing shops is mainly related to possible difficulties in renewing existing lease agreements, higher rents and declines in sales.

With regard to the opening of new sales outlets, it is noted that the increased costs associated with new openings may not be accompanied by an adequate growth in revenue. In the competitive scenario in which the Group operates, the possibility of expanding the DOS network depends on the ability to obtain the availability, in economically-viable terms, of space in locations deemed strategic by the Group. Indeed, the Group may have to compete for new space with other retail operators with similar or greater economic and financial capacities than its own.

Risk associated with outlets operated by franchisees

Part of the Group's distribution network is represented by points of sale operated by franchisees, with whom the Group generally favours long-established business relationships. The termination of existing business relationships with major indirect distributors, the inability to develop new business relationships or a significant decrease in relative revenue could have a negative impact on the Group's business. Furthermore, the failure of indirectly-operated outlets to comply with a commercial policy in line with the Group's image could damage the company's reputation as well as its sales.

Risk of loss of key resources and know-how

The risk is correlated to the significant dependence that the Group may have on certain managerial figures who, to date, are evaluated as strategic resources, being considered as not easily and promptly replaceable, either internally or externally. Failure to recognise the contribution these resources make could result in loss of business opportunities, lower revenues, higher costs or damages to image.

IT security risks, data management and dissemination

Today, Information Technology (IT) is one of the main enablers for achieving corporate business objectives. The IT risk is thus related to the significant degree of dependence of the Group and its relative operational processes on IT. Specifically, this means the risk of suffering economic, reputational and market share losses resulting from the possibility that a given threat – be it accidental or intentional in nature – exploits a vulnerability both implicit in the technology itself and arising from the automation of corporate business processes, provoking an event capable of compromising the safety of corporate IT assets in terms of confidentiality, integrity and availability.

Risks associated with climate change

With reference to climate change, it should be noted that the Group does not fall within the scope of Directive 2003/87/EC (as last amended by EU Directive 2018/410), which introduced and regulated the European Union Emissions Trading System (EU ETS). The ETS is the main instrument adopted by the European Union to reach CO2 reduction targets in the main industrial sectors and in aviation. Despite the Group not being in of the industrial sectors covered by the ETS, it is nevertheless committed to combating climate change.

The growing interest of stakeholders in the impact of climate change on business models, cash flows, financial position and company results should be considered in relation to financial reporting. Although the IAS/IFRS standards do not explicitly refer to climate-related issues, the impacts of such are taken into account by the Group in the application of international accounting standards when significant, by assessing their effects both in the application of individual accounting standards and on the Group's ability to continue as a going concern. In this context, it should be noted that no significant risks have arisen for the Group from the application of the individual standards just as no doubts or uncertainties have arisen with regard to events or conditions that might call into question the Group's ability to operate as a going concern. In particular, the Group constantly monitors the latest legislation on climate-related issues. For now, no legislation has been passed that has an impact on the Group. The Group shall adjust the key assumptions utilised in the value-in-use calculations and the sensitivity to changes in assumptions should any change be necessary.

Financial risks

With regard to financial risks, please refer to the Explanatory Notes (see Note 41 – "Financial Instruments – Fair Value and Risk Management").

Compliance risks

Fiscal risk

The Group is routinely subject to audits of its tax returns and tax compliance by the tax authorities. The tax risk mitigation measures enacted by the Management in terms of tax compliance cannot entirely exclude the risk of tax audits.

Risk associated with changes in the national regulatory framework in which the Company operates.

The Group is subject to the regulations applicable to the products it markets. Of particular relevance are regulations on consumer protection, competition, workers' health and safety and the environment.

The enactment of new regulations or modifications to existing regulations could require the Group to adopt stricter standards, which could in turn entail costs for adjusting sales structures or limit the companies' operations, with a consequent negative effect on its growth prospects.

Other relevant information

Please note that the Group will publish its first independently-certified Sustainability Report 2022 in the first half of 2023.

Business Outlook

In view of the persistent uncertainty surrounding the evolution of the geopolitical environment, following the Russian-Ukrainian crisis that erupted in February 2022 and is still ongoing, negative influences on the national and international environment are expected in the following period. Rising energy, fuel and raw material costs undoubtedly have a negative impact on the Income Statement in terms of greater costs that, no matter how carefully controlled and efficient, can certainly affect our planning. Still, the Group has already demonstrated the resilience of its business model as well as the high variability and flexibility of its cost structure by mitigating the impact of costs on margins, even in the most challenging years. Within the actual complex context there are currently no elements that cannot be managed by the Company in line with what has been done in the recent past.

Therefore, thanks to the cost-containment policies implemented and the ability to cope with difficulties, the Group is not only confident in the good performance of its prospective economic results, albeit influenced by the effects of the events described above, but also believes it is essential to continue investing in its growth and development path, including by seizing the opportunities that will be generated by the possible crises of some market players.

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Milan, 27th March 2023

Chair of the Board of Directors
Aldo Piccarreta

Consolidated Balance Sheets

Consolidated Statement of the Financial Position

(euro)	Notes	31st December 2022	31st December 2021
ASSETS			
Non-current assets			
Property, plants and machinery	*(8)*	1,760,128	1,375,266
Intangible assets	*(9)*	23,025	23,058
Right-of-use assets	*(10)*	8,852,278	6,635,092
Other non-current receivables	*(11)*	641,277	424,478
Deferred tax liabilities	*(12)*	962,854	1,261,777
TOTAL NON-CURRENT ASSETS		**12,239,561**	**9,719,671**
Current assets			
Inventories	*(13)*	13,901,024	9,541,167
Trade receivables	*(14)*	392,885	227,184
Other current receivables	*(15)*	533 575	512,614
Tax receivables	*(16)*	230,615	184,568
Cash and cash equivalents	*(17)*	19,479,276	26,455,694
TOTAL CURRENT ASSETS		**34,537,375**	**36,921,226**
TOTAL ASSETS		**46,776,936**	**46,640,898**
NET ASSETS			
Share capital		1,562,480	1,562,480
Share premium reserve		11,682,808	11,682,808
Legal reserve		512,496	237,333
Reserve for conversion differences		2,440,366	2,440,366
Other reserves		3,821,179	2,233,171
Reserve Benefit Plan (OCI) – Actualisation		(87,348)	(141,335)
Previous years' profit/loss		963,677	0
Result for the period		3,485,195	5,639,312
TOTAL NET ASSETS	***(18)***	**24,380,853**	**23,654,135**
LIABILITIES			
Non-current liabilities			
Medium- to long-term financing	*(19)*	0	3,224,665
Other non-current financial liabilities	*(20)*	6,847,808	5,431,804
Liabilities for future employee benefits	*(21)*	991,393	929,803
Provisions for risks and charges	*(22)*	52,000	42,531
Other non-current liabilities	*(23)*	139,450	94,500
Non-current tax payables	*(24)*	806,255	1,206,369
Deferred tax liabilities	*(25)*	108	108
TOTAL NON-CURRENT LIABILITIES		**8,837,013**	**10,929,780**
Current liabilities			
Bank borrowings and the short-term portion of long-term loans	*(26)*	2,651,465	2,951,044
Other current financial liabilities	*(27)*	2,132,292	1,514,716
Trade payables	*(28)*	6,215,216	4,890,388
Liabilities for returns	*(29)*	60,400	41,625
Current contractual liabilities	*(30)*	19,487	0
Tax payables	*(31)*	1,268,018	1,819,464
Other current payables and liabilities	*(32)*	1,212,193	839,745
TOTAL CURRENT LIABILITIES		**13,559,071**	**12,056,983**
TOTAL LIABILITIES		**22,396,084**	**22,986,763**
TOTAL NET ASSETS AND LIABILITIES		**46,776,936**	**46,640,898**

TAKE OFF
THE OUTLET COMPANY

Consolidated Financial Statements

(euro)	Notes	1st January 2022–31st December 2022	1st January 2021–31st December 2021
Revenue from contracts with customers	*(32)*	29,838,343	26,398,965
REVENUE		**29,838,343**	**26,398,965**
Other income	*(33)*	791,029	1,591,518
Costs for raw materials and consumables	*(34)*	(14,276,088)	(12,067,419)
Costs for services	*(35)*	(2,907,105)	(1,806,071)
Personnel costs	*(36)*	(5,633,885)	(4,311,107)
Other operating costs	*(37)*	(543,032)	(288,922)
Amortisation and Depreciation	*(38)*	(2,270,845)	(1,829,281)
OPERATING RESULT		**4,998,417**	**7,687,683**
Financial expenses	*(39)*	(465,171)	(533,756)
Financial income	*(40)*	68,877	43,138
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**4,602,123**	**7,197,066**
Income taxes	*(41)*	(1,116,929)	(1,557,753)
RESULT FOR THE YEAR FROM CONTINUING OPERATIONS		**3,485,195**	**5,639,312**
RESULT OF THE YEAR		**3,485,195**	**5,639,312**
Basic/diluted earnings per share		*0.22*	*0.52*

Consolidated Comprehensive Income Statement

(euro)	Notes	1st January 2022–31st December 2022	1st January 2021–31st December 2021
RESULT FOR THE PERIOD		**3,485,195**	**5,639,312**
Other components of the Comprehensive Income Statement			
Other components of the Comprehensive Income Statement that will not be subsequently reclassified to profit/(loss) for the year (net of taxes):			
Gains/(losses) from discounting liabilities for future employee benefits		71,036	(24,604)
Deferred taxes on discounting gains/(losses)		(17,049)	5,905
Total other components of the Comprehensive Income Statement		**53,987**	**(18,699)**
Other components of the Comprehensive Income Statement that will be subsequently reclassified to profit/(loss) for the year (net of tax):			
OVERALL RESULT FOR THE PERIOD		**3,539,182**	**5,620,613**

Consolidated Statement of Changes in Net Assets

(euro)	Notes	Share capital	Surplus reserve	Legal reserve	IAS/IFRS and Conversion Reserve	Other reserves	Previous years' profits/(losses)	Profit/(loss) for the year	Total
Balance at 01/01/2022		**1,562,480**	**11,682,808**	**237,333**	**2,440,366**	**2,091,836**		**5,639,312**	**23,654,135**
Result of the year		-	-	-	-	-	-	*3,485,195*	*3,485,195*
Other components of the Comprehensive Income Statement		-	-	-	-	*53,987*	-	-	*53,987*
Overall result for the year		-	-	-	-	53,987		3,485,195	3,539,182
Allocation of the result for the year prior		-	-	275,163		4,400,472	963,677	(5,639,312)	-
Increase in share capital	*(19)*	-	-	-	-	-	-	-	-
Increase in Share Capital – Euronext Growth Italy		-	-	-	-	-	-	-	-
Dividend distribution	*(19)*	-	-	-	-	(2,812,464)	-	-	(2,812,464)
Operations under common control	*(6)*	-	-	-	-	-	-	-	-
Balance at 31st December 2022		**1,562,480**	**11,682,808**	**512,496**	**2,440366**	**3,733331**	**963,677**	**3,485,195**	**24,380,853**

(euro)	Notes	Share capital	Surplus reserve	Legal reserve	IAS/IFRS and Conversion Reserve	Other reserves	Previous years' profit/loss	Profit/(loss) for the year	Total
Balance at 01/01/2021		**1,000,000**		**191,399**	**2,440,366**	**3,657,385**	***733,560***	***3,815,524***	**11,838,234**
Result for the year		-	-	-	-	-	-	*5,639,312*	*5,639,312*
Other components of the Comprehensive Income Statement		-	-	-	-	*(18,699)*	-		*(18,699)*
Overall result for the year		-	-	-	-	18,699		5,639,312	5,620,613
Allocation of the result for the year prior		-	-	45,934	-	4,503,150	(733,560)	(3,815,524)	-
Increase in share capital	*(19)*	250,000	-	-	-	(250,000)	-	-	
Increase in share capital – Euronext Growth Italia		312,480	12,186,720	-	-	-		-	12,499,200
Listing costs (net of tax credit)		-	(503,912)	-	-	-	-	-	(503,912)
Dividend distribution	*(19)*	-	-	-	-	(5,800,000)	-	-	(5,800,000)
Operations under common control	*(6)*	-	-	-	-	-	-		
Balance at 31st December 2021		**1,562,480**	**11,682,808**	**237,333**	**2,440,366**	**2,091,836**	**0**	5,639,312	**23,654,136**

Consolidated Cash Flow Statement

	Notes	1st January 2022–31st December 2022	1st January 2021–31st December 2021
Operational assets			
Profit before tax from continuing operations		4,602,124	7,197,066
Profit before tax from discontinued operations		0	0
Pre-tax result		4,604,021	7,197,066
Adjustments to reconcile the pre-tax result with the net cash flow from operating activities:			
Depreciation and Impairment of Property, Plants and Machinery	(37)	373,659	296,485
Amortisation and impairment of intangible assets and Right of Use	(37)	1,820,981	1,532,124
Provisions for future employee benefits	(21)	250,823	291,055
Profits on Disposal of Property, Plants and Equipment		0	(17,600)
Financial income	(39)	(68,877)	(43,138)
Financial expenses	(38)	465,171	533,756
Changes in working capital:			
Trade receivables	(14)	(165,701)	(47,404)
Other current receivables	(15)	(67,008)	(750,086)
Inventories	(13)	(4,359,857)	2,248,206
Trade payables and contractual liabilities	(27)428)	1,363,090	(1,727,601)
Other current liabilities	(30)	164,316	(651,140)
Net change in non-current receivables/payables	(11)423)	(171,849)	91,125
Net change in deferred tax assets and liabilities	(12)424)	298,923	241,377
Payments for employee benefits	(21)	(136,805)	(78,637)
Interest (paid)/received		(32,758)	(488,243)
Income taxes paid		(2,005,980)	(2,148,531)
Net cash flow from operating activities		**2,330,252**	**6,478,813**
Investment Activities			
Investments in property, plants and machinery	(8)	(764,876)	(399,693)
Disposal of property, plants and machinery	(8)	6,354	706,651
Investments in Intangible Assets and Rights of Use	(9)410)	(6,100)	(12,913)
Net cash flow from investing activities		**(764,621)**	**294,045**
Financing assets			
Medium- to long-term financing taken out	(19)425)	2,121,959	1,754,700
Repayment of medium- and long-term financing	(19)425)	(5,646,202)	(1,171,910)
Repayment of financial liabilities for Right of Use on leases		(2,244,133)	(1,493,722)
Increase in share capital		0	312,480
Increase in Share Capital - Euronext Growth Italy		0	11,683,100
Dividends paid		(2,773,670)	(6,800,000)
Net cash flow from financing activities		**(8,542,046)**	**4,284,648**
Net (decrease)/increase in cash and cash equivalents and in short-term deposits		**(6,976,415)**	**11,050,178**
cash and cash equivalents plus short-term deposits at the beginning of the year		**26,455,694**	**15,405,808**
Cash and cash equivalents plus short-term deposits at year-end		**19,479,276**	**26,455,986**

Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements as at 31st December 2022

1. Corporate Information and Structure of the Consolidated Financial Statements

Take Off is a joint stock company incorporated in Italy and registered with the Milan Companies Registry Office under No. 04509190759 (hereinafter, also referred to as "Take Off"). The registered office is located in MILAN (MI) at Via Montenapoleone 8.

As of 25th November 2021, the ordinary shares of Take Off S.p.A. were admitted to trading on the Euronext Growth Milan market.

On 19th May 2022, the Company's Board of Directors resolved to reissue 15,625,000 "2022–2024 Take Off Warrants" to be assigned free of charge to the Company's shareholders, at the ratio of 1 Warrant for each ordinary share of the Company held. On 26th May 2022, the Warrants –identified by ISIN Code IT0005467474 – were admitted to trading by Borsa Italiana, with the consequent assignment of the Warrants and commencement of trading on 30th May 2022.

Take Off operates in the clothing retail sector through the OUTLET shop chain formula, availing of various points-of-sale located throughout Italy and particularly in southern Italy.

The Consolidated Financial Statements for the financial year ended 31st December 2022 have been drafted in accordance with the International Financial Reporting Standards (hereinafter, "IAS/IFRS") issued by the International Accounting Standards Board (IASB) and adopted by the European Union, exercising the option set out in Article 4(5) of Legislative Decree 38/2005 and in accordance with the criteria outlined in Legislative Decree no. 127 dated 09/04/1991.

The Consolidated Financial Statements consist in the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income for the Year, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, and these Notes. In order to provide better information, the Group's Consolidated Financial Statements are accompanied by the Management Report, which is presented together with the Management Report on the Financial Statements of the parent company Take Off S.p.A. in a single document, as required by Article 40(2-bis) of Legislative Decree 127/91.

Publication of the Consolidated Financial Statements for the year ended 31st December 2022 was authorised by the Board of Directors on 27th March 2023.

In these Notes to the Financial Statements, a reconciliation between shareholders' equity and net profit of the Parent Company and shareholders' equity and net profit attributable to the Group has been prepared.

These Consolidated Financial Statements are drawn up in euro, as the Company's functional currency, as are the Notes to the Financial Statements, unless otherwise indicated.

The financial statements adopted are consistent with those required by the relevant accounting standards and in particular:

- The statement of financial position was drawn up by classifying assets and liabilities on a "current/non-current" basis;

- The Financial Statement was prepared by classifying operating costs by nature;
- The Comprehensive Income Statement includes, in addition to the result for the period as per the Financial Statement, changes in equity other than those with shareholders;
- The cash flow statement has been prepared by presenting cash flows from operating activities according to the "indirect method", as permitted by IAS 7 (Statement of Cash Flows) – in this context, it has been chosen to present within the cash flows from operating activities the amount of interest paid and received;
- The statement of changes in equity has been prepared with separate disclosure of the other components of the Comprehensive Income Statement.

The Balance Sheet and Income Statement items were compared with the consolidated values as at 31st December 2021. For further details, please refer to Note 2.2 below, which illustrates the consolidation criteria adopted. Please note that Take Off is subject to management and coordination by the holding company Summit S.p.A., also based in Milan, having Tax Code and VAT no. 08274180721. Over is in turn subject to management and coordination by Take Off S.p.A.

The Consolidated Financial Statements are prepared on a going concern basis by applying the historical cost method, with the exception of balance sheet items that under IAS/IFRS are recognised at fair value, as indicated in the valuation criteria of the individual items, plus non-current assets and disposal groups classified as held for sale, which are measured at the lesser figure between carrying value and fair value less costs to sell.

The Notes to the Financial Statements show the changes that occurred on the individual items during the period.

2. Scope of consolidation, consolidation changes, consolidation method, consolidation principles and valuation criteria applied

2.1 Scope of Consolidation

The Consolidated Financial Statements include the financial statements of the parent company and those of the subsidiaries.

In accordance with the provisions of IFRS 10, control is obtained when the Group is exposed to variable returns or has rights to such returns, arising from its relationship with the investee company and having the ability to affect those returns, through the exercise of its power over the investee company. Power is defined as the current ability to direct the relevant activities of the investee company by virtue of existing substantive rights.
The existence of control does not depend solely on the possession of a majority of voting rights but rather on the substantive rights of each investor over the investee company.
Consequently, the judgement of the Management is required to assess specific situations giving rise to substantial rights that grant the Group the power to direct the relevant activities of the investee company so as to influence its performance.
For the purposes of the assessment of the control requirement, Management analyses all factors and circumstances, including any agreements with other investors, rights arising from other contractual agreements and potential voting rights (call options, warrants, put options granted to minority shareholders, etcetera). These other factors and circumstances may be particularly relevant in the context of this assessment, especially in cases where the

Group holds less than a majority of the voting or similar rights of the investee company.

Furthermore, even if it holds more than half of the voting rights of another company, the Group considers all relevant factors and circumstances when assessing whether it controls the investee company.

The Group re-examines the resistance of the conditions of control over an investee company when factors and circumstances indicate that there has been a change in one or more of the components considered in verification of the existence of control.

Associated companies and those over which the parent company exercises joint control with other third parties are evaluated using the equity method.

The list of companies included in the scope of consolidation and an indication of the method applied for each of these are illustrated below.

The companies included in the consolidation area, in addition to the parent company Take Off S.p.A., are the following:

Over S.p.A. (hereinafter also referred to as "Over"), a wholly-owned direct subsidiary, with registered office in Milan at Via Bagutta 13, having VAT no. 03498990757. Over is a joint-stock company incorporated in Italy and registered at the Milan Business Registry under no. 05470340729. Over is a joint-stock company operating in the retail trade of children's clothing and accessories under its proprietary brand Overkids and, as of 31st December 2022, its sales network consisted of 114 shops. The subsidiary became part of the Take Off Group as of 4th October 2021.

2.3 Principles of consolidation

The companies included in the scope of consolidation on a line-by-line basis are those controlled by the Parent Company, also through indirect shareholdings.

Where necessary, the financial statements of the companies included in the scope of consolidation have been adjusted to bring them into line with accounting standards, which are homogeneous within the Group and refer to IAS/IFRS.

The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date on which control ceases. In the case of the consolidation of Over S.p.A., given that a reorganisation transaction between entities under common control can be configured, the retrospective approach was used, considering that control had been assumed prior to the start date of the least recent period presented in the Issuer's Consolidated Financial Statements. This approach also allows full comparability of the consolidated economic and financial data of the current year with the comparative year.

The assets and liabilities, expenses and income of consolidated entities are fully recognised on a line-by-line basis in the Consolidated Financial Statements (per the line-by-line method). The accounting value of the investments in each of the controlled entities is eliminated against the corresponding fraction of the shareholders' equity of each of the investee entities, including any *fair value* adjustments to the worth of assets and liabilities effectuated at the date control is acquired. The quotas of equity and profit or loss attributable to non-controlling interests are shown separately under the specific headings in the Statement of Net Assets, the Financial Statement and the Comprehensive Income Statement. Minority interests have not been shown in the Consolidated Financial Statements due to being zero in these Consolidated Financial Statements.

Changes in equity interests held (directly or indirectly) by the Company in controlled entities, which do not result in a change in the classification of the investment as a controlled entity, are recognised as net asset transactions. The carrying amount of net assets attributable to owners of the parent and non-controlling interests is adjusted to

reflect the change in the ownership quota.
The difference between the carrying amount of non-controlling interests and the fair value of the amount paid or received is recognised directly in net assets attributable to the owners of the parent. Contrarily, the transfer of shares resulting in the loss of control sees recognition in the Financial Statement: (i) of any gain/loss calculated as the difference between the amount received and the corresponding fraction of net assets sold; (ii) of the effect of the alignment to the relative fair value of any residual investment retained; (iii) of any amounts recognised in other comprehensive income relating to the former controlled entity for which a reversal to the Financial Statement is expected. The fair value at the date of loss of control of the retained equity investment, if any, represents the new carrying value of the equity investment and, thus, the value of reference for the subsequent valuation of the equity investment in accordance with the applicable valuation criteria.
Dividends received by the parent company and consolidated companies from investments included in the scope of consolidation are reversed from the Consolidated Financial Statement.
Balance sheet items in foreign currencies are converted into euro by applying the end-of-period exchange rates. Financial Statement items of reports in foreign currency are converted into euro at the average exchange rates for the year. Given the same revenue and margins in local currency, changes in exchange rates may have an impact on the countervalue in euro for revenues, costs and economic results. Differences arising from the translation of opening shareholders' equity at year-end exchange rates are charged to the currency conversion reserve, together with the difference between the results of operations and the balance sheet.

An associate is an investee over which the investor has significant influence, ergo the power to participate in the determination of the financial and operating policies of the investee, yet without having control or joint control over it. The investor is presumed to have significant influence (unless the contrary can be proven) if they own – directly or indirectly through subsidiaries – at least 20% of the exercisable voting rights. A joint venture is a jointly-controlled arrangement in which the jointly-controlling parties have rights to the net assets of the agreement and, thus, have an interest in the jointly-controlled corporate vehicle. Investments in associates and joint ventures are accounted for using the equity method.

Profits arising from transactions between consolidated companies and those not yet realised vis-à-vis third parties are eliminated, as are receivables, payables, income and expenses, guarantees, commitments and risks between consolidated companies.
Unrealised profits with companies accounted for under the equity method are eliminated to the extent of the relevant share of the Group. In both cases, intragroup losses are not eliminated since they are considered as representing an actual lower value of the transferred asset.

3. Accounting principles and valuation criteria adopted

The Consolidated Financial Statement for the year ended 31st December 2022 was drawn up on the basis of the historical cost principle. Please refer to the specific paragraphs commenting on the balance sheet and Income Statement items for more details on the criteria adopted.

2.1 Discretionary Valuations and Significant Accounting Estimates

The preparation of financial statements requires discretionary judgements, estimates and assumptions that affect the values of revenue, expenses, assets and liabilities, along with the disclosure of contingent liabilities at the balance sheet date. The actual results may thus differ from such estimates. Any uncertainty surrounding these assumptions and estimates could lead to outcomes requiring a significant adjustment to the carrying value of these assets and/or liabilities in the future. Estimates and assumptions are periodically reviewed and the effects of any changes to such are reflected in the Financial Statement for the period in which the estimate is revised. The main discretionary estimation and valuation processes relate to the recognition and measurement of the balance sheet items below.

Estimates and recruitments

Illustrated below are the main assumptions concerning the future and other major causes of valuation uncertainty that, at the reporting date, present a material risk of giving rise to significant adjustments to the carrying amounts of assets and liabilities within the next financial year. The Group has based its estimates and assumptions on parameters available at the time the Consolidated Financial Statements were prepared. However, current circumstances and assumptions about future events may change due to alterations in the market or events beyond our control. Such changes, should they occur, are reflected in the assumptions when they actually arise.

Impairment of non-financial assets

Assets such as property, plants and equipment, intangible assets and assets consisting of the right to use an underlying asset are impaired when their carrying amount exceeds their recoverable amount, represented by the higher figure between fair value less costs of disposal and value-in-use.

As required by IAS 36, the companies have identified Cash Generating Units (CGUs) that represent the smallest identifiable group capable of generating largely independent cash flows. These CGUs correspond to the companies' points of sale.

In view of the significant change in the economic environment, which has also affected the sector in which the companies operate, and in consideration of the ESMA recommendations (Public statement "European Common Enforcement Priorities for 2022 Annual Financial Reports" of 28th October 2022) and Consob indications (Call for Attention no. 8/20 of 16-07-2020), the Management deemed it appropriate to carry out a specific analysis in order to identify any outlets that may present indicators of impairment in view of the effects of the current macro-economic context, the effects of the Russian-Ukrainian conflict and climate change, as well as with reference to their corporate assets, when the Financial Statements as at 31st December 2022 are closed.

The analysis is carried out by verifying the existence of impairment indicators at an individual shop level, determining their relative profitability, both actual and prospective, by attributing to them the revenues and direct costs sustained in marketing the goods, including amortisation of rights of use and excluding costs attributable to Corporate Assets (Logistics and Headquarters), wholesale sales and the results of any extraordinary transactions.

The aggregate profitability of retail outlets and wholesale sales (CGU Group) – both actual and projected – was then verified in order to determine the recoverability of operating costs attributable to Corporate Assets.

The prospective ability of the CGU Group to ensure the full recoverability of the net book value of the CGU Group and Corporate Assets, represented by the corporate Net Invested Capital (NIN), was then verified.

The existence of impairment indicators at shop level leads to an impairment test. If there are no impairment indicators, the impairment test is carried out at the CGU Group level.

Recoverable value tests are performed in accordance with the criteria set forth in IAS 36 and described in more detail in the below Note g) Impairment of Non-Financial Assets.

In determining the recoverable amount, Management applies the criterion of value in use. Value in use is the present value of future cash flows expected to arise from the asset being measured, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

I Expected future cash flows utilised to determine value-in-use are based on the most recent Business Plan for the 2023–2025 period, as approved by the Management, and containing forecasts for volumes, revenues, operating costs, cash flows and investments.

These forecasts cover the period of the next five years. Consequently, cash flows for subsequent years are determined on the basis of a long-term growth rate that does not exceed the long-term average growth rate expected for the sector and the country.

Income taxes

Deferred and Prepaid Income Taxes

Deferred tax assets and liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities in the balance sheet, with the corresponding amounts recognised for tax purposes by applying the tax rate in effect at the date the temporary difference is reversed, determined on the basis of the tax rates provided for by measures enacted or substantively enacted at the reporting date. A deferred tax liability is recognised for all taxable temporary differences, deferred tax assets are recognised for all taxable temporary differences, and unused tax losses or tax credits are recognised when their recovery is probable, so when it is expected that sufficient taxable income will be available in the future to recover the asset.

The Consolidated Financial Statements include deferred tax assets, relative to the recognition of income components with deferred tax deductibility, for an amount whose recovery in future years is deemed by the Directors to be highly probable. The recoverability of the aforementioned deferred tax assets is subject to the achievement of future taxable profits sufficiently large to absorb the above tax losses and utilise the benefits of other deferred tax assets. Significant judgement is required for management in order to assess the likelihood of the recoverability of deferred tax assets, considering all possible evidence (both negative and positive) and to determine the amount that can be recognised in the Financial Statements, based on the timing and amount of future taxable income, future tax planning strategies and tax rates in effect at the time of their reversal. However, should it become apparent that the companies will not be able to recover all or part of the recognised deferred tax assets

in future years, the resulting adjustment will be charged to the Income Statement of the year in which such occurs.

Deferred and prepaid income taxes are recognised in the Income Statement, except for those related to items recognised outside the Income Statement, which are recognised directly in equity.

Deferred and prepaid income taxes, applied by the same tax authority, are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities that will arise upon payment.

Uncertainty about income tax treatments

In defining uncertainty, the Group considers whether a given tax treatment will be acceptable to the tax authority. If it is deemed probable that the tax authority will accept the tax treatment (with the probable term being understood as 'more likely than not'), then companies recognise and measure their current or deferred tax assets and liabilities by applying the provisions of IAS 12.

Conversely, if there is uncertainty about income tax treatment, companies reflect the effect of this uncertainty by using the method that best provides for the resolution of uncertain tax treatment. In assessing whether and how uncertainty affects tax treatment, companies assume that the tax authority will accept uncertain tax treatment on the assumption that it will check the amounts it is entitled to examine and that it will have full knowledge of all relevant information. When concluding that it is not probable that the tax authority will accept an uncertain tax treatment, companies reflect the effect of uncertainty in determining current and deferred taxes, using either the expected value method or the most probable amount method, whichever best predicts the resolution of uncertainty.

Management relies heavily on professional judgement in identifying uncertainties in income tax treatments and reviews judgements and estimates made when there is a change in factors and circumstances that change its predictions about the acceptability of a particular tax treatment or estimates made regarding the effects of uncertainty, or both.

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

Expected losses on trade receivables

At the balance sheet date, the Group estimates any expected losses on trade receivables.

Provisions for expected losses on financial assets are based on assumptions regarding the risk of default and the associated expected losses should default occur. In making these assumptions and selecting the inputs for calculating the expected loss, management uses its professional judgment, based on its historical experience, current market conditions, and forward-looking estimates at the end of each reporting period.

Provision for bad debts is determined on the basis of the loss forecast determined by the Expected Credit *Loss* (ECL) model. The ECL, calculated using the Probability of Default (PD), the Loss Given Default (LGD) and the risk of Exposure At Default (EAD), is the difference between the cash flows due under the contract and the expected cash flows (including shortfalls in collections) discounted using the original effective interest rate.

Impairment losses on trade receivables are presented as net impairment losses in the operating result, as are subsequent reversals.

Employee benefits

The cost of defined retirement plans is determined using actuarial valuations.

Calculations of the costs and liabilities associated with such plans are based on estimates made by actuarial consultants using a combination of statistical-actuarial factors, including statistical data for past years and forecasts of future costs. Discount rates, the expected rate of return on loans, future wage increases, mortality rates and future pension increases are also considered as components of the estimation. Due to the long-term nature of these plans, these estimates are subject to a significant degree of uncertainty.

Potential liabilities

In the normal course of its business, the Group may be exposed to liabilities of significant amounts, for which it is not always objectively possible to predict the final outcome. The assessment of risks related to such proceedings is based on complex elements that by their nature imply the use of Directors' judgement, also taking into account elements acquired from external consultants assisting Group companies, with reference to their classification as contingent liabilities, or amongst the liabilities.

Leasing

The accounting of leases in accordance with IFRS 16 requires certain estimates to be made, referring in particular to:

- An estimation of the term of a leasing contract in the presence of renewal or early termination options;
- An estimate of the relevant discount rate.

Estimation of the duration of a leasing contract

The Group determines the term of the lease as the non-cancellable period of the lease, to which is added both the periods covered by the lease extension option where there is reasonable certainty of exercising that option and the periods covered by the lease termination option, where there is reasonable certainty of not exercising said option.

For some of its leases, the Group has the option to extend or terminate the lease early. The Group applies its judgement in assessing whether there is reasonable certainty of exercising the renewal options. That said, all relevant factors are considered that may result in an economic incentive to exercise renewal options or terminate the contract.

In the presence of renewal options exercisable by both contractual parties, the Group considers whether or not there were significant economic disincentives to reject the renewal request as required by Paragraph B34 of IFRS 16. In the event of options exercisable by only one of the two parties, Group companies have considered paragraph B35 of IFRS 16. The application of the foregoing, taking into account the specific factors and circumstances as well as the estimate of the probability of the option being exercised, has resulted in the original term of the lease agreement (6 years on average) generally being considered, without providing for the exercise of renewal options. Only for buildings considered as strategic by the companies, the contractually-stipulated 6-year renewal option

was considered within the term of the lease and thus in the calculation of the useful life of the buildings. These forecasts are consistent with the assumptions made in the most recent Business Plan for the 2023–2025 period, approved by the Management.

After the effective date of the lease, the Group reviews the lease term upon any significant event or significant change in circumstances occurring that, depending on the will of the Group companies, affects the lessee's reasonable certainty of exercising an option not previously included in its determination of the lease duration or of not exercising an option previously included in its determination of the lease duration. In November 2019, a decision was published that clarifies how the concepts of non-cancellable period, lease duration (considered for liability recognition purposes) and enforceable period (useful for identifying when the contract no longer generates enforceable rights and obligations) are to be read and interrelated for the purposes of applying IFRS 16. The decision clarified that, for the purpose of identifying the period of enforceability, a tenant must consider the contractual point at which both parties involved can exercise their right to terminate the contract without incurring penalties that are not insignificant. The concept of any penalty must not have a merely contractual meaning but must be seen in consideration of all economic aspects of the contract. Once the period of enforceability has been identified, the lessor assesses, in the presence of renewal or annulment options, for which period it is reasonably certain to control the right to use of the asset and thus determines the term of the lease. At the date of drafting these Financial Statements, the Group has considered such matters and conclusions and shall continue to monitor their development over time.

Estimating the discount rate

The Group cannot easily determine the implicit interest rate of leases and thus avail of the marginal financing rate to measure lease liabilities. This rate corresponds to the rate that the lessee would have to pay for a loan with similar maturity and similar collateral required to obtain an asset of similar value to the right-of-use asset in a similar economic environment and may be determined in terms of an individual contract or portfolio of contracts. The companies estimate the marginal lending facility using observable data (such as market interest rates), if available.

2.2 Summary of the main accounting principles

a) Business aggregations and goodwill

Business combinations are accounted for using the purchase method. This requires the recognition at fair value of the identifiable assets (including previously-unrecognised intangible assets) and identifiable liabilities (including contingent liabilities) of the acquired company.
Goodwill and other assets with indefinite useful lives acquired in a business combination are initially measured at cost represented by the excess of all consideration paid over the identifiable net assets acquired and liabilities assumed by Group companies.
Acquisition costs are expensed and classified under administrative expenses.

Goodwill and other assets with an indefinite useful life are tested for impairment on an annual basis, in accordance

with IAS 36, unless specific events or changed circumstances result in the possibility of testing for impairment at a different point in time. Components that meet the definition of "assets acquired in a corporation aggregate" are only accounted for separately if their fair value can be reliably determined.
For the purpose of the *impairment* analysis, goodwill and other assets with an indefinite useful life acquired in a corporate aggregation are allocated, at the date of acquisition, to the individual cash-generating units of the Group companies, or to groups of cash-generating units that are expected to benefit from the synergies of the combination, regardless of whether other assets or liabilities of Group companies are allocated to those units or groups of units.

b) Operations under common control

In the case of aggregation transactions involving entities under common control, considering that – in view of the established accounting standards – the contents of IFRS 3 – Corporate Aggregation are not applicable, as per the specific exclusion causes contained in the standard itself, the commonly accepted criterion of *'pooling of interests'* has been identified as the criterion for recognising the transaction in question.
In view of the purely re-organisational purpose of these transactions, they were therefore recognised in continuity of book values in the financial statements of the companies involved, without the recognition of economic effects.

c) Intangible assets

Intangible assets concern assets without physical substance, which are identifiable, controlled by the enterprise and capable of producing future economic benefits.

Intangible assets that are purchased or generated internally are recognised as assets, in accordance with IAS 38 – Intangible Assets, when it is probable that use of the asset will generate future economic benefits and when the cost of the asset can be reliably measured.

Intangible assets with a finite useful life are recognised at purchase or production cost, including directly-attributable incidental expenses necessary to make the asset available for use. Development costs are recognised as an intangible asset only when it can be demonstrated that it is technically feasible to complete the intangible asset and that there is the ability, intention and availability of resources to complete the asset for use or sale. Research costs are recognised in the Profit and Loss Statement. Intangible assets are systematically amortised over the period of their remaining useful life. Depreciation is calculated on a straight-line basis over the estimated useful life, which is reviewed at least annually. Any changes in depreciation criteria are then applied prospectively. Amortisation begins when the intangible asset is available for use. Accordingly, intangible assets not yet available for use are not amortised but are subject to an annual impairment test.

Intangible assets are derecognised either when they are disposed of (on the date the recipient obtains control) or when no future economic benefit is expected from their use or disposal. The eventual gain or loss, if any, recognised

in the Income Statement is determined as the difference between the net amount from the disposal, determined in accordance with IFRS 15 on the transaction price, and the net carrying amount of the derecognised asset.

The useful lives utilised for depreciation are summarised below:

Description	**Useful life**
Software	5 years
Website	5 years

d) Property, plants and machinery

The properties, plants and equipment are recognised at purchase or production cost, including any incidental expenses and direct costs necessary to make the assets available for use, less accumulated depreciation and any accumulated impairment losses.

This cost includes expenses for the replacement of part of machinery and plants at the time they are incurred, should they meet the recognition criteria. Where it is necessary to replace significant parts of plants and equipment on a regular basis, the Group depreciates them separately in accordance with their specific useful lives. All other repair and maintenance costs are recognised in the Income Statement when incurred.

Leasehold improvements, represented by works realised on leased assets that do not meet the requirement of autonomous separability and identifiability, are depreciated over the useful life or, if shorter, the term of the lease, also taking into account any renewal periods, if the exercise of the renewal option is reasonably certain.

The useful lives utilised for depreciation are shown below:

Description	**Useful life**
Buildings	33 years
Light construction works	10 years
Machinery, apparatus and equipment Miscellaneous	6.66 years
Fixtures	10 years
Furnishings	6.66 years
Electronic office machinery	5 years
Lifting equipment and vehicles	13.33 years
Other assets	5–6.66 years
Leasehold improvements	5 years

The residual value and useful life of property, plants and equipment is reviewed at least at each financial year-end and if – irrespective of depreciation already recognised – an impairment loss is determined based on the application of 1AS 36, the asset is written down accordingly. If in subsequent years, the reasons for the write-down

no longer apply, its value is reinstated to the extent of the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior years.

The carrying amount of an item of property, plants and equipment and any significant components initially recognised, is derecognised upon disposal (so, when the purchaser obtains control) or when no future economic benefits are expected from its use or disposal. The gain/loss arising upon derecognition of the asset (calculated as the difference between the net book value of the asset and the amount received) is written up as profit or loss when the item is derecognised.

e) Leased assets

The contract is, or contains, a lease if it confers the right to control the use of an identified asset for a period of time, in return for payment. When Group companies act as lessee, an asset consisting of the right of use and a lease liability are recognised at the effective date.

Assets consisting of the right-of-use or right-of-use activities

Right-of-use assets are recognised at cost less accumulated amortisation/depreciation and include the amount of the initial measurement of the lease liability, lease payments made on or before the effective date net of lease incentives received, direct initial costs incurred and – if any – costs and the relative decommissioning activity.

Assets consisting of the right-of-use are depreciated on a straight-line basis over the shorter of the lease term and estimated useful life.

If, at the end of the lease term, ownership is transferred to the lessee or if the cost of the asset consisting of the right-of-use reflects the fact that the lessee will exercise the purchase option, the depreciation period corresponds to the useful life of the underlying asset.

Assets consisting of the right of use are subject to impairment testing, as noted in the section on “Impairment of Non-financial Assets”.

Leasing liabilities

Lease liabilities are recognised at the present value of payments due over the lease term that are unpaid as of the effective date and include fixed payments net of any lease incentives receivable, variable lease payments that depend on an index or rate, amounts that the lessee is expected to pay as security for the residual value, the exercise price of the purchase option if the lessee is reasonably certain to exercise this option, and lease termination penalty payments if the lease term takes into account the lessee’s exercise of the lease termination option.

Payments due under the lease are discounted using the lease’s implicit interest rate, if this can be easily determined. If this is not possible, the marginal lending rate is used, as the interest rate one would have to pay for a loan, with a similar term and with similar collateral, required to obtain an asset of similar value to the right-of-use asset in a similar economic environment. The marginal lending rates applied were determined on the basis of the maturity band to which the contracts belong.

The value of lease liabilities is increased to account for interest and decreased to account for payments made. In addition, the carrying amount of lease liabilities is remeasured in the event of a change in the lease term, a change in the valuation of an option to purchase the underlying asset or a change in the future lease payments resulting from a varying index or rate used to determine the payments.

Group companies include in the duration of the contract any extension periods covered by the renewal option, when it is assumed with reasonable certainty that the same will be exercised, also in consideration of the experience gained. It is also a condition for renewal of the term that the Group companies may exercise the option without the consent of the other party or that the lessor is exposed to a significant penalty in the event of termination.

In adopting IFRS 16, the Group also availed of the following practical expedients:

- Classification of contracts that expire within 12 months of the transition date as short-term leases and whose underlying asset is of low value (low value lease). For such contracts, the lease fees have been recorded on the Income Statement on a straight-line basis;
- Use of information present at the transition date to determine the lease term, with particular reference to the exercise of extension and early termination options.

With reference to the contractual changes arising from the Covid-19 pandemic, the Group decided not to apply the practical expedient granted by the amendment to IFRS 16 – Covid-19-Related Rent Concessions – Amendment to IFRS 16, and therefore accounted for the contractual rent reductions for the year 2022 as a contractual modification, with restatement of the right-of-use and simultaneous restatement of the lease liability.

f) Impairment losses on non-financial assets

With reference to each financial year, it is determined whether or not there are any indicators of impairment of assets with a finite useful life and then, with reference to these assets, if such indicators emerge, an (*impairment) test* is performed.

Any assets not yet available for use are subject to an *impairment test* on an annual basis or even more frequently if there are indicators of *impairment*.

Companies apply IAS 36 to determine whether the assets of each individual shop, be it owned or leased, are subject to a loss of value at each reporting period. Any impairment losses are accounted for after impairment tests, conducted on a store-by-store basis, to assess whether their book value is at least equal to or greater than their recoverable value. If the carrying amount of an asset or cash-generating unit is greater than its recoverable amount, that asset has suffered an impairment loss and is written down to its recoverable amount accordingly.

In determining the amount of the investment to be subjected to impairment test in respect of leased outlets, consideration is given to both the assets for rights of use and any improvements to the same, represented by works realised on leased assets not subject to the requirement of autonomous separability and identifiability.

The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and value-in-use, being determined for each individual asset except when that asset generates cash flows that are largely independent of those generated by other assets or groups of assets, in which case Group companies estimate the recoverable amount of the cash-generating unit to which the asset belongs.

In determining fair value less costs to sell, account is taken of recent market transactions where available. If such transactions cannot be identified, an appropriate valuation model is used.

In determining the value-in-use, estimated future cash flows are discounted using a pre-tax discount rate that reflects market assessments of the time value of money and the specific risks of the asset.

For the purpose of estimating value-in-use, future cash flows are derived from the business plans, as the best estimate that can be made by Group companies of the economic conditions expected in the period covered by the plan. The long-term growth rate used in estimating the terminal value of the asset or unit is in line with the average long-term growth rate for the sector, country or market of reference and, if appropriate, may be zero or even be negative.

Future cash flows are estimated with reference to current conditions – the estimates thus do not take into account either the benefits of future restructuring to which the Group is not yet committed nor future investments in improving or optimising the business or unit.

Impairment losses incurred by continuing operations are recognised in the Income Statement under the cost categories consistent with the function of the asset resulting in the impairment loss.

At each balance sheet date, Group companies also assess whether there are any indicators of a decrease in previously recognised impairment losses and, if such indicators do exist, make a new estimate of recoverable value.

The value of an asset previously written down may only be reinstated if there has been a change in the estimates used to determine the asset's recoverable amount since the last time an impairment loss was recognised. In this case, the carrying amount of the asset is increased to its recoverable amount. However, the amount so increased may not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in prior years.

Any reversal is recognised as income in the Income Statement. After a reversal of an impairment loss is recognised, the rate of depreciation for the asset is adjusted in future periods to allocate the adjusted carrying amount, net of any residual value, on a straight-line basis over its remaining useful life. Goodwill may not be reinstated.

g) *Financial instruments*

A financial instrument is any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity. They are recognised and measured according to IAS 32 and IFRS 9.

A financial asset or liability is recognised in the balance sheet when (and only when) Group companies become party to the contractual terms of the instrument.

Warrants

The Company classifies financial instruments as financial liabilities, financial assets or equity instruments in accordance with the substance of the contractual agreements and their characteristics. In particular, in the presence of instruments that will or may be settled through instruments representing the entity's equity, such as, specifically, warrants issued by Take Off S.p.A., the relevant component for classification purposes depends on the presence of a conversion ratio that determines the delivery of a fixed or variable number of shares against a fixed or variable amount of cash (being fixed-for-fixed or fixed-for-variable). When the instrument meets the fixed-for-fixed condition (if the instrument has a fixed conversion ratio and a fixed exercise price), it is classified as an instrument representative of equity or else classified as a financial asset or liability. Warrants issued by Take Off S.p.A. are financial instruments that will be extinguished with a fixed number of the issuer's shares, as the conversion ratio is fixed over the term of the instrument according to the terms and conditions set forth in the Regulation.

In fact, the number of shares that could be issued is limited within a range and the price is set in accordance with the time range in which the option is exercised.

Warrants fulfil the condition to be classified as equity instruments. When the warrants are exercised, the company recognises an increase in equity at an amount equal to the exercise price of the warrants.

As at 31st December 2022, no options exercisable in the first window of time of November 2022 had been exercised.

h) *Financial assets*

Upon initial recognition, financial assets are classified according to the subsequent measurement methods, so at amortised cost, fair value through profit or loss (Fair Value through Other Comprehensive Income or FVOCI) and fair value through profit or loss (Fair Value Through Profit or Loss or FVTPL).

The classification of financial assets upon initial recognition depends on the contractual cash flow characteristics of the financial assets and the business model that Group companies utilise in their management. Except for trade receivables that do not contain any significant financing component or for which the Group has applied the practical expedient, Group companies initially assess a financial asset at its fair value plus, in the event of a financial asset not at fair value shown in the Income Statement, the transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined in accordance with IFRS 15 as commented in the section "Revenue from Contracts with Customers". For a financial asset to be classified and measured at amortised cost or at fair value as measured

in the Comprehensive Income Statement, it must generate cash flows that depend solely on principal and interest on the amount of principal to be repaid (known as Solely Payments of Principal and Interest or SPPI). This evaluation is referred to as the SPPI test and is performed at instrument level. For the purposes of subsequent valuation, financial assets are classified into four categories:

1 Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following requirements are met:

- The financial asset is owned as part of a business model with the objective of being ownership of financial assets for the purpose of collecting contractual cash flows; and
- The contractual terms of the financial asset provide for cash flows at certain dates, consisting solely of payments of principal and interest on the principal amount to be repaid.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or revalued.

2 Financial assets at fair value recognised in the Comprehensive Income Statement

The Group measures assets from debt instruments at fair value as measured in the Comprehensive Income Statement, if both of the following conditions are met:

- The financial asset is held as part of a business model with the objective being achieved through both the collection of contractual cash flows and the sale of financial assets; and
- The contractual terms of the financial asset foresee cash flows at certain dates consisting solely of payments of principal and interest determined on the amount of principal to be repaid.

For assets measured at fair value, as measured in the Comprehensive Income Statement, exchange rate changes and impairment losses, together with reversals, are all recognised in the Income Statement and calculated in the same way as financial assets measured at amortised cost. The remaining changes in *fair value* are recognised in the Comprehensive Income Statement. Upon derecognition, the cumulative change in fair value recognised in the Comprehensive Income Statement is reclassified in the Income Statement.

3 Investments in equity instruments

Upon initial recognition, the Group may irrevocably elect to classify its equity investments as equity instruments recognised at fair value as measured in the Comprehensive Income Statement, whereby they satisfy the definition of equity instruments under IAS 32 – Financial Instruments: Presentation" and are not held for trading. The classification is determined for each individual instrument.

Gains and losses realised on such financial assets are never reversed to the profit and loss statement. Dividends are recognised as financial income in the Income Statement when the right to payment has been resolved upon, except when Group companies benefit from such income as a recovery of part of the cost of the financial asset, in which case such gains are recognised in the Comprehensive Income Statement. Equity instruments recognised at

fair value in the Comprehensive Income Statement are not subject to impairment testing.

4 Financial assets at fair value through profit or loss

This category includes assets held for trading, assets designated upon initial recognition as financial assets at *fair value* with changes recognised in the Income Statement, or financial assets that must be measured at *fair value*. Assets held for trading are all those acquired for their sale or repurchase in the short term. Derivatives (including the spin-offs) are classified as financial instruments held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely represented by principal and interest payments are classified and measured at fair value through the Income Statement, regardless of the business model. Financial instruments at *fair value* with changes recognised in the Income Statement are recognised in the statement of financial position at *fair value* and net changes in said *fair value* recognised in the Income Statement.

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised in the first instance (being removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset are extinguished; or
- The company has transferred to a third party the right to receive cash flows from the asset or has assumed a contractual obligation to pay them in full and without delay and: (a) has substantially transferred all risks and rewards of ownership of the financial asset; or (b) has neither transferred nor retained substantially all risks and rewards of the asset but has transferred control thereof.

i) Financial Liabilities

Upon initial recognition, financial liabilities are classified as financial liabilities at fair value through the Income Statement, being represented by mortgages and loans.

All financial liabilities are initially recognised at fair value plus, in the case of mortgages, loans and debts, the directly-attributable transaction costs.

The Group's financial liabilities include trade and other payables, mortgages and loans, including overdrafts.

For the purposes of subsequent valuation, financial liabilities are classified into two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (financing and loans)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value with variations relative to the Income Statement include liabilities held for trading and financial liabilities initially recognised at fair value through the Income Statement.

Financial liabilities at amortised cost (financing and loans)

After initial recognition, loans are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Income Statement when the liability is extinguished, as well as through the amortisation process.

The amortised cost is calculated by recognising the discount or premium on the acquisition and the fees or costs that form part of the effective interest rate. Amortisation at the effective interest rate is included in the financial expenses in the Income Statement.

A financial liability is derecognised when it is extinguished, so when the contractual obligation is discharged or cancelled or expired.

j) Cash and cash equivalents

Cash and cash equivalents comprise cash or cash values, being the values meeting the requirements of being available on demand or in the very short-term (with an expected maturity of three months or less), of being in good standing or of having no collection costs, being measured at fair value. For the purposes of the Cash Flow Statement, cash and cash equivalents do not include bank overdrafts at the end of the financial year.

k) Inventories

Inventories of goods are valued at the lower of the purchase cost (determined using the weighted average cost method) and net realisable value (the estimated selling price in the ordinary course of business less estimated costs to realise the sale), which can be inferred from market trends. Returns, trade discounts, rebates and premiums are deducted from the purchase cost.

Inventories with a realisable value inferred from market trends that is lower than their book value are subject to an eventual write-down. If the reasons for the write-down no longer persist, in whole or in part, as a result of an increase in realisable value inferable from market trends, a value adjustment is made within the limits of the cost originally incurred.

l) Employee benefits

Guaranteed employee benefits paid on or after termination of employment through defined benefit plans (severance pay) are recognised over the period of their entitlement.

The liability relating to defined benefit programmes, net of any assets servicing the plan, is determined on the basis of actuarial assumptions and is recognised on an accrual basis consistent with the provision of work required to obtain the benefits.

The cost of expected benefits under defined benefit plans is determined using the projected unitary actuarial method for the credit. The actuarial gains and losses are recognised directly in the Comprehensive Income Statement, as required by IAS 19. Net interest on net liabilities for the benefits defined is to be determined by multiplying the net liability by the discount rate.

The actuarial valuation of the liability was entrusted to independent actuaries.

The amount reflects not only debts accrued as at the balance sheet date but also future salary increases and relative statistical dynamics.

Guaranteed employee benefits through defined contribution plans (also due to recent changes in national pension regulations) are recognised on an accrual basis and simultaneously give rise to the recognition of a liability measured at nominal value.

m) Provisions for risks and charges

Provisions for risks and charges are recognised to cover the Group's obligations of a legal, contractual or constructive nature, arising from a past event. Provisions for risks and charges are recognised if it is probable that such charges shall occur and if a reliable estimate can be made.

Where such obligations are estimated to occur beyond 12 months and their effects are significant, they are discounted at a rate that takes into account the cost of money and the specific risk of the liability recognised. Any change in the estimate of provisions is reflected in the Income Statement for the period in which it occurs. In cases where discounting is performed, the increase in the provision due to the passage of time and any effect resulting from the change in the discount rate are recognised as a financial expense.

n) Revenue from contracts with customers

Revenues are recognised when control of assets is transferred to the customer for an amount that reflects the amount that Group companies expect to receive in exchange for such assets. This transfer of control normally takes place with the delivery of the good to the end customer and payment of the corresponding amount. The revenue from these sales is recognised on the basis of the specific price, net of estimated discounts. There are no significant financing components, as no deferred payments are granted on sales. The Group applies the practical expedient for short-term advances received from customers. The amount of the promised payment is not adjusted for significant financial items if the period between the transfer of the promised goods or services and the payment is less than or equal to one year.

Group companies recognise their customer's right to return, guaranteeing a period of 30 days from purchase of the goods to return the items, provided they are undamaged and have never been worn. In the event of a return, the customer is entitled alternatively to:

- Replacement of the garment with another garment of the same model, with a change in size and/or colour;
- Replacement of the garment with another garment available at the point of sale, possibly paying any difference (if the chosen garment has a higher value than the returned garment) or having a voucher issued for the difference (if the chosen garment costs less);
- Reimbursement to the customer, upon authorisation by management.
- The issuance of a voucher in the name of the person concerned for the total amount.

If a voucher is issued, it is redeemable within 60 calendar days.

The Group utilises the expected value method to estimate the value of assets that will not be returned, essentially corresponding to the vouchers issued at the balance sheet date, in accordance with lFRS 15. With reference to this, the Group companies recognised liabilities for returns in the amount of 60,000 euro as at 31st December 2022.

Contractual balances

Trade receivables

A credit is recognised if the amount is unconditionally due from the customer (such as upon it only being necessary for time to run out for payment of the amount to be obtained). Please refer to the section on "Financial Instruments".

Contractual liabilities

A contractual liability is an obligation to transfer to the customer goods or services for which Group companies have already received payment (or for which a portion of the amount is due). A contractual liability is recognised if payment has been received or payment is due (whichever comes first) from the customer before control of the goods or services has been transferred to them. Liabilities arising from contracts are recognised as revenue when Group companies fulfil their obligations to do so under the relevant contract (meaning control of the assets has been transferred to the customer).

o) Public contributions

Government grants are recognised when there is reasonable certainty that they will be received and that all conditions attached to them have been met. Contributions related to cost components are recognised as revenue but are systematically allocated between the years so as to be commensurate with the recognition of the costs they are intended to offset. The contribution related to an asset is recognised as income on a straight-line basis over the expected useful life of the relevant asset.

p) Costs

Costs are recognised when they relate to goods and services sold or consumed during the financial year or by systematic allocation, or else when their future usefulness cannot be identified in accordance with the principle of relevance and the matching principle.

Costs are recognised according to their nature, taking into account the applicable IFRS principles.

q) Financial income and charges

Interest is recognised on an accrual basis utilising the effective interest method, thus availing of the interest rate that renders financially equivalent all inflows and outflows (including any premiums, discounts, commissions and so on) that make up a given transaction.

r) Income taxes

Current taxes

Income taxes for the period were determined based on the best estimate of the weighted average tax rate for the entire year.

Deferred taxes

Deferred tax assets and liabilities are provided for in accordance with the global allocation method (liability method), thus, they are calculated on all temporary differences arising between the tax-determined value of assets and liabilities and their carrying amounts in the balance sheet, with the exception of deferred taxation.

Deferred tax assets and liabilities are calculated using tax rates that are expected, as at the balance sheet date, to be applicable in the year in which the asset is realised or the liability is settled.

Deferred tax assets are recognised to the extent that it is deemed probable that there will be taxable income in the years in which the relative temporary differences will reverse, at least equal to the amount of the differences that will be reversed.

The value of deferred tax assets to be carried forward is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in the future to allow all or part of that credit to be utilised, including as a result of changes in the relevant tax law.

Current and deferred taxes are recognised in the Income Statement as an expense or income for the year. Nonetheless, current and deferred taxes are debited or credited directly to equity or to the Comprehensive Income Statement if they relate to balance sheet items recognised directly in such items.

s) Fair Value

Fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in a regular market transaction between market participants at the valuation date in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The *fair value* of a liability reflects the risk of default.

Certain accounting policies and disclosure requirements applied by Group companies necessitate the determination of *fair values* for financial and non-financial assets and liabilities.

When available, Group companies determine the fair value of an instrument using the price quoted in an active market for the same instrument. A market is considered as being "active" when transactions for a given asset or liability occur with sufficient frequency and volume to provide information that is useful for pricing on an ongoing basis.

In the absence of quoted prices in active markets, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The techniques chosen take into account the factors that would be considered by the parties to a transaction in deciding the price.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised according to the fair value hierarchy, as described below:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the date of assessment;
- Level 2 – Inputs other than quoted prices included in Level 1, directly or indirectly observable for the asset or liability;
- Level 3 – Valuation techniques for which the input data is not observable for the asset or liability.

The fair value is classified entirely in the same level of the *fair value* hierarchy in which the lowest level input used for the valuation is classified.

For assets and liabilities recognised in the Financial Statements at fair value on a recurring basis, the Group determines whether transfers between levels of the hierarchy have occurred by reviewing the categorisation (based on the lowest-level input, which is significant for the fair value measurement in its entirety) at each reporting date.

t) Foreign currency transactions

Foreign currency transactions are converted into the functional currency using the exchange rates on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the end of the reporting period. Non-monetary items that are measured at historical cost in a foreign currency are converted at the exchange rate on the date of the transaction. Foreign currency exchange losses and gains are factored into the Income Statement and shown under financial income and expenses.

u) Listing costs

In the context of the listing project, the Company and/or the selling shareholders incur specific costs, such as: (i) commissions that are paid to the banks coordinating the offering; (ii) fees that are paid to consultants, specialists and lawyers; (iii) other costs such as, but not limited to, communication costs, prospectus printing costs and out-of-pocket expenses. Listing costs were accounted for in accordance with the provisions of IAS 32, which requires that they be deducted from any rise in share capital or charged to the Income Statement upon successful listing.

4. New Accounting Standards and Interpretations effective as of 1st January 2022

The Group has not yet adopted in advance any new standards, interpretations or amendments issued but not yet in force. Several modifications apply for the first time in 2022 but did not have an impact on the Group's consolidated financial statements.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments are intended to replace references to the Framework for the Preparation and Presentation of Financial Statements with references to the Conceptual Framework for Financial Reporting published in March 2018, without a significant change to the requirements of the standard.

The Board also added an exception to the valuation principles of IFRS 3 to avoid the risk of potential "day-after" losses or gains arising from liabilities and contingent liabilities that would fall within the scope of IAS 37 or IFRIC 21 Levies, if contracted separately. Such an exemption requires entities to apply the requirements of IAS 37 or IFRIC 21, rather than the Conceptual Framework, to determine whether an obligation actually exists at the date of acquisition.

The amendment also added a new paragraph to IFRS 3 clarifying that contingent assets do not qualify as recognisable assets at the date of acquisition.

These changes had no impact on the Group's consolidated financial statements, since no contingent assets, liabilities or contingent liabilities were recognised in the reporting period for the purpose of such changes.

Property, Plants and Equipment: Proceeds before Intended Use - Amendments to IAS16

The amendments prohibit entities from deducting from the cost of any item of property, plants or machinery, any proceeds from the sale of products sold during the period in which that asset is brought to the location or the conditions necessary for such to be capable of operating in the manner intended by the Management. Instead, an entity accounts for the revenues from the sale of such products and the costs to produce those products in the Financial Statement.
These changes did not have an impact on the Group's Consolidated Financial Statements as there were no sales related to such items of property, plants or machinery prior to coming into operation before or after the beginning of the previous comparative period.

IFRS1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter

This amendment permits a subsidiary that elects to apply Paragraph D16(a) of IFRS 1 to account for cumulative differences in translation based on the amounts recognised by the parent company, taking into account the date of transition to the IFRSs by the parent. This amendment also applies to associates or joint ventures that elect to apply paragraph D16(a) of IFRS 1.
This change had no impact on the Group's condensed Financial Statements as the Group is not a first-time adopter.

IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities

This amendment clarifies what fees an entity includes in determining whether the terms and conditions of a new or amended financial liability are materially different from the terms and conditions of the original financial liability. These fees include only those paid or received between the debtor and lender, including fees paid or received by the debtor or lender on behalf of others. No such amendment has been proposed with regard to IAS 39 Financial Instruments: Recognition and Measurement.
This change had no impact on the Group's Consolidated Financial Statements as there were no changes in the Group's financial liabilities during the year under review.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets

The amendments introduced provide clarification as to how the onerousness of a contract is determined. Specifically, the costs directly related to the contract consist of the incremental costs necessary to fulfil the contract (labour and direct raw materials) and the allocation of other costs directly related to fulfilment of the contract (rate of depreciation of property, plants and equipment).

The adoption of this amendment had no effect on the Group's consolidated financial statements.

5. Accounting standards, amendments and interpretations not yet applicable

Certain standards and interpretations that had already been issued but were not yet in force at the time of preparation of the financial statements are illustrated below. The Group intends to adopt these principles when they come into force.

- **Amendments to IAS 1: Classification of Liabilities as Current or Non-current**

In 2020 and 2022, the IASB published amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The changes clarify:

- What is meant by a right of postponement of maturity;
- That the right to postponement must exist at the close of the financial year;
- The classification is not impacted by the likelihood that the entity will exercise its right to postponement;
- Only if a derivative embedded in a convertible liability is itself an equity instrument, does the maturity of the liability have no impact on its classification;

The amendments will be effective for financial years beginning on or after 1st January 2024, and must be applied retrospectively. The company is currently evaluating the impact the changes will have on the current situation, however, no impact is expected.

- **Definition of Accounting Estimates - Amendments to IAS 8**

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for financial years beginning on or after 1st January 2023 and apply to changes in accounting principles and changes in accounting estimates occurring on or after the beginning of that period. Early application is permitted provided that this factor is disclosed. The changes are not expected to have a significant impact on the Company.

- **Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2**

In February 2021, the IASB issued amendments to IAS 1 and IFRS – Practice Statement 2 – Making Materiality Judgements, in which it provides guidelines and examples to help entities apply materiality assessments to accounting policy disclosures. The amendments aim to help entities provide more useful accounting policy disclosures by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies. In addition, guidance is added on how entities apply the concept of materiality in making decisions regarding accounting policy disclosure.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1st January 2023, with early application being permitted. Since the amendments to PS 2 provide non-mandatory guidance on the application of the definition of materiality to the disclosure of accounting policies, no effective date is required for such amendments.

The company is currently evaluating the impact the changes will have on the current situation, however, no impact is expected.

- **Deferred taxes on assets and liabilities arising from a single transaction – Amendments to IAS 12**

  In May 2021, the IASB issued amendments to IAS 12, narrowing the scope of application of the initial recognition exception included in IAS 12, which is no longer to be applied to transactions that give rise to taxable and deductible temporary differences in equal measure.

  Changes will have to be applied to transactions occurring after or at the beginning of the comparative period presented. In addition, at the beginning of the comparative period presented, deferred tax assets (if there is sufficient taxable income) and deferred tax liabilities shall be recognised for all deductible and taxable temporary differences associated with leases and provisions for restoration.

  The company is currently evaluating the impact the changes will have on the current situation, however, no impact is expected.

No material impact on the Group is expected from these amendments.

6. Impacts of the Russia-Ukraine conflict

World economic growth is expected to slow down in 2023 compared to 2022 due to the aftermath of the Coronavirus pandemic and, above all, the war in Ukraine, which is shaping up to be a downward shock for growth and an upward shock for inflation. The impossibility of predicting both the duration and developments of the conflict and of assessing the response of the government authorities, which is still being defined, leaves the market scenario still very uncertain. The impact of this new event will depend, in addition to the duration of the conflict, on the extent and duration of Western sanctions on Russia as well as the response of governments.

The shock produced by the conflict will be transmitted through three channels: rising commodity and energy prices, bottlenecks in international trade, and declining consumer and business confidence. Any escalation into other countries or a partial or complete disruption of Russian oil and gas supplies to Europe would have further significant implications for energy prices and consequently for economic growth.

Interventions currently being defined concern energy policies, support measures for both households and businesses affected by the exceptional energy price hikes, as well as military spending.

The pandemic, by the way, remains an underlying risk in the scenario. As currently demonstrated by the case of China, COVID-19 and its variants underline the risk of a stop-and-go in economic restrictions, although future waves of Covid cases are expected to become progressively less economically disruptive given the increasingly less restrictive measures to contain the spread of the virus.

The Group constantly monitors the development of the conflict and the emergency situation related to the pandemic, having initiated risk assessment activities within all its structures.

The objective is to analyse possible direct and indirect impacts that the pandemic and the conflict are currently causing and may cause in 2022 and subsequent years on the markets and businesses in which the Group operates, also with reference to the management of constraints imposed in regards to companies and persons on the lists of sanctions issued by many countries and international institutions, in order to avoid possible violations.

On this last point, the Group currently has no direct exposure to companies operating in countries experiencing conflict.

Testing for the impairment of intangible assets (Impairment Test)

In the absence of goodwill and intangible assets with indefinite useful lives, the Group conducts an impairment test when circumstances indicate the possibility of a reduction in the recoverable amount of other intangible assets. The test is based on the calculation of value-in-use. The key assumptions utilised to determine the recoverable amount of the various Cash-Generating Units (CGUs) were disclosed in the Consolidated Financial Statements as at 31st December 2022.

For the purposes of preparing the Consolidated Financial Statements, appropriate assessments were made regarding the existence of indications that an asset may be impaired, carefully considering the possible effects of the conflict between Russia and Ukraine.

In the current context of uncertainty, this analysis required a careful evaluation by management, which concluded that – even considering the increase in sales compared to the same period of the previous year – at the level of individual shops as well as the Group of CGU, it was still appropriate to re-perform the impairment test conducted as at 31st December 2021.

7. Operations under common control

In the 2022 financial year, there were no transactions "under common control".

8. Property, plants and machinery

The composition of the item "Property, Plants and Machinery" as of 31st December 2022, compared with the same values as of 31st December 2021, is shown below:

(euro)	Land and buildings	Plants and machinery	Industrial and commercial equipment	Other assets	Leasehold improvements	Total
Historical cost as at 1st January 2022	**118,141**	**369,020**	**231,211**	**1,522,161**	**403,989**	**2,644,521**
Increases during the year	-	72,671	-	381,302	310,902	**764,876**
Disposals during the year	-	-	-	(16,611)	-	**(16,611)**
Reclassifications	-	-	(123,155)	123,155	-	-
Historical cost as at 31st December 2022	**118,141**	**441,691**	**108,056**	**2,010,007**	**714,891**	**3,392,785**
Amortisation/depreciation reserve as at 1st January 2022	**(33,546)**	**(145,273)**	**(108,056)**	**(871,296)**	**(111,084)**	**(1,269,254)**
Depreciation for the year	**(11,814)**	(50,198)	-	(204,643)	(107,004)	**(373,659)**
Business divestiture	-	-	-	10,257		**10,257**
Amortisation/depreciation reserve as at 31st December 2022	**(45,3601**	**(195,471)**	**(108,056)**	**(1,065,682)**	**(218,088j**	**(1,632,657)**
Net book value as at 31st December 2021	**84,595**	**223,746**	**123,155**	**650,865**	**292,905**	**1,375,267**
Net book value as at 31st December 2022	**72,781**	**246,219**	**–**	**944,325**	**496,804**	**1,760,129**

The item "Buildings" includes the acquisition values of buildings and land where the company's business is conducted.

The item "Plants and machinery" relates to the costs incurred for plants and machinery in the company's headquarters and in various sales outlets and logistics sites.

The item "Industrial and commercial equipment" mainly relates to costs incurred in setting up new sales outlets.

The item "Other Assets" relates to residual goods with repeated use (e.g., furniture and fixtures, office machines, telephones) functional to the set-up and operation of sales outlets.

The item "Leasehold improvements" represents certain point-of-sale fit-out costs incurred on third-party assets.

The investments made by the Group companies during the period amounting to 765,000 euro mainly relate to furnishings and fitting-out expenses for the opening of new sales outlets.

Decreases, on the other hand, concern the sale of a vehicle to the correlated company Horizon S.p.A.

It should be noted that property, plants and machinery were not impaired during the period analysed and did not show any indicators of impairment.

9. Intangible assets

The composition of the item "Intangible assets" as at 31st December 2022, compared with the same values as at 31st December 2021, is shown below:

(euro)	Application programs	Website	Brands	Total
Historical cost as at 1st January 2022	**20,510**	**3,112**	**7,263**	**30,885**
Increases during the year	6,100	0	0	**6,100**
Disposals during the year	0	0	0	**0**
G/C Fixed assets under construction	0	0	0	**0**
Historical cost as at 31st December 2022	**26,610**	**3,112**	**7,263**	**36,985**
Amortisation/depreciation reserve as at 1st January 2022	**(7,512)**	**0**	**(316)**	**(7,827)**
Depreciation for the year	(5,729)	0	(404)	**(6,133)**
Disposals during the year	0	0	0	**0**
Amortisation/depreciation reserve as at 31st December 2022	**(13,241)**	**0**	**(719)**	**(13,960)**
Net book value as at 31st December 2021	**12,999**	**3,112**	**6,947**	**23,058**
Net book value as at 31st December 2022	**13,369**	**3,112**	**6,544**	**23,025**

The variation for the year, amounting to 33 euro, is calculated net of the amortisation/depreciation for the period and refers to investments in application programmes and website implementation, as well as the capitalisation of costs related to the Overkids brand.

10. Tangible assets for rights-of-use

The composition of the item "Assets for rights of use" as at 31st December 2022, compared with the same values as at 31st December 2021, is shown below:

(euro)	Land and buildings	Vehicles	Office equipment	Total rights-to-use
Historical cost as at 31st December 2021	**10,480,503**	**42,976**	**20,022**	**10,543,502**
Renegotiations	1,976,983	118,630	0	2,095,613
Increases during the year	2,167,601	6,876	0	2,174,476
Resolutions	(368,800)	0	0	(368,800)

Other changes	(65,160)	0	0	(65,160)
Historical cost as at 31st December 2022	**14,191,127**	**168,482**	**20,022**	**14,379,631**
Amortisation/depreciation reserve as at 31st December 2021	**(3,883,099)**	**(19,422)**	**(5,889)**	**(3,908,410)**
Depreciation for the year	(1,774,921)	(25,743)	(4,714)	(1,805,379)
Resolutions	188,930	0	0	188,930
Other changes	(2,496)	0	0	(2,496)
Amortisation/depreciation reserve as at 31st December 2022	**(5,471,585)**	**(45,165)**	**(10,603)**	**(5,527,354)**
Net book value as at 31st December 2021	**6,597,405**	**23,554**	**14,134**	**6,635,092**
Net book value as at 31st December 2022	**8,719,541**	**123,317**	**9,419**	**8,852,278**

It should be noted that, as required by Paragraph 59 of IFRS 16, rights of use mainly refer to real estate leases in place and pertaining to the Take Off points of sale, Over's logistics headquarters and residually, to vehicles and office equipment. The variation for the year includes the effect of depreciation and amortisation at 1,775,000 euro, increases for the opening of new sales outlets and new vehicles for 2,168,000 euro and 6,900 euro, respectively, as well as the effect of the contractual amendments stipulated in 2022 to the amount of 1,977,000 euro that resulted in the redefinition of the amounts due on certain existing lease agreements. These changes led to an increase in assets for rights-of-use, as well as a corresponding rise in lease liabilities.

Also with respect to rights of use, the following are not covered: guarantees on the residual value of assets; leases not yet entered into but for which the lessee has already committed; restrictions or agreements imposed by leases for sale and leaseback transactions. With regard to the exercise of the option to extend or terminate, please refer to the section above titled "Accounting principles and valuation criteria adopted – Leasing".

As at 31st December 2022, in accordance with IAS 36, Management considered the continuation of the conflict between Russia and Ukraine as a trigger event and made appropriate assessments to identify possible impairment.

In particular, an analysis was carried out on the prospective capacity of the set of CGUs constituting the Take Off (the set of points of sale and wholesale sales), to cope with the full recoverability of the total book value (carrying amount) of the same and of the Corporate Assets (logistics and Headquarters), specifically represented by the Corporate Net Invested Capital (NIC) as at 31st December 2022. Therefore, the cash flows deriving from Take Off's economic forecasts for the coming years were discounted using the Discounted Cash Flow method, taking into account only the current business scope. The discount rate used is equal to the Weighted Average Cost of Capital (WACC) determined to be 10.52%, taking into account the currently estimated risk ratios and market financial structure. An explicit time horizon of three years was therefore taken into account, and the Terminal Value was subsequently defined as a perpetual annuity. The growth rate was conservatively estimated to be zero.

In addition, a sensitivity analysis was performed to verify the impact on the results of the impairment test of changes in the weighted average cost of capital and the growth rate (from -1% for growth and +1% for the rate). As a result of the analysis performed, including sensitivity analyses, no potential impairment losses emerged to be considered in the preparation of these Consolidated Financial Statements.

11. Other non-current receivables

The composition of the item “Other non-current assets” as of 31st December 2022, compared with the same values as of 31st December 2021, is shown below:

(euro)	31st December 2022	31st December 2021	Variation
Secured deposits	641,277	424,478	216,798
Total other non-current assets	**641,277**	**424,478**	**216,798**

This item mainly includes deposits issued on utilities and secured deposits on lease contracts for certain commercial premises where business activities are conducted in the amount of 641,000 euro.

12. Deferred tax liabilities

The composition of “Deferred Tax Assets” as at 31st December 2022, compared with the same values as at 31st December 2021, is shown below:

(euro)	31st December 2022	31st December 2021	Variation
Deferred tax assets	962,854	1,261,777	(298,923)
Total deferred tax assets	**962,854**	**1,261,777**	**(298,923)**

Deferred tax assets were mainly determined on the value of the tax losses accrued in previous years by Over and carried forward indefinitely, as well as well as on the provision for inventory write-downs as shown below and on the tax effects of non-deductible costs during the year. On 25th February 2020, the Inland Revenue Agency issued a positive opinion on the question presented by the company on the possibility of reporting the same. The recoverability of the aforementioned deferred tax assets is thus subject to the achievement of future taxable profits large enough to utilise the benefits of deferred tax assets. Management’s assessment of the aforementioned recoverability takes into account estimated future taxable income and is based on prudent fiscal planning. However, should it become apparent that Over would not be able to recover all or part of the aforementioned recognised deferred tax assets in future years, the resulting adjustment would be charged to the Income Statement for the year in which this occurs.

13. Inventories

The composition of the item “Inventories” as at 31st December 2022, compared with the same values as at 31st December 2021, is shown below:

(euro)	31st December 2022	31st December 2021	Change
Finished products and goods	12.612.228	9.233.667	3.378.561
Provision for write-down of inventories	(500,000)	(500,000)	0
Advances to suppliers	1,788,796	807,499	981,297

Total inventories	**13,901,024**	**9,541,167**	**4,359,858**

Inventories as at 31st December 2022 amounted to 12,612,000 euro, increasing by 3,378,000 euro compared to 31st December 2021. This increase is attributable to the massive procurement carried out by the Group for new shop openings, as well as the stock of merchandise purchased for the S/S 2023 and A/W 2023 seasons.

Net inventories are recorded net of a write-down provision of 500,000 euro, attributable to the subsidiary Over S.p.A., to reflect obsolescence indicators and adjust the value of inventories to their presumed market value.

Advances to suppliers concern payments made against goods deliveries for the S/S 2023 and A/W 2023 seasons.

14. Trade receivables

The composition of the item "Trade Receivables" as at 31st December 2022, compared with the same values as at 31st December 2021, is shown below:

(euro)	31st December 2022	31st December 2021	Change
Receivables from customers	395,382	542,275	(146,894)
Credit notes to be issued	0	(313,863)	313,863
Non-performing loans	74,937	0	74,937
Provision for bad debts	(77,434)	(1,228)	(76,206)
Total trade receivables	**392,885**	**227,184**	**165,701**

Trade receivables refer to receivables accrued from the owners of Over's franchise outlets.
Following the analysis performed, it was deemed appropriate to write down doubtful receivables to the amount of 77,000 euro.

15. Other current receivables

The composition of the item "Other Current Receivables" as at 31st December 2022, compared with the same values as at 31st December 2021, is shown below:

(euro)	31st December 2022	31st December 2021	Change
Advances to suppliers	125,950	0	125,950
Advances to employees	0	1,300	(1,300)
Other receivables	302,684	500,000	(197,316)
INAIL (National Institute for Insurance Against Workplace Accidents and Occupational Disease)	173	(669)	842
CIG credit	587	587	0
Accrued and deferred revenue	104,181	11,395	92,786
Total other current receivables	**533,575**	**512,614**	**20,962**

Advances to suppliers concern payments made against goods deliveries for the S/S 2023 and A/W 2023 seasons.

The decrease in the item "Other Receivables" is due to the tax credit set out under Article 1(230) of the Budget Law 2021, which Take Off took advantage of in the year 2021 for the costs incurred for the listing. This item currently amounting to 302,000 euro is mainly composed of the residual tax credit to support the increase in the value of the final inventories for Over to the amount of 89,000 euro and the two tax credits related to Training 4.0 – Law no. 205 of 27th December 2017 – supported by the Group, totalling 67,000 euro.

The item "Accrued Income and Prepaid Expenses" mainly includes the portion of so-called 'ongoing costs' incurred by the Company post-listing that span several years and specifically related to the issue of warrants.

16. Tax receivables

The composition of the item "Tax Receivables" as at 31st December 2022, compared with the same values as at 31st December 2021, is shown below:

(euro)	31st December 2022	31st December 2021	Change
Corporate Income Tax	227,869	0	227,869
Other tax receivables	2,746	184,568	(181,822)
Total tax receivables	**230,615**	**184,56**	**46,047**

The increase over the previous year of 46,000 euro is mainly due to the payment of the IRES advance.

17. Cash and cash equivalents

The composition of the item "Cash and cash equivalents" as of 31st December 2022, compared with the same values as of 31st December 2021, is shown below:

(euro)	31st December 2022	31st December 2021	Variation
Bank deposits	19,205,288	26,385,815	(7,180,527)
Cash on hand	273,988	69,879	204,109
Total cash and cash equivalents	**19,479,276**	**26,455,694**	**(6,976,418)**

The decrease in cash and cash equivalents is mainly due to the distribution of dividends in the year 2021, as per the resolution of the Shareholders' Meeting of 28th April 2022, along with advances to suppliers for the provision of goods for the A/W 2022 and S/S 2023 seasons, along with repayments made by the Company for the repayment of loans.

The values displayed can be readily converted into cash and are subject to an insignificant risk of change in value.

18. Net assets

The share capital of Take Off S.p.A. as of 31st December 2022 amounted to 1,562,000 euro, fully paid-up, and consisted of 15,624,800 shares. The Group's consolidated shareholders' equity as of 31st December 2022 was 24,381,000 euro, an increase of 727,000 euro compared to 31st December 2021. This net increase was mainly the result of the overall consolidated profit of 3,539,000 euro.

Please refer to the statement of changes in shareholders' equity as at 31st December 2022 for details.

The composition of reserves as at 31st December 2022 is shown below, compared with the same values as at 31st December 2021:

(euro)	31st December 2021	Increases	Decreases	31st December 2022
Legal reserve	237,333	275,163		512,496
IAS/IFRS conversion reserve	2,440,366			2,440,366
Share premium reserve	11,682,808	0	0	11,682,808
Other reserves	2,091,836	1,641,995	0	3,733,831
Extraordinary reserve	2,073,171	*1,588,008*		3,661,179
Other capital reserves	160,000			160,000
Reserve Benefit Plan (OCI) – Actualisation	(141,335)	*53,987*		(87,348)
Reserve for foreign exchange gains	0			0
Previous years' profit/(loss)	0	*0*	0	0
Total reserves	**16,452,343**	**1,917,158**	**0**	**18,369,501**

The legal reserve, amounting to 512,000 euro, increased by virtue of the allocation of the profit for the year accrued as at 31st December 2021.

The IAS/IFRS conversion reserve, positive to the amount of 2,440,000 euro, includes the overall effect of the transition to international accounting standards.

The positive share premium reserve of 11,683,000 euro is following the listing on the Euronext Growth Milan market.

Concerning Other Reserves;

- The Extraordinary Reserve, equal to 3,661,000 euro, increased mainly due to the allocation of the profit from the subsidiary Over S.p.A. equal to 1,588 euro;
- Other capital reserves, amounting to 160,000 euro, remained unchanged;
- The "Benefit Plan (OCI) reserve", negative in the amount of 87,000 euro, represents the discounting effect of the defined benefit plans for employees (Employee Severance Pay).

It is recalled that as at 31st December 2022, 15,625,000 warrants were outstanding and the holders will have the right, according to the terms and conditions set forth in the Regulations, to subscribe for compendium shares to the extent of 1 compendium share for every 4 warrants exercised and at the price set out in the respective exercise period.

The warrants issued by the Company are listed on the electronic share market of Borsa Italiana S.p.A..

19. Medium- to long-term financing

The composition of the item "Medium- and long-term loans" as of 31st December 2022, compared with the same values as of 31st December 2021, is shown below:

(euro)	31st December 2022	31st December 2021	Changes
BPB financing – long-term quota	0	67,714	(67,714)
BCC 2 financing – long-term quota	0	459,196	(459,196)
Sanpaolo 2 financing – long-term quota	0	209,712	(209,712)
BPM financing – long-term quota	0	615,829	(615,829)
BPB 2 financing – long-term quota	0	619,540	(619,540)
BDF financing – long-term quota	0	657,932	(657,932)
Sanpaolo 3 financing – long-term quota	0	496,575	(496,575)
Sanpaolo 4 financing – long-term quota	0	98,166	(98,166)
Sanpaolo 5 financing – long-term quota	0	0	0
Total medium- to long-term financing	**0**	**3,224,665**	**(3,224,665)**

This item refers to the medium- to long-term portion of bank loans outstanding as of the reporting dates.

The overall change in short- and medium-/long-term bank borrowings is shown and commented on below:

(euro)	31st December 2021	Disbursements	Renegotiations	Reimbursements	31st December
BCC Financing	71,07			(71,073)	0
BPB Financing	335,63			(335,631)	0
BCC 2 Financing	589,66			(589,664)	0
Sanpaolo 2 Financing	710,05			(500,344)	209,712
BPM Financing	808,99			(808,994)	0
BPB 2 Financing	774,44			(774,445)	0
BDF Financing	818,92			(818,920)	0
Sanpaolo 3 Financing	750,00		(750,000)	0	0
Sanpaolo 4 Financing	500,00			(500,000)	0
Sanpaolo 5 Financing	0	250,000	750,000	(1,000,000)	0
Total financing	**5,358,78**	**250,000**	**0**	**(5,399,070)**	**209,712**
Intesa Sanpaolo SpA Finimport	43,539	203,592		(247,131)	0
Intesa Sanpaolo S.pA. confirming	773,38	1,668,366			2,441,753
Total payables to banks	[illegible]	**2,121,959**	**0**	**(5,646,202)**	**2,651,465**
of which due within the next financial year	*2,951,04*				*2,651,465*
of which due beyond the next financial year	*3,224,66*				*0*

In view of the particular historical context and the current increase in interest rates, in evaluating the economic impacts and considering the high liquidity at its disposal, it should be noted that the Group deemed it necessary and prudent to proceed with the early repayment of almost all loans in order to mitigate the aforementioned risk, resulting in repayments of 5,399,000 euro.

As of 31st December 2022, the Company had one credit line with a residual amount of 209,712 euro, maturing on 26th May 2023, with monthly instalments.

The increase in the item "Confirming" is attributable to the major procurement that the company had to make in the run-up to the end of the year 2022 for the opening of the new shops.

Loans granted in previous years are summarised below:

- Unsecured loan granted by BCC Alberobello and Sammichele di Bari for a nominal amount of 500,000 euro with a 5-year term and maturity date of 31st August 2022, having monthly instalments and a 3-month Euribor + spread interest rate;
- Loan granted by Banca Popolare di Bari for a nominal amount of 1,300,000 euro with a 5-year term and maturity date of 31st March 2023, having monthly instalments and a 6-month Euribor + spread interest rate, guaranteed by the Fondo di Guarantee Fund for SMEs under Law 662/96;
- Loan granted by BCC Alberobello e Sammichele di Bari for a nominal amount of 800,000 euro with a 6-year term and maturity date of 30th April 2026, having monthly instalments and a 3-month Euribor + spread interest rate, guaranteed by the Guarantee Fund for SMEs. 662/96;
- Loan granted by Intesa San Paolo for a nominal amount of 1,000,000 euro with a 3-year term and pre-amortisation, having a maturity date of 26th May 2023, monthly instalments and a fixed interest rate, guaranteed by the Guarantee Fund for SMEs per Decree-Law no. 23 dated 8th April 2020;
- Loan granted by Banca Popolare di Milano for a nominal amount of 850,000 euro with a 6-year term and maturity date of 6th March 2023, having quarterly instalments, a fixed interest rate, guaranteed by the Guarantee Fund for SMEs per Decree-Law no. 23 dated 8th April 2020;
- Unsecured loan granted by Banca Popolare di Bari for a nominal amount of 800,000 euro with a 5-year term plus one year of pre-amortisation, a maturity date of 31st October 2026, monthly instalments and a fixed interest rate, guaranteed by the Guarantee Fund for SMEs under Law 662/96;
- Unsecured loan granted by Banca del Fucino for a nominal amount of 1,000,000 euro with a 6-year term, having a maturity date of 28th October 2026, monthly instalments and a fixed interest rate, guaranteed by the Guarantee Fund for SMEs under Law 662/96.
- Loan entered into on 26th April 2021 and granted by Intesa San Paolo for a nominal amount of 750,000 euro with a 3-year duration and monthly instalments in arrears, an interest rate with a nominal fixed annual quota equal to 1.50 percentage points (Spread) and a variable annual quota equal to the one-month interest rate (on a 360 basis) (EURIBOR) due 26th April 2024;
- Loan entered into on 29th September 2021 and granted by Intesa San Paolo for a nominal amount of 500,000 euro with an 18-month term and monthly instalments in arrears, an interest rate consisting of an annual nominal fixed rate equal to 1.20 percentage points (Spread), and a variable annual rate equal to the one-month interest rate (on a 360 basis) (EURIBOR).

With reference to the loans granted to Take Off S.p.A. throughout the period, it should be noted that a renegotiation occurred in 2022 for 250,000 euro relative to the loan entered into on 26th April 2021 and granted by Intesa San Paolo.

For variations in these financial liabilities arising from financial assets, see Note 39 – "Financial Instruments – Fair Value and Risk Management".

20. Other non-current financial liabilities

The composition of the item "Other non-current financial liabilities" as of 31st December 2022, compared with the same values as of 31st December 2021, is shown below:

(euro)	31st December 2022	31st December 2021	Variation
Leasing payables – long-term portion	6,847,808	5,431,804	1,416,004
Total other non-current financial liabilities	**6,847,808**	**5,431,804**	**1,416,004**

This item refers to the residual long-term payables arising from the existing lease agreements relating to the commercial premises of Take Off's sales outlets and the Over and Take Off logistics site.

Changes in financial liabilities from 1st January 2022 to 31st December are shown below:

(euro)	Liabilities for leasing
Balance at 31st December 2021	**6,946,520**
Renegotiations	1,873,208
New Contracts	2,174,476
Repayments	(1,779,744)
Terminations	(162,710)
Other Changes	(71,650)
Balance at 31st December 2022	**8,980,100**
of which current	***2,132,292***
of which non-current	***6,847,808***

The renegotiations refer to rent increases contracted for most of the outlets as a consequence of the post-pandemic period.

The following table shows the maturity of leasing liabilities by time period:

(euro)	31st December 2022	31st December 2021
< 1 year	2,132,292	1,514,717
1–2 years	1,367,960	1,391,835
2–3 years	1,546,501	1,168,863
3–4 years	1,279,746	755,237
4–5 years	1,027,480	433,439
> 5 years	1,626,120	1,682,430
Total	**8,980,100**	**6,946,520**

Below is information on the nominal value of the Company's lease payments, broken down into fixed and variable payments:

(euro)	Payments fixed	Payments variable	Total
Balance at 31st December 2022			
Fixed fee	1,905,331	-	1,905,331
Variable fee with minimum payment	-	58,927	58,927
Total	**1,905,331**	**58,927**	**1,964,258**
As at 31st December 2021			
Fixed fee	1,634,282	-	1,634,282
Variable fee with minimum payment	-	46,950	46,950
Total	**1,634,282**	**46,950**	**1,681,232**

21. Liabilities for future employee benefits

The composition of the item “Liabilities for future employee benefits” as at 31st December 2022, compared with the same values as at 31st December 2021, is shown below:

(euro)	Severance Severance
Balance at 31st December 2021	**929,803**
Social security cost related to current work benefits	250,823
Interest expense	18,607
Profit/(losses) from discounting	(71,036)
Uses	(136,805)
Balance at 31st December 2022	**991,393**

This item refers to the Staff Severance Pay Reserve (Trattamento di Fine Rapporto or, “TFR”) accrued in regards to employees.

The actuarial valuation of Severance Pay Reserve is carried out using the “accrued benefits” formula by means of the Projected Unit Credit Method as required by IAS 19. This methodology takes the form of valuations that express the average present value of retirement obligations accrued based on the service the worker has rendered up to the time the valuation is made, not projecting the worker’s salary in accordance with regulatory changes introduced by the recent Pension Reform. The calculation methodology can be summarised in the following steps:

- Projection for each employee in force at the valuation date of the Severance Pay already set aside up to the unknown date of payout;
- Determination for each employee of the probable payments of Severance Pay to be made by Group companies in the event of the employee leaving due to dismissal, resignation, incapacity, death or retirement, as well as in the event of requests for advances;
- Discounting, at the date of valuation, of each probable payment.

The actuarial model for the valuation of Severance Pay is based on various assumptions, both demographic and economic-financial. The main assumptions of the model are:

- Death per the mortality tables published by the State General Accounting Department;
- National Social Security Institute tables by age and sex;
- Retirement – 100% upon reaching the AGO requirements adjusted to Legislative Decree 4/2019
- Turnover frequency of 8%;

- Frequency of anticipations at 1%;
- Annual rate increase for Severance Pay of 2.4%;
- Inflation rate of 1.2%;
- Discount rate of 0.77%.

The following table shows the effects there would be on the defined benefit obligation as a result of a change in the discount rate:

(euro)	Sensitivity	New Severance Pay Reserve
Turnover rate	+1%	994,716
	-1.0%	987,453
Inflation rate	+0.25%	1,006,419
	-0.3%	976,784
Discount rate	+0.25%	974,119
	-0.3%	1,009,331

The number of employees by category as at 31st December 2022, compared with 31st December 2021, is shown in the table below:

(No. of units)	31st December 2022	31st December 2021	Changes
Take OFF			
Management	3	2	1
Clerks	18	5	13
Labourers	278	192	86
Over			
Clerks	8	8	0
Labourers	12	12	0
Total	**319**	**219**	**100**

22. Provisions for non-current risks and charges

The composition of the item “Provisions for liabilities and charges” as of 31st December 2022, compared with the same values as of 31st December 2021, is shown below:

(euro)	Provision for litigation risks	Total
Balance at 31st December 2021	**42,531**	**42,531**
Provision for the year	9,469	9,469
Utilised within the year	–	–
Balance at 31st December 2022	**52,000**	**52,000**

As of 31st December 2022, the item includes the amount set aside for risks deemed probable for labour disputes of a non-current nature. It was deemed opportune to set aside an additional 9.4 thousand to adjust the provision to the presumable amount for which the Company could be called upon to pay.

23. Other non-current liabilities

The composition of the item "Other non-current liabilities" as of 31st December 2022, compared with the same values as of 31st December 2021, is shown below:

(euro)	31st December 2022	31st December 2021	Variation
Security deposits	139,450	94,500	44,950
Total other non-current payables and liabilities	**139,450**	**94,500**	**44,950**

As at 31st December 2022, this item comprises the amount of security deposits as non-interest-bearing guarantees paid to Over.

24. Non-current tax payables

(euro)	31st December 2022	31st December 2021	Variation
Tax settlement payables – portion within the year	806,255	1,206,369	(400,115)
Total other non-current payables and liabilities	**806,255**	**1,206,369**	**(400,115)**

As at 31st December 2022, the item includes the portion due after 12 months for the tax settlement payable pursuant to Article l82-ter of the Finance Law. This debt arose from the closure of Over's settlement procedure in 2019.

25. Deferred tax liabilities

The composition of "Deferred Tax Assets" as at 31st December 2022, compared with the same values as at 31st December 2021, is shown below:

(euro)	31st December 2022	31st December 2021	Variation
Deferred tax liabilities	108	108	0
Total deferred tax liabilities	**108**	**108**	**0**

Deferred tax liabilities mainly reflect the tax effects of positive IAS/IFRS translation adjustments. For more details on deferred taxes, please refer to the Notes on Income Taxes.

26. Bank borrowings and short-term portion of loans

The composition of the item "Bank borrowings and short-term portion of long-term loans" as at 31st December 2022, compared with the same values as at 31st December 2021, is shown below:

(euro)	31st December 2022	31st December 2021	Changes
Intesa Sanpaolo S.p.A. finimport	0	43,539	(43,539)

Intesa Sanpaolo S.p.A. confirming	2,441,753	773,387	1,668,366
BCC financing – long-term quota	0	71,073	[71,073]
BPB financing – long-term quota	0	267,916	[267,916]
Sanpaolo financing – long-term quota	0	0	0
BCC 2 financing – long-term quota	0	130,468	[130,468]
Sanpaolo 2 financing – long-term quota	209,712	500,344	[290,631]
BPM financing – long-term quota	0	193,165	[193,165]
BPB 2 financing – long-term quota	0	154,904	[154,904]
BDF financing – long-term quota	0	160,988	[160,988]
Sanpaolo 3 financing – long-term quota	0	253,425	[253,425]
Sanpaolo 4 financing – long-term quota	0	401,834	[401,834]
Sanpaolo 5 financing – long-term quota	0		0
Bank borrowings and the short-term portion of long-term loans	**2,651,465**	**2,951,044**	**(299,579)**

As at 31st December 2022, the item refers to the short-term portion of bank borrowings, for which reference to Note 18 – "Medium- and long-term loans" should be made, along with the amount for payables to banks for import advances.

The increase in the item "Confirming" is attributable to the major procurement that the company had to make in the run-up to the end of the year 2022 for the opening of the new shops.

27. Other current financial liabilities

The composition of the item "Other Current Financial Liabilities" as of 31st December 2022, compared with the same values as of 31st December 2021, is shown below:

(euro)	31st December 2022	31st December 2021	Variation
Leasing payables – short-term portion	2,132,292	1,514,716	617,576
Total other current financial liabilities	**2,132,292**	**1,514,716**	**617,576**

The item mainly refers to short-term residual payables for leases relating to the commercial premises of Over and Take Off's sales outlets.

28. Trade payables

The composition of the item "Trade Payables" as at 31st December 2022, compared with the same values as at 31st December 2021, is shown below:

(euro)	31st December 2022	31st December 2021	Changes
Liabilities to suppliers	3,078,216	1,892,195	1,186,021
Invoices to be received	120,660	87,729	32,931
Banca IFIS S.p.A.	0	74,937	(74,937)
Credit notes to be received	[335]	[5,118]	4,783
Suppliers in litigation	3,016,675	2,840,646	176,029
Total trade payables	**6,215,216**	**4,890,388**	**1,324,828**

Trade payables refer to payables contracted for the purchase of goods for resale. The increase in this item is directly related to the increase in procurement as a result of the new sales outlets.
Worth mentioning is the amount of 3,016,000 euro from suppliers with whom a dispute is underway exclusively by Over for defects in supplies. The increase in the latter item is attributable to the fluctuation of the euro/USD exchange rate. No interest on arrears accrues on this item, since it is not due to the other party.

29. Liabilities for returns

The composition of the item "Liabilities for returns" as at 30th 31st December 2022, compared with the same values as of 31st December 2021, is shown below:

(euro)	31st December 2022		31st
Vouchers issued	60,400	41,625	18,775
Total liabilities for returns	**60,400**	**41,625**	**18,775**

The balance refers to vouchers issued by individual sales outlets for returns made by customers.

30. Current contractual liabilities

The composition of the item "Current Contractual Liabilities" as of 31st December 2022, compared with the same values as of 31st December 2021, is shown below:

(euro)	31st December 2022	31st December 2021	Variation
Customer deposits	19,487	0	19,487
Total current contractual liabilities	19,487	0	19,487

This item mainly refers to deposits paid by customers by way of holds on goods to purchase.

31. Tax payables

The composition of the item "Tax payables" as at 31st December 2022, compared with the same values as at 31st December 2021, is shown below:

(euro)	**31st December 2022**	**31st December 2021**	**Variation**
Corporate Income Tax	21,065	327,091	(306,026)
Regional Production Tax	36,553	118,710	(82,157)
Tax settlement payables – portion within the year	400,115	398,119	1,995
Payables for penalties and interest	810,285	975,543	(165,258)

Total tax payables	**1,268,018**	**1,819,464**	**(551,446)**

As at 31st December 2022, the item mainly refers to payables for penalties and interest, amounting to 810,000 euro, referring to taxes for previous years, which decreased due to the release of the portion of the payable relative to the year 2016 no longer due.

It should be noted that the payable for tax settlement, equal to 400,000 euro for the portion due during the year and 806,000 euro due after year's end, relates to the debt accrued as a result of the tax settlement pursuant to Article 182-ter of the Bankruptcy Law, defined by Over.

32. Other current payables and liabilities

The composition of the item "Other Current Payables and Liabilities" as of 31st December 2022, compared with the same values as of 31st December 2021, is shown below:

(euro)	31st December	31st December 2021	Changes
Payables to social security institutions	198,849	147,746	51,102
Payables to employees	478,898	262,048	216,850
Withholding taxes on employment and self-employment	142,400	110,734	31,667
VAT	273,232	268,175	5,057
Other tax payables	0	36,810	(36,810)
Other current payables and liabilities	90,328	0	90,328
Accrued liabilities and deferred income	28,486	14,232	14,254
Total other current payables and liabilities	**1,212,193**	**839,745**	**372,447**

As at 31st December 2022, this item mainly included payables to social security institutions to the amount of 199,000 euro, payables for accrued employee compensation in the amount of 479,000 euro, along with accrued expenses and deferred income to the amount of 28,000 euro.

The increase in the item "Other Current Payables and Liabilities" is largely due to the rise in payables to employees related to the payment of the December 2022 payroll and the accrual of holiday leave.

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33. Revenue from contracts with customers

The breakdown of the item "Revenue from Contracts with Customers" for the 2022 financial year, compared with the same values for the 2021 financial year, is shown below:

(euro)	1st January 2022 – 31st December 2022	1st January 2021 – 31st December 2021	Variation
Sale of wholesale goods	1,502,476	298,746	1,203,730
Shop sale revenues	28,335,867	26,100,219	2,235,648
Total revenue from contracts with clients	**29,838,343**	**26,398,965**	**3,439,378**

The item "Revenue from contracts with customers" includes revenue from the sale of wholesale goods, revenue from shop sales and other sales revenue.
Shop sale revenues as at 31st December 2022 represent 95% of turnover and refer to the revenues generated by the 42 directly owned and operated shops and the revenues generated by the 7 affiliated Take Off shops, in addition to the sales of the 114 Over affiliated shops. The change for the period is essentially due to an up in sales, which is duly commented on in the Management Report to which reference should be made.

The timing of determining revenue for the sale of goods, whether through the retail or wholesale channel, occurs upon control of the good being transferred to the customer, generally at the time of delivery.

Below is a breakdown of revenue from contracts with Group customers according to geographic criteria and the timing of their reporting:

	1st January 2022–31st December 2022		
(euro)	**Sale of goods at wholesale**	**Sale of goods at retail**	**Other amounts of sale**
Type of goods			
Sale of Wholesale Goods			
Shop Sales Amounts	1,502,476	28,335,867	
Other Sales Amounts			
Total revenue from contracts with clients	**1,502,476**	**28,335,867**	**–**
Geographical area			
Italy	1,418,102	28,335,867	
Foreign	84,374		
Total revenue from contracts with clients	**1,502,476**	**28,335,867**	**–**
Timing of revenue recognition			
Assets transferred at a given time	1,502,476	28,335,867	
Assets transferred over time	–	–	–
Total revenue from contracts with clients	**1,502,476**	**28,335,867**	**–**

	1st January 2021–31st December 2021		
(euro)	**Sale of goods at wholesale**	**Sale of goods at retail**	**Other sales payments**
Type of goods			
Sales of Wholesale			
Goods Shop Sales Amounts	298,746		
Other Sales Amounts		26,100,219	
Total revenue from contracts with clients	**298,746**	**26,100,219**	**–**
Geographical area			
Italy	298,746	26,100,219	–
Foreign	–	–	–
Total revenue from contracts with clients	**298,746**	**26,100,219**	**–**
Timing of revenue recognition			
Assets transferred at a given time	298,746	26,100,219	–
Assets transferred over time	–	–	–
Total revenue from contracts with clients	**298,746**	**26,100,219**	**–**

34. Other income

The breakdown of the item “Other Income” for the 2022 financial year, compared with the same values for the 2021 financial year, is shown below:

(euro)	1st January 2022–31st December 2022	1st January 2021–31st December 2021	Changes
Leases and subleases	24,657	21,300	3,357
Various contributions	508,325	781,704	(273,380)
Reimbursement of affiliate expenses	148,941	94,034	54,907
Discounts/rebates	6,869	3,076	3,794
Contingent assets	33,515	72,382	(38,867)
Gains	9,721	41,373	(31,652)
Other minors	58,010	13,194	44,816
Other sales revenue	992	564,456	(563,464)
Total other income	**791,029**	**1,591,518**	**(237,025)**
of which with correlated parties	***8,375***	***582,056***	

It should be noted that the item is positively affected mainly by grants received to the amount of 508,000 euro. This item includes the contribution to support the increase in the value of closing inventories amounting to 432,000 euro for the subsidiary Over S.p.A. and the contribution related to Training 4.0 – Law no. 205 dated 27th December 2017 – totalling 67,000 euro.

The significant decrease in the item “Other Sales Revenue” in the year under review compared to the comparative year is due to a large non-recurring sale of assets in the year 2021 to the subsidiary Horizon.

35. Costs for raw and semi-processed materials and consumables

The composition of the item “Costs for Raw Materials and Consumables” for the 2022 financial year, compared with the same values for the 2021 financial year, is shown below:

(euro)	1st January 2022–31st December 2022	1st January 2021–31st December 2021	Changes
Purchases of goods	16,685,010	9,258,386	7,426,623
Purchases of consumables	141,876	104,218	37,658
Ancillary charges on purchases	827,763	456,609	371,154
Change in inventories of goods	(3,378,561)	2,248,206	(5,626,766)
Total costs for raw material, semi-finished products and consumables	**14,276,088**	**12,067,419**	**2,208,669**

The costs of raw materials, supplies and consumables mainly refer to the purchase of goods for resale at individual points of sale.

The substantial increase in the item for the purchase of goods is in line with the rise in revenue and is mainly attributable to an up in the purchase costs of goods and the substantial procurement made as a result of new openings.

The increase in the item "Ancillary Charges on Purchases" compared to the previous year, amounting to 371,000 euro, is attributable to the increase in freight and customs clearance costs for the purchase of goods.

36. Costs for services

The breakdown of the item "Costs for Services" for the 2022 financial year, compared with the same values for the 2021 financial year, is shown below:

(euro)	1st January 2022–31st December 2022	1st January 2021–31st December 2021	Changes
Telephone expenses	41,614	40,122	1,492
Supervisory services	30,014	28,191	1,823
Electricity	289,785	238,997	50,788
Water	13,829	16,316	(2,488)
Maintenance and repairs	59,678	63,643	(3,964)
Insurance	30,108	20,673	9,436
Shipping	111,244	99,893	11,351
Advertising	718,589	115,243	603,345
Consultancy	731,453	536,755	194,699
Remuneration of the corporate bodies	206,260	213,686	(7,426)
Other service costs	674,531	432,552	241,979
Total costs for services	**2,907,105**	**1,806,071**	**1,101,034**

Costs for services include expenses for electricity and water utilities, costs for security services, maintenance and repairs, insurance, transport costs, advertising, maintenance costs, services provided for technical, legal, administrative and professional consultation, costs related to remuneration for administrative and supervisory bodies, along with other residual costs.

The increase in this item over the previous year of 1,101,000 euro was mainly due to costs incurred for advertising relating to the opening of the new Take Off and Over shops, consulting expenses due to the new corporate structure following the stock exchange listing and the rise in costs relating to the electricity supply.

The increase in the item "Other Service Costs" is mainly due to the rise in the price of fuel for vehicles used for the reassortment of products within the sales outlets and the increase in ordinary expenses for on-site supervision of new sales outlets.

37. Personnel costs

The breakdown of the item "Personnel Costs" for the 2022 financial year, compared with the same values for the 2021 financial year, is shown below:

(euro)	1st January 2022–31st December 2022	1st January 2021–31st December 2021	Changes
Remuneration	4,360,499	3,182,413	1,178,086
Social security and insurance charges	918,764	716,859	201,905
Provision for Severance Pay	250,823	289,315	(38,491)
Other personnel-related costs	103,799	122,520	(18,721)

Total personnel costs	**5,633,8**	**4,311,107**	**1,322,778**

Personnel costs relate to the costs for employees during the period.

The increase in personnel costs compared to the same period of the previous year, equal to 1,323,000 euro, is mainly due to the hiring of new personnel for the opening of the new sales outlets.

38. Other operating costs

The breakdown of the item "Other Operating Expenses" for the 2022 financial year, compared with the same values for the 2021 financial year, is shown below:

(euro)	1st January 2022–31st December 2022	1st January 2021–31st December 2021	Changes
Condominium expenses	16,280	16,451	(170)
Other costs related to leases	275,093	59,945	215,148
Lease fees	22,776	17,130	5,645
Taxes and non-income taxes	106,474	97,791	8,683
Contingent liabilities	86,891	67,102	19,789
Losses	3,398	8,385	(4,986)
Other operating costs	32,119	22,117	10,002
Total other operating costs	**543,032**	**288,922**	**254,110**

As at 31st December 2022, the item mainly includes condominium expenses and additional costs of rented outlets in the amount of 275,000 euro, non-income taxes and duties in the amount of 106,000 euro, along with contingent liabilities in the amount of 87,000 euro.

In particular, other lease-related expenses refer to miscellaneous expenses and costs for equipment utilised at the points of sale and in promotional activities. The increase in this item can be directly attributed to the rise in new sales outlets opened under direct management.

The Group has no early termination options that it intends to exercise but has not measured in the liabilities for the lease. With regard to renewal options, the Group has considered the renewal options it intends to exercise in its accounting policies for determining the lease term, as described in the valuation criteria to which reference is made for further information. In addition, there are no outstanding lease contracts into which the Group has entered.

39. Amortisation, depreciation and write-downs

The breakdown of the item "Depreciation, Amortisation and Write-downs" for the 2022 financial year, compared with the same values for the 2021 financial year, is shown below:

(euro)	1st January 2022–31st December 2022	1st January 2021–31st December 2021	Changes
Amortisation of intangible assets	6,133	5,040	1,093
Amortisation on rights-to-use	1,805,379	1,527,084	278,295
Depreciation on property, plants and machinery	373,659	296,485	77,174
Provision for risks	9,469	0	9,469
Provision for writedowns Credits	76,206	672	75,533
Total amortisation, depreciation and write-downs	**2,270,845**	**1,829,281**	**441,564**

This refers to the depreciation of buildings, furniture, electronic machines, general installations and equipment, as well as the depreciation of rights-to-use.

It should be noted that the company wanted to prudentially set aside 75,000 euro for bad debts whose recoverability is uncertain.

For more details, please refer to the comments on intangible assets, rights of use and property, plants and machinery.

40. Financial expenses

The breakdown of the item “Financial Expenses” for the 2022 financial year, compared with the same values for the 2021 financial year, is shown below:

(euro)	1st January 2022–31st December 2022	1st January 2021–31st December 2021	Changes
Bank interest expenses	81,583	107,888	(26,305)
Exchange rate losses	26,412	6,115	20,297
Interest expenses on leasing contracts	189,988	193,752	(3,763)
Other financial expenses	38,659	14,401	24,258
Taxes for previous years	229	0	229
Exchange rate fluctuation	128,301	211,600	(83,299)
Total financial dues	**465,171**	**533,756**	**(68,585)**

The decrease in this item compared to the previous year, equal to 69,000 euro, is mainly due to the reduction in the effect of the Euro/USD exchange rate adjustment of trade payables on the subsidiary Over S.p.A.

41. Financial income

The composition of the item “Financial Income” for the period from 1st January to 31st December 2022, compared with the same values for the period from 1st January to 31st December 2021, is shown below:

(euro)	1st January 2022 – 31st December 2022	1st January 2021 – 31st December 2021	Variation
Exchange rate gains	2,823	354	2,469
Interest income	66,054	42,784	23,270
Total financial income	**68,877**	**43,138**	**25,739**

The increase in the item “Financial Income” of 26,000 euro is due to the up in foreign exchange gains and higher interest income on bank accounts.

42. Income taxes

The composition of the item “Income Taxes” for the period from 1st January to 31st December 2022, compared with the same values for the period from 1st January to 31st December 2021, is shown below:

(euro)	1st January 2022 – 31st December 2022	1st January 2021 – 31st December 2021	
Taxes for the period	835,055	1,117,940	(282,885)
Deferred tax assets	281,874	439,813	(157,940)
Total income tax	**1,116,929**	**1,557,753**	**(440,825)**

Current taxes refer to Corporate Income Tax and Italian Regional Production Tax for the period.

Deferred tax assets include the tax effects of non-deductible costs for the year and negative IAS/IFRS translation adjustments.

The following tables express the reconciliation of theoretical taxes with actual taxes.

Reconciliation between tax expenses from financial statements and theoretical tax expenses (Corporate Income Tax)

Net income before taxes	**4,604,251**	
Theoretical tax burden (24% rate)		**1,105,020**
Temporary differences deductible in future years:		
Maintenance expenses exceeding the deductible amount (Article 102 – Consolidated Income Tax Code)	0	
Non-deductible write-downs	224,229	
Non-deductible changes in exchange rates	176,029	
Non-deductible interest expenses	0	
Total	400,258	
Reversal of temporary differences from previous years		
Maintenance expenses exceeding the deductible amount (Article 102 – Consolidated Income Tax Code)	0	
Interest expenses not deducted in previous years	(742,422)	
Total	(742,422)	
Differences that will not affect subsequent years:		
Non-deductible or unpaid taxes	(3,943)	
Expenses for unpaid means of transport – Article 164	115,854	
Excluded portion of distributed profits – Article 89	0	
Textile Bonus Contribution	0	
Other increases	355,615	
Other decreases	(616,295)	
Total	-148,769	
Utilisation of tax losses		
Utilisation of tax losses	(1,027,337)	

ACE deduction	
Total	(1,027,337)
Taxable income	**3,085,981**

Current taxes on operating income		**740,635**

Reconciliation between tax charge from financial statements and theoretical tax charge (Italian Regional Production Tax)

Difference between production value and production costs	10,802,622	
Costs not relevant for Italian Regional Production Tax purposes	0	
Other relevant items	0	
Total	**10,802,622**	
Theoretical tax burden (4.82% rate)		**520,686**
Differences that will not affect subsequent years:		
Costs, fees and profits referred to in Article 11 of Legislative Decree 446	0	
Municipal property tax	0	
Textile Bonus Contribution	0	
Other increases for Italian Regional Production Tax purposes	290,268	
Other decreases for Italian Regional Production Tax purposes	-499,718	
Total	-209,450	
Italian Regional Production Tax deductions	4,167,653	
Taxable Italian Regional Production Tax	**6,425,519**	
Current Italian Regional Production Tax for the year		**307,007**

Deferred tax assets are detailed below:

	31/12/2022			**31/12/2021**			**31/12/2022**		**31/12/2021**	
(thousands of euro)	**Total temporary differences**	**Tax effect %**	**Tax effect**	**Total temporary differences**	**Tax effect %**	**Tax effect**	**Effect on profit and loss**	**Effect on the Comprehensive Income Statement**	**Effect on profit and loss**	**Effect on the Comprehensive Income**
Deferred tax liabilities										
Excess maintenance	153,400	24.00%	36,816	266,838	24.00%	64,041	27,225		32,885	
Registration of rights of use on leases	88,758	28.82%	25,580	88,758	28.82%	25,579	1		7,601	–
Discounting of Severance Pay	33,371	24.00%	8,009	186,318	24.00%	44,716	19,657	17,049	(12,375)	(2,347)
Non-taxable changes in exchange rates	176,029	24.00%	42,247	218,994	24.00%	52,559	10,312		(52,559)	
Unlimited tax losses carried forward	2,942,108	24.00%	706,106	3,878,272	24.00%	930,735	224,679		351,281	–
Non-deductible write-downs	500,000	28.82%	144,096	500,000	28.82%	144,100	0		(57,640)	–
Total deferred tax liabilities	3,893,667		962,854	5,139,180		1,261,777	281,874	17,049	491,960	(2,347)

(thousands of euro)	Total temporary differences				Tax effect %	Tax effect	Effect on profit and loss statement	Effect on the Comprehensive Income Statement	Effect on profit and loss statement	Effect on the Comprehensive Income Statement
Deferred tax liabilities										
Non-deductible changes in exchange rates				0	24.00%	0	0	–	52,149	
Other changes	450	24.00%	108	450	24.00%	108	0	–	0	–
							0		0	–
Total deferred tax liabilities	450		108	450		108	0	0	52,149	0
Cost/(Revenue) for deferred taxes							281,874	17,049		

43. Financial instruments – Fair Value and Risk Management

A. Accounting classification

The classification of the Group's financial assets and liabilities is presented below:

(euro)	31st December 2022	31st December
Financial assets at amortised cost		
Other non-current receivables	641,277	424,478
Trade receivables	392,885	227,184
Other current receivables	2,322,372	820,113
Tax receivables	230,615	1,536,706
Total financial assets at amortised cost	**3,587,148**	**3,008,481**
Financial liabilities at amortised cost		
Medium- to long-term financing	–	3,224,665
Other non-current financial liabilities	6,847,808	5,431,804
Bank borrowings and the short-term portion of long-term loans	2,651,465	2,951,044
Other current financial liabilities	2,132,292	1,514,716
Trade payables	6,215,216	4,890,388
Payables for contractual obligations	60,400	41,625
Tax payables	1,268,018	1,819,464
Other current payables and liabilities	1,212,193	839,745
Total financial liabilities at amortised cost	**20,387,391**	**20,713,451**

B. Fair Value Measurement

The table below compares, by individual class, the book value and fair value of financial instruments held by the Group, excluding those whose book value reasonably approximates fair value:

	Book value		**Fair value**	
(euro)	**31/12/2022**	**31/12/2021**	**31/12/2022**	**31/12/2021**
Financial assets				
Financial receivables from subsidiaries	–	–	–	–
Equities	–	–	–	–

Total financial assets	0	0	0	0
Financial Liabilities				
BCC Financing	0	71,073	0	71,073
BPB Financing	0	335,631	0	335,631
Sanpaolo financing	0	0	0	0
BCC 2 Financing	0	589,664	0	589,664
Sanpaolo 2 Financing	209,712	710,056	209,712	710,056
BPM Financing	0	808,994	0	808,994
BPB 2 Financing	0	774,445	0	774,445
BDF Financing	0	818,920	0	818,920
Sanpaolo 3 Financing	0	750,000	0	750,000
Sanpaolo 4 Financing	0	500,000	0	500,000
Sanpaolo 5 Financing	0	0	0	0
Intesa Sanpaolo S.p.A. finimport	0	43,539	0	43,539
Intesa Sanpaolo S.p.A. confirming	2,441,753	773,387	2,441,753	773,387
Total financial liabilities	**2,651,465**	**6,175,708**	**2,651,465**	**6,175,708**
Total net financial assets	**2,651,465**	**6,175,708**	**2,651,465**	**6,175,708**

The Management has verified that the fair value of cash and cash equivalents and short-term deposits, readily marketable equity securities, trade receivables and payables, bank overdrafts and other current liabilities approximates the carrying value as a result of the short-term maturities of such instruments.

The following table shows whether the Group's financial assets and liabilities belong to Level 1, Level 2 or Level 3 of the fair value hierarchy:

	31/12/2022		
(euro)	**Prices quoted in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Financial liabilities for which fair value is indicated			
BCC Financing	–	0	–
BPB Financing	–	0	–
Sanpaolo Financing	–	0	–
BCC 2 Financing	–	0	–
Sanpaolo 2 Financing	–	209,712	–
BPM Financing	–	0	–
BPB 2 Financing	–	0	–
BDF Financing	–	0	–
Intesa Sanpaolo S.p.A. finimport	–	0	–
Intesa Sanpaolo S.p.A. confirming	–	2,441,753	–
Sanpaolo 3 Financing	–	0	–
Sanpaolo 4 Financing	–	0	–
Sanpaolo 5 Financing	–	0	–
Total financial liabilities	–	**2,651,465**	–

- The following methods and assumptions were used to estimate fair value: Financial receivables from subsidiaries are valued by the Group on the basis of parameters such as the interest rate, the individual creditworthiness of the subsidiary and the risk characteristic of the financial project;
- The fair value of equities is determined using the market value at the date of reference;
- The fair value of the Group's interest-bearing loans and borrowings are determined using the discounted cash flow method, with a discount rate that reflects the loan rate utilised by the issuer at year-end. Its default risk as at 31st December 2022 and 31st December 2021 was assessed as not significant.

There were no transfers between Level 1 and Level 2 and no fair value estimates at Level 3 as at 31st December 2022 and 31st December 2021.

C. Financial risks

The Group is exposed to varying degrees of financial risks pertaining to its business activities. In particular, the Group is simultaneously exposed to market risk (interest rate risk and price risk), liquidity risk and credit risk.

Financial risk management is carried out on the basis of guidelines defined by the Management. The objective is to ensure that the liability structure is always in balance with the composition of the assets, in order to maintain adequate solvency of the capital.

The sources of financing utilised by the Company consist of a mix of risk capital, contributed on a permanent basis by shareholders, and debt capital, comprising:

- Medium-/long-term loans with a multi-year amortisation plan, to cover investments in fixed assets;
- Real estate leasing contracts.

Market risk

Market risk is the risk of fluctuations in the future streams of a financial instrument as a result of changes in market prices. It consists of two types of risk:

- Interest rate risk;
- Price risk.

Interest rate risk

Interest rate risk is the risk of fluctuations in the future streams of a financial instrument due to changes in interest rates.

The Group's sensitivity to interest rate risk is managed with due consideration for its overall exposure. As part of its general policy of optimising financial resources, the Group seeks balance by resorting to the least costly forms of financing.

The Group's main sources of exposure to interest rate risk are bank loans, which have variable interest rates and are thus subject to the risk of changes in cash flows. This risk is reflected in the leasing liabilities, measured at the marginal financing rate.

The following table shows the book value, by maturity, of the Group's financial instruments that are exposed to interest rate risk:

(euro)	Interest rate	Expiry date	31st December 2022	31st December 2021
Non-current financial liabilities				
BCC Financing	3-month Euribor +	2022	0	0
BPB Financing	6-month Euribor +	2023	0	67,714
Sanpaolo 2 Financing	fixed	2023	0	209,712
BCC 2 Financing	3-month Euribor +	2023	0	459,196
BPM Financing	fixed	2023	0	615,829
BPB 2 Financing	fixed	2026	0	619,540
BDF Financing	fixed	2026	0	657,932
Sanpaolo 3 Financing	fixed	2024	0	496,575
Sanpaolo 4 Financing	Euribor 1 month+spread	2023	0	98,166
Sanpaolo 5 Financing	Euribor 1 month+spread	2025	0	0
Lease payables	2.5%	2022–2031	6,847,808	5,431,804
Total non-current financial liabilities			**6,847,808**	**8,656,468**
Current financial liabilities				
BCC Financing	3-month Euribor +	2021	0	71,073
BPB Financing	6-month Euribor +	2021	0	267,916
Sanpaolo Financing	fixed	2021	0	0
BCC 2 Financing	3-month Euribor +	2021	0	130,468
Sanpaolo 2 Financing	fixed	2021	209,712	500,344
BPM Financing	fixed	2023	0	193,165
BPB 2 Financing	fixed	2026	0	154,904
BDF Financing	fixed	2026	0	160,988
Sanpaolo 3 Financing	fixed	2024	0	253,425
Sanpaolo 4 Financing	Euribor 1 month+spread	2023	0	401,834
Sanpaolo 5 Financing	Euribor 1 month+spread	2025	0	0
Intesa Sanpaolo SpA Finimport		2021	0	43,539
Intesa Sanpaolo SpA Confirming		2021	2,441,753	773,387
Lease payables	2.5%	2022–2031	2,132,292	1,514,716
Total current financial liabilities			**4,783,758**	**4,465,760**

Price risk

The main price risk identified stems from fluctuations in the prices of traded goods. In order to monitor this risk, the Group pays particular attention to procurement policies, fixed cost optimisation and the efficiency of the organisational structure.

Credit risk

The Group's main exposure to credit risk arises from trade receivables, the quality and seniority of which is constantly monitored by the administrative structure to ensure timely intervention and reduce the risk of losses. With regard to overdue receivables, no particular risks are evident.

The Group's financial assets, which include cash and cash equivalents and other financial assets, present a maximum risk equal to the book value of these assets in the event of a default by a counterparty.

Liquidity risk

The Group manages liquidity risk through tight control of the components of operating working capital and of trade receivables and trade payables in particular.

The Group is committed to obtaining a good generation of cash then exploiting such in the outgoings necessary for payments to suppliers without jeopardising the short-term treasury balance and whilst avoiding critical situations and tensions in current liquidity, using – in addition and where necessary – short-term loans. On the other hand, the outstanding medium- to long-term loans are used to realise investments, consisting of the expansion of the distribution network.

The table below summarises the maturity profile of the Group's financial liabilities based on expected principal payments.

(euro)	Liability	1–2 years	2–3 years	3–4 years	4–5years	>5 years	Total
Balance at 31st December 2022							
Financing Sanpaolo 2 Intesa	209,712						209,712
Sanpaolo SpA confirming	2,441,753						2,441,753
Leasing liabilities	2,132,292	1,367,960	1,546,501	1,279,746	1,027,480	1,626,120	8,980,100
Trade payables	6,215,216						6,215,216
Payables for bonds contractual	60,400						60,400
Current contractual liabilities	19,487						19,487
Tax payables	1,268,018						1,268,018
Other current payables and	1,212,193						1,212,193
Total	**13,559,071**	**1,367,960**	**1,546,501**	**1,279,746**	**1,027,480**	**1,626,120**	**20,406,878**

(euro)	<1 year	1–2 years	2–3 years	3–4 years	4–5 years	> 5 years	Total
Balance at 31st December 2021							
BCC Financing	71,073						71,073
BPB Financing	267,916	67,715					335,631
BCC 2 Financing	130,468	133,768	137,151	140,619	47,658		589,664
Sanpaolo 2 Financing	500,344	209,712					710,056
BPM Financing	193,165	168,064	170,599	173,173	103,993		808,994
BPB2 Financing	154,904	157,637	160,418	163,248	138,237		774,445
BDF Financing	160,988	165,305	169,241	173,269	150,117		818,920
Sanpaolo 3 Financing	253,425	375,596	120,980				750,000
Sanpaolo 4 Financing	401,834	98,166					500,000
Intesa Sanpaolo S.pA confirming	773,387						773,387
Intesa Sanpaolo S.p.A. finimport	43,539						43,539
Leasing liabilities	1,514,716	1,391,835	1,168,863	755,237	433,439	1,682,430	6,946,520
Trade payables	4,890,388						4,890,388
Payables for contractual obligations	41,625						41,625

Tax payables	2,235,182	400,115	402,120	404,135			3,441,552
Other current payables and liabilities	424,027						424,027
Total	**12,056,983**	**3,167,913**	**2,329,371**	**1,809,681**	**873,444**	**1,682,430**	**21,919,821**

Changes in financial liabilities arising from financial assets

Changes in financial liabilities arising from financial assets as at 31st December 2022, compared to 31st December 2021, are detailed below:

(euro)	31st December 2021	Cash Flows	New leasing contracts	Other	31st December 2022
Medium- to long-term financing	3,224,665	(5,149,070)		1,924,406	0
Bank borrowings and short-term portion of loans	2,951,044	1,874,827		(2,174,406)	2,651,465
Lease liabilities – non-current portion	5,431,804		2,174,476	(758,472)	6,847,808
Lease liabilities – current portion	1,514,716	(1,779,744)		2,397,320	2,132,292
Total	**13,122,228**	**(5,053,987)**	**2,174,476**	**1,388,847**	**11,631,565**

The “Other” column includes the effects of reclassification of loans from “non-current” to “current”, including lease obligations, related to the passage of time, as well as the effect of renegotiations and terminations of operating leases.

D. Capital management

The primary objective of the Group’s capital management is to ensure that a strong credit rating and adequate levels of capital indicators are maintained to support the business and maximise shareholder value. The Group manages the capital structure of the Company and modifies such according to changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividends paid to shareholders, redeem capital or issue new shares. No changes were made to the objectives, policies or procedures during the 2022 and 2021 financial years.

The Group includes in net debt, interest-bearing loans, lease liabilities, trade payables and other payables, net of cash and cash equivalents, as shown below:

(euro)	31st December 2022	31st December 2021
Burdensome financing	2,651,465	6,175,710
Leasing liabilities	8,980,100	6,946,520
Trade and other payables	8,775,313	8,797,592
Cash and cash equivalents	(19,479,276)	(26,455,694)
Net debt	**927,602**	**(4,535,873)**
Net assets	**24,380,853**	**23,654,135**
Capital and net debt	**25,308,455**	**19,118,263**
Net payables/Net assets	**3.8%**	**-19.2%**

The change in the ratio of net payables to equity compared to the year 2021 is mainly attributable to the decrease in the Group's cash and cash equivalents.

44. Earnings per share

As required by IAS 33, information is provided on the data used to calculate basic and diluted earnings per share. Basic earnings per share is calculated by dividing the consolidated result for the period, profit or loss, attributable to the shareholders of Group companies by the weighted average number of shares outstanding during the period.

The values utilised in the calculation of basic and diluted earnings per share are shown below:

(euro)	31st December 2022	31st December 2021
Net operating result	3,485,195	5,639,312
Average number of ordinary shares	15,624,800	10,910,939
Basic and diluted earnings per share	**0.22**	**0.52**

The decrease in earnings per share compared to 2021 is due to the downturn in net income for the year and the increase in the average number of shares.

As of 31st December 2022, there were outstanding instruments that could potentially dilute basic earnings per share such as warrants. To this end, it should be noted that the warrants have no dilutive effect as at 31st December 2022 because, in accordance with paragraph 47 of IAS 33, it was verified that the average market price of ordinary shares in the period was lower than the exercise price of the warrants.

45. Significant Events occurring after year's end

On 6th February, by means of a Press Release issued on the same date, Take Off S.p.A. received notice from majority shareholder Summit S.p.A. that it had sold a total of 1,694,009 ordinary shares and a total of 5,721,636 warrants to leading Italian and foreign institutional investors. The transaction took place off-market on 3rd February 2023 at a price of 4.166 euro per share and 0.0099 euro per warrant. As a result of this transaction, Summit S.p.A.'s shareholding in Take Off S.p.A. went from 64.33% to 53.49% of the share capital, upping the free float from 28.29% to 39.13%.

Sales results for the months of January–March 2023 were in line with the budget, also in terms of margins, confirming the Group's positive trend and, for the time being, there are no direct repercussions of the current macroeconomic scenario as a result of international tensions.

Rising energy, fuel and raw material costs undoubtedly have a negative impact by burdening the Income Statement with costs that, no matter how carefully controlled and efficient, certainly affect our planning. Costs and upsurges unfortunately incurred due to exogenous variables, being predictable but unfortunately not always controllable, shall be managed as best as possible. Still, the Group has already demonstrated the resilience of its business model as well as the high variability and flexibility of its cost structure by maintaining significant margins even during the

most complex years of the pandemic. Within the actual complex context there are currently no elements that cannot be managed by the Group in line with what has been done in the recent past.
In this market environment, the company will continue with its purchasing, procurement and research and design strategy, trying to be more aggressive in view of the solid net financial position and more flexible in the rotation of collections and inventory.
Considering these general market conditions, the management bodies continued to take actions to contain corporate costs in order to nonetheless ensure the economic and financial balance of the Group.

46. Transactions with correlated parties

During the year, Take Off S.p.A. entered into a lease agreement with the associated company Horizon S.p.A. for an additional logistics point located in Monopoli at Via Baione 251/C. It should be noted that, in order to estimate a congruous fee based on normal market conditions, it was deemed appropriate to submit the aforesaid fee estimate to an independent third party, more specifically to the company PRAXI S.p.A., which estimated a congruous fee of 126,000 euro per annum.
In addition, Take Off S.p.A. sold two company vehicles for a value of 4,000 euro each to the associated company Horizon S.p.A. and the associated company Vistamare S.r.l., respectively.

ASSET RELATIONS

(euro)	Credits and other current financial assets	Tangible fixed assets	Other non-current financial liabilities	Other current financial liabilities
Balance at 31st December 2022				
Horizon S.p.A.	–		(1,700,513)	(166,423)
Vistamare S.r.l.	–	(4,098)	–	–
Summit S.p.A.	–	–	–	–
Total	**–**	**(4,098)**	**(1,700,513)**	**(166,423)**
Balance at 31st December 2021				
Horizon S.r.l.	–	–	(1,803,333)	(156,785)
Vistamare S.r.l.	–	–	–	
Summit S.p.A.	–	–	–	–
Total	**–**	**–**	**(1,803,333)**	**(156,785)**

ECONOMIC RELATIONS

(euro)	Other income	Costs for raw materials and of consumption	Costs for services	Interest liabilities
Balance at 31st December 2022				
Vistamare S.r.l.	–	–	–	–
Over S.p.A.	4,277	–	4,277	–
Summit S.p.A.		–		–

Horizon S.p.A.	4,098			48,869
Total	**8,375**	–	**4,277**	**48,869**
Balance at 31st December 2021				
Vistamare S.r.l.	–	–	–	–
Summit S.r.l.	–	–	–	–
Horizon S.r.l.	582,056	–	–	51,082
Total	**582,056**	–	–	**51,082**

It should be noted that all transactions with correlated parties were concluded under normal market conditions.

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Dear Shareholders,

We invite you to approve the Consolidated Financial Statements as at 31st December 2022, as prepared by me.

***

Milan, 27th March 2023

The Chair of the Board of Directors
Aldo Piccarreta

TAKEOFF S.p.A.
Presidente C.d.A.
Aldo Piccarreta

The undersigned Aldo Piccarreta, in his capacity as Legal Representative, pursuant to and for the purposes of Article 23 of Legislative Decree no. 82/2005 and aware of the criminal liability under Article 76 of Presidential Decree no. 445/2000 for cases of falsity in deeds and mendacious declarations, certifies the conformity of the attached documents with those retained in the Company's records.

Take Off S.p.A.

Balance Sheet as at 31st December 2022

Financial Statements as at 31st December 2022

Balance Sheet of the Parent Company

(euro)	Notes	31st December 2022	31st December 2021
ASSETS			
Non-current assets			
Property, plants and machinery	(7)	1,739,480	1,361,365
Intangible assets	(8)	14,086	16,111
Right-of-use assets	(9)	8,662,504	6,364,739
Shareholding in subsidiaries	(10)	250,000	250,000
Other non-current receivables	(11)	613,279	408,518
Deferred tax liabilities	(12)	72,912	128,355
TOTAL NON-CURRENT ASSETS		**11,352,262**	**8,529,088**
Current assets			
Inventories	(13)	7,661,387	5,236,631
Trade receivables	(14)	141,587	93,931
Other current receivables	(15)	240,600	508,613
Tax receivables	(16)	230,207	182,338
Cash and cash equivalents	(17)	16,928,228	23,129,918
TOTAL CURRENT ASSETS		**25,202,008**	**29,151,431**
TOTAL ASSETS		**36,554,270**	**37,680,519**
NET ASSETS			
Share capital		1,562,480	1,562,480
Share premium reserve		11,682,808	11,682,808
Legal reserve		312,496	200,000
Reserve for conversion differences		2,440,366	2,440,366
Other reserves		865,882	826,293
Previous years' profit/loss		963,677	0
Result for the period		1,832,312	3,888,637
TOTAL NET ASSETS	**(18)**	**19,660,021**	**20,600,584**
LIABILITIES			
Non-current liabilities			
Medium- to long-term financing	(19)	0	3,224,665
Other non-current financial liabilities	(20)	6,653,037	5,155,110
Liabilities for future employee benefits	(21)	826,972	748,434
Provisions for risks and charges	(22)	52,000	42,531
Deferred tax liabilities	(23)	108	108
TOTAL NON-CURRENT LIABILITIES		**7,532,116**	**9,170,849**
Current liabilities			
Bank borrowings and the short-term portion of long-term loans	(24)	2,651,465	2,951,044
Other current financial liabilities	(25)	2,094,344	1,482,277
Trade payables	(26)	3,122,005	1,920,645
Payables for contractual obligations	(27)	60,400	41,625
Tax payables	(28)	293,473	838,726
Other current payables and liabilities	(29)	1,140,445	674,770
TOTAL CURRENT LIABILITIES		**9,362,133**	**7,909,087**
TOTAL LIABILITIES		**16,894,249**	**17,079,935**
TOTAL NET ASSETS AND LIABILITIES		**36,554,270**	**37,680,519**

Income Statement of the Parent Company

(euro)	Notes	1st January 2022– 31st December 2022	1st January 2021– 31st December 2021	Changes	% variations
Revenue from contracts with customers	(30)	23,714,011	19,898,713	3,815,297	19.2%
REVENUE		**23,714,011**	**19,898,713**	**3,815,297**	**19.2%**
Other income	(31)	194,214	1,494,707	(1,300,493)	-87.0%
of which with correlated parties		*4,098*	*582,056*		
Costs for raw materials and consumables	(32)	(10,984,148)	(8,977,791)	(2,006,356)	22.3%
Costs for services	(33)	(2,275,967)	(1,411,498)	(864,470)	61.2%
Personnel costs	(34)	(5,094,997)	(3,765,809)	(1,329,188)	35.3%
Other operating costs	(35)	(515,438)	(218,696)	(296,742)	135.7%
Amortisation and Depreciation	(36)	(2,216,613)	(1,727,901)	(488,712)	28.3%
OPERATING RESULT		**2,821,062**	**5,291,726**	**(2,470,663)**	
Financial expenses	(37)	(319,722)	(299,739)	(19,983)	6.7%
Financial income	(38)	62,785	36,698	26,087	71.1%
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**2,564,125**	**5,028,685**	**(2,464,560)**	**-49.0%**
Income taxes	(39)	(731,813)	(1,140,048)	408,235	-35.8%
RESULT FOR THE PERIOD FROM CONTINUING OPERATIONS		**1,832,312**	**3,888,637**	**(2,056,325)**	**-52.9%**
RESULT FOR THE PERIOD		**1,832,312**	**3,888,637**	**(2,056,325)**	**-52.9%**
Basic/diluted earnings per share	(41)	*0.12*	*0.36*		

Comprehensive Income Statement of the Parent Company

(euro)	Notes	1st January 2022 – 31st December 2022	1st January 2021– 31st December 2021
RESULT FOR THE PERIOD		**1,832,312**	**3,888,637**
Other components of the Comprehensive Income Statement			
Other components in the Comprehensive Income Statement that will not be subsequently reclassified to profit/(loss) for the year (net of taxes):			
Profits/(losses) from discounting liabilities for future employee benefits		52,091	(26,356)
Deferred taxes on profits/(losses) from discounting		(12,502)	6,325
Other components of the Comprehensive Financial Statement		**39,590**	**(20,031)**
Other components of the Comprehensive Income Statement that will be subsequently reclassified to profit/(loss) for the year (net of tax):			
OVERALL RESULT FOR THE PERIOD		**1,871,901**	**3,868,606**

Statement of Changes in Equity of the Parent Company

(euro)	Capitale sociale	Riserva sovrapprezzo	Riserva legale	Riserva da conversione agli IAS/IFRS	Altre riserve	Utili/perdite esercizi precedenti	Utile/(perdita) dell'esercizio	Totale
Balance at 31st December 2021	**1,562,480**	**11,682,808**	**200,000**	**2,440,366**	**826,293**	**0**	**3,888,637**	**20,600,583**
Result for the period	-	-	-	-	-	-	1,832,312	1,832,312
Other components of the Comprehensive Income Statement	-	-	-	-	**39,590**	-	-	**39,590**
Overall result for the period	-		-	-	**39,590**	-	**1,832,312**	**1,871,901**
Allocation of the result from the previous period	-		112,496		2,812,464	963,676,74	(3,888,637)	-
Rounding-off	-	-	-	-	-	-	-	-
Conferment of Over	-	-	-	-	-	-	-	-
Increase in Share Capital - Euronext Growth Italy	-	-						-
Dividend distribution					(2,812,464)	-		(2,812,464)
Balance at 31st December 2022	**1,562,480**	**11,682,808**	**312,496**	**2,440,366**	**865,882**	**963,677**	**1,832,312**	**19,660,020**

(euro)	Capitale sociale	Riserva sovrapprezzo	Riserva legale	Riserva da conversione agli IAS/IFRS	Altre riserve	Utili/perdite esercizi precedenti	Utile/(perdita) dell'esercizio	Totale
Balance as at 31st December 2020	**1,000,000**	**0**	**154,066**	**2,440,366**	**2,743,924**	**758,491**	**1,189,841**	**8,286,688**
Result for the period	-	-	-	-	-	-	3,888,637	3,888,637
Other components of the Comprehensive Income Statement	-		-	-	(20,031)	-	-	(20,031)
Overall result for the period	-		-	-	(20,031)	-	3,868,607	3,868,606
Allocation of the result from the previous period	-	-	45,934		1,902,398	(758,491)	(1,189,841)	-
Rounding-off	-	-	-	-	1			1
Conferment of Over	250,000	-	-	-	-	-	-	250,000
Increase in Share Capital - Euronext Growth Italy	312,480	12,186,720	-	-	-	-	-	12,499,200
Dividend distribution								
Listing costs (net of tax credit)	-	(503,912)	-	-	-	-	-	(503,912)
Dividend distribution	-	-	-	-	(3,800,000)	-	-	(3,800,000)
Balance as at 31st December 2020	**1,562,480**	**11,682,808**	**200,000**	**2,440,366**	**826,293**	**0**	3,888,367	20,600,583

Cash Flow Statement of the Parent Company

(euro)	Notes	1st January 2022– 31st December 2022	1st January 2021– 31st December 2021
Operational assets			
Profit before tax from continuing operations		2,564,125	5,028,685
Pre-tax result		**2,564,125**	**5,028,685**
Depreciation and Impairment of Property, Plants and Machinery	(35)	368,126	292,259
Amortisation and impairment of intangible assets and Right of Use	(35)	1,764,081	1,435,642
Provisions for future employee benefits	(21)	234,795	252,893
Financial income	(37)	(62,785)	(36,698)
Financial expenses	(36)	319,722	299,739
Changes in working capital:			
Trade receivables	(13)	(47,656)	(59,484)
Other current receivables	(14)	220,144	(579,906)
Inventories	(12)	(2,424,756)	2,168,455
Trade payables and contractual liabilities	(25)-(26)-(27)	1,220,134	(2,038,522)
Other current liabilities	(32)	552,701	12,224
Net change in non-current receivables/payables	0	(204,761)	(9,928)
Net change in deferred tax assets and liabilities	(ii) - (22)	67,926	45,169
Payments for employee benefits	(21)	(119,406)	(63,733)
Interest (paid)/received	(36) - (37)	(31,234)	(259,745)
Income taxes paid	(27) - (38)	(1,454,263)	(1,820,138)
Net cash flow from operating activities		**2,966,893**	**4,666,912**
Investment activities			
Investments in property, plants and machinery	(6)	(752,699)	(390,835)
Disposal of property, plants and machinery		6,458	688,954
Investments in Intangible Assets and Rights of Use	(7) - (8)	(3,000)	(5,650)
Net cash flow from investing activities		**(749,241)**	**292,469**
Financing assets			
Medium- to long-term financing taken out	(18) - (23)	1,918,366	1,754,700
Repayment of medium- and long-term financing	(18) - (23)	(5,442,610)	(1,171,910)
Repayment of financial liabilities for Right of Use on leases	(24)	(2,121,428)	(1,405,940)
Increase in share capital	(17)	0	11,995,288
Dividends paid	(17)	(2,773,670)	(4,800,000)
Net cash flow from financing activities		**(8,419,341)**	**6,372,138**
Net (decrease)/increase in cash and cash equivalents and in short-term deposits		**(6,201,690)**	**11,331,519**
Availability of cash and cash equivalents and in short-term deposits at the beginning of the year		**23,129,918**	**11,798,400**
Availability of cash and cash equivalents and in short-term deposits at the end of the year		**16,928,228**	**23,129,919**

Notes to the Financial Statements

Notes to the Parent Company's Financial Statements for the Year Ended 31st December 2022

1. Corporate information

Take Off is a joint stock company incorporated in Italy and registered with the Milan Companies Registry Office under No. 04509190759 (hereinafter, also referred to as the "Company"). The registered office is located in MILAN (MI) at Via Montenapoleone 8. The Company is subject to management and coordination by the parent company Summit S.p.A., with registered office at Via Montenapoleone 8, Milan, having Tax Code and VAT no. 08274180721. The Notes therefore present key figures from the latest approved Financial Statements of the company exercising management and coordination activities over Take Off.

As of 25th November 2021, the ordinary shares of Take Off S.p.A. were admitted to trading on the Euronext Growth Milan market.

On 19th May 2022, the Company's Board of Directors resolved to reissue 15,625,000 "2022–2024 Take Off Warrants" to be assigned free of charge to the Company's shareholders, at the ratio of 1 Warrant for each ordinary share of the Company held. On 26th May 2022, the Warrants –identified by ISIN Code IT0005467474 – were admitted to trading by Borsa Italiana, with the consequent assignment of the Warrants and commencement of trading on 30th May 2022.

The Company operates in the clothing retail sector through the OUTLET shop chain formula, availing of various points-of-sale located throughout Italy and particularly in southern Italy.

These Financial Statements are drawn up in euro, as the Company's functional currency, as are the Notes to the Financial Statements, unless otherwise indicated.

The financial statements adopted are consistent with those required by the relevant accounting standards and in particular:

- The statement of financial position was drawn up by classifying assets and liabilities on a "current/non-current" basis;
- The Financial Statement was prepared by classifying operating costs by nature;
- The Comprehensive Income Statement includes, in addition to the result for the period as per the Financial Statement, changes in equity other than those with shareholders;
- The cash flow statement has been prepared by presenting cash flows from operating activities according to the "indirect method", as permitted by IAS 7 (Statement of Cash Flows) – in this context, it has been chosen to present within the cash flows from operating activities the amount of interest paid and received;
- The statement of changes in equity has been prepared with separate disclosure of the other components of the Comprehensive Income Statement.

Taking into account the requirements of the relevant accounting standards, the comparison of both the Balance Sheet and Income Statement items is made with the values as at 31st December 2021 of the Take Off Financial Statements.

The Notes to the Financial Statements show the changes that occurred on the individual items during the period.

2. Accounting principles and valuation criteria adopted

The Financial Statements for the year ended 31st December 2022 were drawn up on the basis of the historical cost principle. Please refer to the specific paragraphs commenting on the balance sheet and Income Statement items for more details on the criteria adopted.

2.1 Discretionary Valuations and Significant Accounting Estimates

The preparation of Take Off's financial statements requires discretionary judgements, estimates and assumptions that affect the values of revenue, expenses, assets and liabilities, along with the disclosure of contingent liabilities at the balance sheet date. The actual results may thus differ from such estimates. Any uncertainty surrounding these assumptions and estimates could lead to outcomes requiring a significant adjustment to the carrying value of these assets and/or liabilities in the future. Estimates and assumptions are periodically reviewed and the effects of any changes to such are reflected in the Financial Statement for the period in which the estimate is revised. The main discretionary estimation and valuation processes relate to the recognition and measurement of the balance sheet items below.

Estimates and recruitments

llustrated below are the main assumptions concerning the future and other major causes of valuation uncertainty that, at the Balance Sheet date, present a material risk of giving rise to significant adjustments to the carrying amounts of assets and liabilities within the next financial year. The Company has based its estimates and assumptions on parameters available at the time the Annual Financial Statements were prepared. However, current circumstances and assumptions about future events may change due to alterations in the market or events beyond the control of the Company. Such changes, should they occur, are reflected in the assumptions when they actually arise.

Impairment of non-financial assets

Assets such as property, plants and equipment, intangible assets and assets consisting of the right to use an underlying asset are impaired when their carrying amount exceeds their recoverable amount, represented by the higher figure between fair value less costs of disposal and value-in-use.

As required by IAS 36, the Company has identified Cash Generating Units (CGUs) that represent the smallest identifiable group capable of generating largely independent cash flows. These CGUs correspond to the Companies' points of sale.

In view of the significant change in the economic environment, which also affected the sector in which the company operates, and in view of the ESMA recommendations (Public statement on "Implications of the COVID-19 Outbreak on the Half-yearly Financial Reports" of 20th May 2020) and the directions of

Consob (Call for Attention no. 8/20 of 16th July 2020), the Management deemed it appropriate to perform a specific analysis in order to identify any outlets that may present indicators of impairment in view of the effects of the pandemic, as well as with reference to its corporate assets, when closing the Financial Statements as at 31st December 2022.

The analysis is carried out by verifying the existence of impairment indicators at an individual shop level, determining their relative profitability, both actual and prospective, by attributing to them the revenues and direct costs sustained in marketing the goods, including amortisation of rights of use and excluding costs attributable to Corporate Assets (Logistics and Headquarters), wholesale sales and the results of any extraordinary transactions.

The aggregate profitability of retail outlets and wholesale sales (CGU Group) – both actual and projected – was then verified in order to determine the recoverability of operating costs attributable to Corporate Assets.

The prospective ability of the CGU Group to ensure the full recoverability of the net book value of the CGU Group and Corporate Assets, represented by the corporate Net Invested Capital (NIN), was then verified.

The existence of impairment indicators at shop level leads to an impairment test. If there are no impairment indicators, the impairment test is carried out at the CGU Group level.

Recoverable value tests are performed in accordance with the criteria set forth in IAS 36 and described in more detail in the below Note g) Impairment of Non-Financial Assets.

In determining the recoverable amount, Management applies the criterion of value in use. Value in use is the present value of future cash flows expected to arise from the asset being measured, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Expected future cash flows utilised to determine value-in-use are based on the most recent Business Plan for the 2023–2026 period, as approved by the Management, and containing forecasts for volumes, revenues, operating costs, cash flows and investments.

These forecasts cover the period of the next five years. Consequently, cash flows for subsequent years are determined on the basis of a long-term growth rate that does not exceed the long-term average growth rate expected for the sector and the country.

The analyses performed did not reveal any indicators of impairment on the Company's outlets.

Income taxes

Deferred and Prepaid Income Taxes

Deferred tax assets and liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities in the balance sheet, with the corresponding amounts recognised for tax purposes by applying the tax rate in effect at the date the temporary difference is reversed, determined on the basis of the tax rates provided for by measures enacted or substantively enacted at the reporting date. A deferred tax liability is recognised for all taxable temporary differences, deferred tax assets are recognised for all taxable temporary differences, and unused tax losses or tax credits are recognised when their recovery is probable, so when it is expected that sufficient taxable income will be available in the future to recover the asset.

The Company's Financial Statements include deferred tax assets, relative to the recognition of income components with deferred tax deductibility, for an amount whose recovery in future years is deemed by the Directors to be highly probable. The recoverability of the aforementioned deferred tax assets is subject to the achievement of future taxable profits sufficiently large to absorb the above tax losses and utilise the benefits of other deferred tax assets. Significant judgement is required for management in order to assess the likelihood of the recoverability of deferred tax assets, considering all possible evidence (both negative and positive) and to determine the amount that can be recognised in the Financial Statements, based on the timing and amount of future taxable income, future tax planning strategies and tax rates in effect at the time of their reversal. However, should it become apparent that the Company will not be able to recover all or part of the recognised deferred tax assets in future years, the resulting adjustment will be charged to the Income Statement of the year in which such occurs.

Deferred and prepaid income taxes are recognised in the Income Statement, except for those related to items recognised outside the Income Statement, which are recognised directly in equity.

Deferred and prepaid income taxes, applied by the same tax authority, are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities that will arise upon payment.

Uncertainty about income tax treatments

In defining uncertainty, the Company considers whether a given tax treatment will be acceptable to the tax authority. If it is deemed probable that the tax authority will accept the tax treatment (with the probable term being understood as 'more likely than not'), then the Company recognises and measures its current or deferred tax assets and liabilities by applying the provisions of IAS 12.

Conversely, if there is uncertainty about income tax treatment, the Company reflects the effect of this uncertainty by using the method that best provides for the resolution of uncertain tax treatment. In assessing whether and how uncertainty affects tax treatment, the Company assumes that the tax authority will accept uncertain tax treatment on the assumption that it will check the amounts it is entitled to examine and that it will have full knowledge of all relevant information. When concluding that it is not probable that the tax authority will accept an uncertain tax treatment, the Company reflects the effect of uncertainty in determining current and deferred taxes, using either the expected value method or the most probable amount method, whichever best predicts the resolution of uncertainty.

Management relies heavily on professional judgement in identifying uncertainties in income tax treatments and reviews judgements and estimates made when there is a change in factors and circumstances that change its predictions about the acceptability of a particular tax treatment or estimates made regarding the effects of uncertainty, or both.

Since uncertain tax positions relate to the definition of income taxes, the Company reports uncertain tax assets/liabilities as either current taxes or deferred taxes.

Expected losses on trade receivables

At the balance sheet date, the Company estimates any expected losses on trade receivables.

Provisions for expected losses on financial assets are based on assumptions regarding the risk of default and the associated expected losses should default occur. In making these assumptions and selecting the inputs for calculating the expected loss, management uses its professional judgment, based on its historical experience, current market conditions, and forward-looking estimates at the end of each reporting period.

Provision for bad debts is determined on the basis of the loss forecast determined by the Expected Credit *Loss* (ECL) model. The ECL, calculated using the Probability of Default (PD), the Loss Given Default (LGD) and the risk of Exposure At Default (EAD), is the difference between the cash flows due under the contract and the expected cash flows (including shortfalls in collections) discounted using the original effective interest rate.

Impairment losses on trade receivables are presented as net impairment losses in the operating result, as are subsequent reversals.

Employee benefits

The cost of defined retirement plans is determined using actuarial valuations.

Calculations of the costs and liabilities associated with such plans are based on estimates made by actuarial consultants using a combination of statistical-actuarial factors, including statistical data for past years and forecasts of future costs. Discount rates, the expected rate of return on loans, future wage increases, mortality rates and future pension increases are also considered as components of the estimation. Due to the long-term nature of these plans, these estimates are subject to a significant degree of uncertainty.

Potential liabilities

In the normal course of its business, the Company may be exposed to liabilities of significant amounts, for which it is not always objectively possible to predict the final outcome. The assessment of risks related to such proceedings is based on complex elements that by their nature imply the use of Directors' judgement, also taking into account elements acquired from external consultants assisting the Company, with reference to their classification as contingent liabilities, or amongst the liabilities.

Leasing

The accounting of leases in accordance with IFRS 16 requires certain estimates to be made, referring in particular to:

- An estimation of the term of a leasing contract in the presence of renewal or early termination options;
- An estimate of the relevant discount rate.

Estimation of the duration of a leasing contract

The Company determines the term of the lease as the non-cancellable period of the occupancy, to which is added both the periods covered by the lease extension option where there is reasonable certainty of exercising that option and the periods covered by the lease termination option, where there is reasonable certainty of not exercising said option.

For some of its leases, the Company has the option to extend or terminate the lease early. The Company applies its judgement in assessing whether there is reasonable certainty of exercising the renewal options. That said, the Company considers all relevant factors that may result in an economic incentive to exercise renewal options or terminate the contract.

In the presence of renewal options exercisable by both contractual parties, the Company considers whether or not there were significant economic disincentives to reject the renewal request as required by Paragraph B34 of IFRS 16. In the event of options exercisable by only one of the two parties, the Company has considered paragraph B35 of IFRS 16. The application of the foregoing, taking into account the specific factors and circumstances as well as the estimate of the probability of the option being exercised, has resulted in the original term of the lease agreement (6 years on average) generally being considered, without providing for the exercise of renewal options. Only for buildings considered as strategic by the companies, the contractually-stipulated 6-year renewal option was considered within the term of the lease and thus in the calculation of the useful life of the buildings. These forecasts are consistent with the assumptions made in the most recent Business Plan for the 2023–2026 period, approved by the Management.

After the effective date of the lease, the Company reviews the lease term upon any significant event or significant change in circumstances occurring that, depending on the will of the Company, affects the lessee's reasonable certainty of exercising an option not previously included in its determination of the lease duration or of not exercising an option previously included in its determination of the lease duration. In November 2019, a decision was published that clarifies how the concepts of non-cancellable period, lease duration (considered for liability recognition purposes) and enforceable period (useful for identifying when the contract no longer generates enforceable rights and obligations) are to be read and interrelated for the purposes of applying IFRS 16. The decision clarified that, for the purpose of identifying the period of enforceability, a tenant must consider the contractual point at which both parties involved can exercise their right to terminate the contract without incurring penalties that are not insignificant. The concept of any penalty must not have a merely contractual meaning but must be seen in consideration of all economic aspects of the contract. Once the period of enforceability has been identified, the lessor assesses, in the presence of renewal or annulment options, for which period it is reasonably certain to control the right to use of the asset and thus determines the term of the lease. At the date of drafting these Financial Statements, the Company has considered such matters and conclusions and shall continue to monitor their development over time.

The maturity of leasing liabilities by time bands is shown below:

(euro)	31-Dec-22	31-Dec-21	31-Dec-20
<1 year	2,094,344	1,482,277	1,396,043

1–2 years	1,326,108	1,345,302	1,420,588
2–3 years	1,508,490	1,121,234	1,267,534
3–4 years	1,240,774	711,299	1,041,500
4–5 years	987,523	388,390	626,606
> 5 years	1,590,141	1,588,885	1,918,681
	8,747,381	**6,637,386**	**7,670,952**

Below is information on the nominal value of the Company's lease payments, broken down into fixed and variable payments:

(euro)	Fixed payments	Variable payments	Total
Balance at 31st December 2022			
Flat fee	1,870,531	-	1,870,531
Variable fee with minimum payment	-	58,927	58,927
Total	**1,870,531**	**58,927**	**1,929,458**
As at 31st December 2021			
Fixed fee	1,543,395	-	1,543,395
Variable fee with minimum payment	-	46,950	46,950
Total	**1,543,395**	**46,950**	**1,590,345**

Estimation of the discount rate

The Company cannot easily determine the implicit interest rate of leases and thus avail of the marginal financing rate to measure lease liabilities. This rate corresponds to the rate that the lessee would have to pay for a loan with similar maturity and similar collateral required to obtain an asset of similar value to the right-of-use asset in a similar economic environment and may be determined in terms of an individual contract or portfolio of contracts. The Company estimates the marginal lending facility using observable data (such as market interest rates), if available.

2.2 Summary of the main accounting principles

a) Business aggregations and goodwill

Business combinations are accounted for using the purchase method. This requires the recognition at fair value of the identifiable assets (including previously-unrecognised intangible assets) and identifiable liabilities (including contingent liabilities) of the acquired company.
Goodwill and other assets with indefinite useful lives acquired in a business combination are initially measured at cost represented by the excess of all consideration paid over the identifiable net assets acquired and liabilities assumed by the Company.
Acquisition costs are expensed and classified under administrative expenses.
Goodwill and other assets with an indefinite useful life are tested for impairment on an annual basis, in accordance with IAS 36, unless specific events or changed circumstances result in the possibility of testing for impairment at a different point in time. Components that meet the definition of "assets acquired in a corporation aggregate" are only accounted for separately if their fair value can be reliably determined.

For the purpose of the impairment analysis, goodwill and other assets with an indefinite useful life acquired in a corporate aggregation are allocated, at the date of acquisition, to the individual cash-generating units of the Company, or to groups of cash-generating units that are expected to benefit from the synergies of the combination, regardless of whether other assets or liabilities of the Company are allocated to those units or groups of units.

b) Operations under common control

In the case of aggregation transactions involving entities under common control, considering that – in view of the established accounting standards – the contents of IFRS 3 – Corporate Aggregation are not applicable, as per the specific exclusion causes contained in the standard itself, the commonly accepted criterion of 'pooling of interests' has been identified as the criterion for recognising the transaction in question.
In view of the purely re-organisational purpose of these transactions, they were therefore recognised in continuity of book values in the financial statements of the companies involved, without the recognition of economic effects.
For the specific aspects of presentation underlying the business combination transaction under common control of Over S.p.A., please refer to Note 2.2 above.

c) Intangible assets

Intangible assets concern assets without physical substance, which are identifiable, controlled by the enterprise and capable of producing future economic benefits.

Intangible assets purchased or produced internally are recognised as assets, in accordance with IAS 38 – Intangible Assets, when it is likely that their use will generate future economic benefits and when their cost can be reliably determined.

Intangible assets with a finite useful life are recognised at purchase or production cost, including directly-attributable incidental expenses necessary to make the asset available for use. Development costs are recognised as an intangible asset only when it can be demonstrated that it is technically feasible to complete the intangible asset and that there is the ability, intention and availability of resources to complete the asset for use or sale. Research costs are recognised in the Profit and Loss Statement. Intangible assets are systematically amortised over the period of their remaining useful life. Depreciation is calculated on a straight-line basis over the estimated useful life, which is reviewed at least annually. Any changes in depreciation criteria are then applied prospectively. Amortisation begins when the intangible asset is available for use. Accordingly, intangible assets not yet available for use are not amortised but are subject to an annual impairment test.

Intangible assets are derecognised either when they are disposed of (on the date the recipient obtains control) or when no future economic benefit is expected from their use or disposal. Any profit or loss, recognised in the Income Statement, is determined as the difference between the net amount from the disposal, determined in accordance with IFRS 15 on the transaction price, and the net book value of the derecognised asset.

The useful lives utilised for depreciation are summarised below:

Description	Useful life
Software	5 years
Website	5 years

d) Property, plants and machinery

The properties, plants and equipment are recognised at purchase or production cost, including any incidental expenses and direct costs necessary to make the assets available for use, less accumulated depreciation and any accumulated impairment losses.

This cost includes expenses for the replacement of part of machinery and plants at the time they are incurred, should they meet the recognition criteria. Where it is necessary to replace significant parts of plants and equipment on a regular basis, the Company depreciates them separately in accordance with their specific useful lives. All other repair and maintenance costs are recognised in the Income Statement when incurred.

Leasehold improvements, represented by works realised on leased assets that do not meet the requirement of autonomous separability and identifiability, are depreciated over the useful life or, if shorter, the term of the lease, also taking into account any renewal periods, if the exercise of the renewal option is reasonably certain.

The useful lives utilised for depreciation are shown below:

Description	Useful life
Buildings	33 years
Light construction works	10 years
Machinery, apparatus and equipment Miscellaneous	6.66 years
Fixtures	10 years
Furnishings	6.66 years
Electronic office machinery	5 years
Lifting equipment and vehicles	13.33 years
Other assets	5–6.66 years
Leasehold improvements	5 years

The residual value and useful life of property, plants and equipment is reviewed at least at each financial year-end and if, irrespective of depreciation already accounted for, a loss of value is determined on the basis of the application

of IAS 36, the fixed asset is written down accordingly. If, in subsequent years, the reasons for the write-down no longer apply, its value is reinstated up to the limit of the book value that would have been determined (net of depreciation, write-down or amortisation) if no impairment loss had been recognised for the asset in previous years.

The carrying amount of an item of property, plants and equipment and any significant components initially recognised, is derecognised upon disposal (so, when the purchaser obtains control) or when no future economic benefits are expected from its use or disposal. The gain/loss arising upon derecognition of the asset (calculated as the difference between the net book value of the asset and the amount received) is written up as profit or loss when the item is derecognised.

e) Leased assets

The contract is, or contains, a lease if it confers the right to control the use of an identified asset for a period of time, in return for payment. When Company acts as lessee, an asset consisting of the right of use and a lease liability are recognised at the effective date.

Assets consisting of the right-of-use or right-of-use activities

Right-of-use assets are recognised at cost less accumulated amortisation/depreciation and include the amount of the initial measurement of the lease liability, lease payments made on or before the effective date net of lease incentives received, direct initial costs incurred and – if any – costs and the relative decommissioning activity.

Assets consisting of the right-of-use are depreciated on a straight-line basis over the shorter of the lease term and estimated useful life.

If, at the end of the lease term, ownership is transferred to the lessee or if the cost of the asset consisting of the right-of-use reflects the fact that the lessee will exercise the purchase option, the depreciation period corresponds to the useful life of the underlying asset.

Assets consisting of the right of use are subject to impairment testing, as noted in the section on "Impairment of Non-financial Assets".

Leasing liabilities

Lease liabilities are recognised at the present value of payments due over the lease term that are unpaid as of the effective date and include fixed payments net of any lease incentives receivable, variable lease payments that depend on an index or rate, amounts that the lessee is expected to pay as security for the residual value, the exercise price of the purchase option if the lessee is reasonably certain to exercise this option, and lease termination penalty payments if the lease term takes into account the lessee's exercise of the lease termination option.

Payments due under the lease are discounted using the lease's implicit interest rate, if this can be easily determined. If this is not possible, the marginal lending rate is used, as the interest rate one would have to pay for a loan, with a similar term and with similar collateral, required to obtain an asset of similar value to the right-of-use asset in a similar economic environment. The marginal lending rates applied were determined on the basis of the maturity band to which the contracts belong.

The value of lease liabilities is increased to account for interest and decreased to account for payments made. In addition, the carrying amount of lease liabilities is remeasured in the event of a change in the lease term, a change in the valuation of an option to purchase the underlying asset or a change in the future lease payments resulting from a varying index or rate used to determine the payments.

The Company includes in the duration of the contract any extension periods covered by the renewal option, when it is assumed with reasonable certainty that the same will be exercised, also in consideration of the experience gained. It is also a condition for renewal of the term that the Company may exercise the option without the consent of the other party or that the lessor is exposed to a significant penalty in the event of termination.

In adopting IFRS 16, the Company also made use of the following practical expedients:

- Classification of contracts that expire within 12 months of the transition date as short-term leases and whose underlying asset is of low value (low value lease). For such contracts, the lease fees have been recorded on the Income Statement on a straight-line basis;
- Use of information present at the transition date to determine the lease term, with particular reference to the exercise of extension and early termination options.

With reference to the contractual changes arising from the Covid-19 pandemic, the Company decided not to apply the practical expedient granted by the amendment to IFRS 16 – Covid-19-Related Rent Concessions – Amendment to IFRS 16, and therefore accounted for the contractual rent reductions for the year 2020 as a contractual modification, with restatement of the right-of-use and simultaneous restatement of the lease liability.

f) Shareholdings

The carrying value of these equity investments, which may also include goodwill, is subjected to an impairment test if the prerequisites of IAS 36 are met.

g) Impairment losses on non-financial assets

With reference to each financial year, it is determined whether or not there are any indicators of impairment of assets with a finite useful life and then, with reference to these assets, if such indicators emerge, an impairment test is performed.

Any assets not yet available for use are subject to an impairment test on an annual basis or even more frequently if there are indicators of impairment.

The Company applies IAS 36 to determine whether the assets of each individual shop, be it owned or leased, are subject to a loss of value at each reporting period. Any impairment losses are accounted for after impairment tests, conducted on a store-by-store basis, to assess whether their book value is at least equal to or greater than their recoverable value. If the carrying amount of an asset or cash-generating unit is greater than its recoverable amount, that asset has suffered an impairment loss and is written down to its recoverable amount accordingly.

In determining the amount of the investment to be subjected to impairment test in respect of leased outlets, consideration is given to both the assets for rights of use and any improvements to the same, represented by works realised on leased assets not subject to the requirement of autonomous separability and identifiability.

The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and value-in-use, being determined for each individual asset except when that asset generates cash flows that are largely independent of those generated by other assets or groups of assets, in which case the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In determining fair value less costs to sell, account is taken of recent market transactions where available. If such transactions cannot be identified, an appropriate valuation model is used.

In determining the value in use, the estimated future cash flows are discounted using a pre-tax discount rate that reflects the market assessments of the time value of money and the specific risks associated with the asset.

For the purpose of estimating value-in-use, future cash flows are derived from the business plans, as the best estimate that can be made by the Company of the economic conditions expected in the period covered by the plan. The long-term growth rate used in estimating the terminal value of the asset or unit is in line with the average long-term growth rate for the sector, country or market of reference and, if appropriate, may be zero or even be negative.

Future cash flows are estimated with reference to current conditions – the estimates thus do not take into account either the benefits of future restructuring to which the Company is not yet committed nor future investments in improving or optimising the business or unit.

Impairment losses incurred by continuing operations are recognised in the Income Statement under the cost categories consistent with the function of the asset resulting in the impairment loss.

At each balance sheet date, the Company also assesses whether there are any indicators of a decrease in previously recognised impairment losses and, if such indicators do exist, make a new estimate of recoverable value.

The value of an asset previously written down may only be reinstated if there has been a change in the estimates used to determine the asset's recoverable amount since the last time an impairment loss was recognised. In this case, the carrying amount of the asset is increased to its recoverable amount. However, the amount so increased may not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in prior years.

Any reversal is recognised as income in the Income Statement. After a reversal of an impairment loss is recognised, the rate of depreciation for the asset is adjusted in future periods to allocate the adjusted carrying amount, net of any residual value, on a straight-line basis over its remaining useful life. Goodwill may not be reinstated.

h) Financial instruments

A financial instrument is any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity. They are recognised and measured according to IAS 32 and IFRS 9.

A financial asset or liability is recognised in the balance sheet when (and only when) the Company becomes party to the contractual terms of the instrument.

Warrants

The Company classifies financial instruments as financial liabilities, financial assets or equity instruments in accordance with the substance of the contractual agreements and their characteristics. In particular, in the presence of instruments that will or may be settled through instruments representing the entity's equity, such as, specifically, warrants issued by Take Off S.p.A., the relevant component for classification purposes depends on the presence of a conversion ratio that determines the delivery of a fixed or variable number of shares against a fixed or variable amount of cash (being fixed-for-fixed or fixed-for-variable). When the instrument meets the fixed-for-fixed condition (if the instrument has a fixed conversion ratio and a fixed exercise price), it is classified as an instrument representative of equity or else classified as a financial asset or liability. Warrants issued by Take Off S.p.A. are financial instruments that will be extinguished with a fixed number of the issuer's shares, as the conversion ratio is fixed over the term of the instrument according to the terms and conditions set forth in the Regulation.

In fact, the number of shares that could be issued is limited within a range and the price is set in accordance with the time range in which the option is exercised.

Warrants fulfil the condition to be classified as equity instruments. When the warrants are exercised, the company recognises an increase in equity at an amount equal to the exercise price of the warrants.

As at 31st December 2022, no options exercisable in the first window of time of November 2022 had been exercised.

i) Financial assets

Upon initial recognition, financial assets are classified according to the subsequent measurement methods, so at amortised cost, fair value through profit or loss (Fair Value through the Comprehensive Income Statement or FVOCI) and fair value through profit or loss (Fair Value Through Profit or Loss or FVTPL).

The classification of financial assets upon initial recognition depends on the contractual cash flow characteristics of the financial assets and the business model that the Company uses in their management. Except for trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial

asset. not at fair value recognised in the Income Statement, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined in accordance with IFRS 15 as commented in the section "Revenue from Contracts with Customers". For a financial asset to be classified and measured at amortised cost or at fair value through the Comprehensive Income Statement, it must generate cash flows that depend solely on principal and interest on the amount of principal to be repaid (known as Solely Payments of Principal and Interest or SPPI). This evaluation is referred to as the SPPI test and is performed at instrument level. For the purposes of subsequent valuation, financial assets are classified into four categories:

1 *Financial assets at amortised cost*

The Company measures financial assets at amortised cost if both of the following requirements are met:

- The financial asset is owned as part of a business model with the objective of being ownership of financial assets for the purpose of collecting contractual cash flows; and
- The contractual terms of the financial asset foresee cash flows at certain dates consisting solely of payments of principal and interest on the amount of principal to be repaid.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or revalued.

2 *Financial assets at fair value through the Comprehensive Income Statement*

The Company measures assets from debt instruments at fair value through the Comprehensive Income Statement if both of the following conditions are met:

- The financial asset is held as part of a business model with the objective being achieved through both the collection of contractual cash flows and the sale of financial assets; and
- The contractual terms of the financial asset foresee cash flows at certain dates consisting solely of payments of principal and interest determined on the amount of principal to be repaid.

For assets measured at fair value, as measured in the Comprehensive Income Statement, exchange rate changes and impairment losses, together with reversals, are all recognised in the Income Statement and calculated in the same way as financial assets measured at amortised cost. The remaining changes in *fair value* are recognised in the Comprehensive Income Statement. Upon derecognition, the cumulative change in fair value recognised in the Comprehensive Income Statement is reclassified in the Income Statement.

3 *Investments in equity instruments*

Upon initial recognition, the Company may irrevocably elect to classify its equity investments as equity instruments recognised at fair value through the Comprehensive Income Statement whereby they satisfy the definition of equity

instruments under IAS 32 – Financial Instruments: Presentation" and are not held for trading. The classification is determined for each individual instrument.

Gains and losses realised on such financial assets are never reversed to the profit and loss statement. Dividends are recognised as financial income in the Income Statement when the right to payment has been resolved upon, except when the Company benefits from such income as a recovery of part of the cost of the financial asset, in which case such gains are recognised in the Comprehensive Income Statement. Equity instruments recognised at fair value in the Comprehensive Income Statement are not subject to impairment testing.

4 *Financial assets at fair value through profit or loss*

This category includes assets held for trading, assets designated upon initial recognition as financial assets at fair value with changes recognised in the Income Statement, or financial assets that must be measured at fair value. Assets held for trading are all those acquired for their sale or repurchase in the short term. Derivatives (including the spin-offs) are classified as financial instruments held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely represented by principal and interest payments are classified and measured at fair value through the Income Statement, regardless of the business model. Financial instruments at fair value with changes recognised in the Income Statement are recognised in the statement of financial position at fair value and net changes in said fair value recognised in the Income Statement.

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised in the first instance (being removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset are extinguished; or
- The Company has transferred to a third party the right to receive cash flows from the asset or has assumed a contractual obligation to pay them in full and without delay and: (a) has substantially transferred all risks and rewards of ownership of the financial asset; or (b) has neither transferred nor retained substantially all risks and rewards of the asset but has transferred control thereof.

j) Financial Liabilities

Upon initial recognition, financial liabilities are classified as financial liabilities at fair value through the Income Statement, being represented by mortgages and loans.

All financial liabilities are initially recognised at fair value plus, in the case of mortgages, loans and debts, the directly-attributable transaction costs.

The Company's financial liabilities include trade and other payables, mortgages and loans, including any overdrafts.

For the purposes of subsequent valuation, financial liabilities are classified into two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (financing and loans)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value with variations relative to the Income Statement include liabilities held for trading and financial liabilities initially recognised at fair value through the Income Statement.

Financial liabilities at amortised cost (financing and loans)

After initial recognition, loans are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Income Statement when the liability is extinguished, as well as through the amortisation process.

The amortised cost is calculated by recognising the discount or premium on the acquisition and fees or costs that form an integral part of the effective interest rate. Amortisation at the effective interest rate is included in the financial expenses in the Income Statement.

A financial liability is derecognised when it is extinguished, so when the contractual obligation is discharged or cancelled or expired.

k) Cash and cash equivalents

Cash and cash equivalents comprise cash or cash values, being the values meeting the requirements of being available on demand or in the very short-term (with an expected maturity of three months or less), of being in good standing or of having no collection costs, being measured at fair value. For the purposes of the Cash Flow Statement, cash and cash equivalents do not include bank overdrafts at the end of the financial year.

l) Inventories

Inventories of goods are valued at the lower of the purchase cost (determined using the weighted average cost method) and net realisable value (the estimated selling price in the ordinary course of business less estimated costs to realise the sale), which can be inferred from market trends. Returns, trade discounts, rebates and premiums are deducted from the purchase cost.

Inventories with a realisable value inferred from market trends that is lower than their book value are subject to an eventual write-down. If the reasons for the write-down no longer persist, in whole or in part, as a result of an increase in realisable value inferable from market trends, a value adjustment is made within the limits of the cost originally incurred.

Given its inventory management policies, which currently allow for a high rate of inventory turnover, the Company does not record any inventory obsolescence provisions to date.

m) Employee benefits

Guaranteed employee benefits paid on or after termination of employment through defined benefit plans (severance pay) are recognised over the period of their entitlement.

The liability relating to defined benefit programmes, net of any assets servicing the plan, is determined on the basis of actuarial assumptions and is recognised on an accrual basis consistent with the provision of work required to obtain the benefits.

The cost of expected benefits under defined benefit plans is determined using the projected unitary actuarial method for the credit. The actuarial gains and losses are recognised directly in the Comprehensive Income Statement, as required by IAS 19. Net interest on net liabilities for the benefits defined is to be determined by multiplying the net liability by the discount rate.

The actuarial valuation of the liability was entrusted to independent actuaries.

The amount reflects not only debts accrued as at the balance sheet date but also future salary increases and relative statistical dynamics.

Guaranteed employee benefits through defined contribution plans (also due to recent changes in national pension regulations) are recognised on an accrual basis and simultaneously give rise to the recognition of a liability measured at nominal value.

n) Provisions for risks and charges

The provisions for risks and charges are recorded to cover charges for any obligations of the Company of a legal, contractual or implicit nature, arising from a past event. Provisions for risks and charges are recognised if it is probable that such charges shall occur and if a reliable estimate can be made.

Where such obligations are estimated to occur beyond 12 months and their effects are significant, they are discounted at a rate that takes into account the cost of money and the specific risk of the liability recognised. Any change in the estimate of provisions is reflected in the Income Statement for the period in which it occurs. In cases where discounting is performed, the increase in the provision due to the passage of time and any effect resulting from the change in the discount rate are recognised as a financial expense.

o) Revenue from contracts with customers

Revenues are recognised when control of assets is transferred to the customer for an amount that reflects the amount that the Company expects to receive in exchange for such assets. This transfer of control normally takes place with the delivery of the good to the end customer and payment of the corresponding amount. The revenue from these sales is recognised on the basis of the specific price, net of estimated discounts. There are no significant financing components, as no deferred payments are granted on sales. The Company applies the practical expedient for short-term advances received from customers. The amount of the promised payment is not adjusted for significant financial items if the period between the transfer of the promised goods or services and the payment is less than or equal to one year.

The Company recognises their customer's right to return, guaranteeing a period of 15 days from purchase of the goods to bring back the items, provided they are undamaged and have never been worn. In the event of a return,

the customer is entitled alternatively to:

- Replacement of the garment with another garment of the same model, with a change in size and/or colour;
- Replacement of the garment with another garment available at the point of sale, possibly paying any difference (if the chosen garment has a higher value than the returned garment) or having a voucher issued for the difference (if the chosen garment costs less);
- Reimbursement to the customer, upon authorisation by management.
- The issuance of a voucher in the name of the person concerned for the total amount.

If a voucher is issued, it is redeemable within 60 calendar days.

The Company utilises the expected value method to estimate the value of assets that will not be returned, essentially corresponding to the vouchers issued at the balance sheet date, in accordance with lFRS 15. With reference to this case, the Company recognised liabilities for returns in the amount of 68,000 euro as at 31st December 2022. There are also no customer loyalty programmes.

Contractual balances

Trade receivables

A credit is recognised if the amount is unconditionally due from the customer (such as upon it only being necessary for time to run out for payment of the amount to be obtained). Please refer to the section on “Financial Instruments”.

Contractual liabilities

A contractual liability is an obligation to transfer to the customer goods or services for which the Company has already received payment (or for which a portion of the amount is due). The contractual liability is recognised if payment has been received or payment is due (whichever comes first) from the customer before the Company has transferred control of the goods or services to them. Liabilities arising from contracts are recognised as revenue when the Company fulfils its obligations to do so under the relevant contract (meaning control of the assets has been transferred to the customer).

p) Public contributions

Government grants are recognised when there is reasonable certainty that they will be received and that all the conditions attached to them have been met. Contributions related to cost components are recognised as revenue but are systematically allocated between the years so as to be commensurate with the recognition of the costs they are intended to offset. The contribution related to an asset is recognised as income on a straight-line basis over the expected useful life of the relevant asset.

q) Costs

Costs are recognised when they relate to goods and services sold or consumed during the financial year or by systematic allocation, or else when their future usefulness cannot be identified in accordance with the principle of relevance and the matching principle.

Costs are recognised according to their nature, taking into account the applicable IFRS principles.

r) Financial income and charges

Interest is recognised on an accrual basis utilising the effective interest method, thus availing of the interest rate that renders financially equivalent all inflows and outflows (including any premiums, discounts, commissions and so on) that make up a given transaction.

s) Income taxes

Current taxes

Income taxes for the period were determined based on the best estimate of the weighted average tax rate for the entire year.

Deferred taxes

Deferred tax assets and liabilities are provided for in accordance with the global allocation method (liability method), thus, they are calculated on all temporary differences arising between the tax-determined value of assets and liabilities and their carrying amounts in the balance sheet, with the exception of deferred taxation.

Deferred tax assets and liabilities are calculated using tax rates that are expected, as at the balance sheet date, to be applicable in the year in which the asset is realised or the liability is settled.

Deferred tax assets are recognised to the extent that it is deemed probable that there will be taxable income in the years in which the relative temporary differences will reverse, at least equal to the amount of the differences that will be reversed.

The value of deferred tax assets to be carried forward is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in the future to allow all or part of that credit to be utilised, including as a result of changes in the relevant tax law.

Current and deferred taxes are recognised in the Income Statement as an expense or income for the year. Nonetheless, current and deferred taxes are debited or credited directly to equity or to the Comprehensive Income Statement if they relate to balance sheet items recognised directly in such items.

t) Fair value

Fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in a regular market transaction between market participants at the valuation date in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The fair value of a liability reflects the risk of default.

Certain accounting policies and disclosure requirements applied by the Company necessitate the determination of fair values for financial and non-financial assets and liabilities.

When available, the Company determines the fair value of an instrument using the price quoted in an active market for the same instrument. A market is considered as being “active” when transactions for a given asset or liability occur with sufficient frequency and volume to provide information that is useful for pricing on an ongoing basis.

In the absence of quoted prices in active markets, the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The techniques chosen take into account the factors that would be considered by the parties to a transaction in deciding the price.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised according to the fair value hierarchy, as described below:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the date of assessment;
- Level 2 – Inputs other than quoted prices included in Level 1, directly or indirectly observable for the asset or liability;
- Level 3 – Valuation techniques for which the input data is not observable for the asset or liability.

The fair value is classified entirely in the same level of the fair value hierarchy in which the lowest level input used for the valuation is classified.

For assets and liabilities recognised in the Financial Statements at fair value on a recurring basis, the Company determines whether transfers between levels of the hierarchy have occurred by reviewing the categorisation (based on the lowest-level input, which is significant for the fair value measurement in its entirety) at each reporting date.

u) Foreign currency transactions

Foreign currency transactions are converted into the functional currency using the exchange rates on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the end of the reporting period. Non-monetary items that are measured at historical cost in a foreign currency are converted at the exchange rate on the date of the transaction. Foreign currency exchange losses and gains are factored into the Income Statement and shown under financial income and expenses.

v) Listing costs

In the context of the listing project, the Company and/or the selling shareholders incur specific costs, such as: (i) commissions that are paid to the banks coordinating the offering; (ii) fees that are paid to consultants, specialists and lawyers; (iii) other costs such as, but not limited to, communication costs, prospectus printing costs and out-of-pocket expenses. Listing costs were accounted for in accordance with the provisions of IAS 32, which requires that they be deducted from any rise in share capital or charged to the Income Statement upon successful listing.

3. New Accounting Standards and Interpretations effective as of 1st January 2022

The Company has not yet adopted in advance any new standards, interpretations or amendments issued but not yet in force. Several modifications apply for the first time in 2022 but did not have an impact on the Company's financial statements.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments are intended to replace references to the Framework for the Preparation and Presentation of Financial Statements with references to the Conceptual Framework for Financial Reporting published in March 2018, without a significant change to the requirements of the standard.

The Board also added an exception to the valuation principles of IFRS 3 to avoid the risk of potential "day-after" losses or gains arising from liabilities and contingent liabilities that would fall within the scope of IAS 37 or IFRIC 21 Levies, if contracted separately. Such an exemption requires entities to apply the requirements of IAS 37 or IFRIC 21, rather than the Conceptual Framework, to determine whether an obligation actually exists at the date of acquisition.

The amendment also added a new paragraph to IFRS 3 clarifying that contingent assets do not qualify as recognisable assets at the date of acquisition.

These changes had no impact on the Group's consolidated financial statements, since no contingent assets, liabilities or contingent liabilities were recognised in the reporting period for the purpose of such changes.

Property, Plants and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendments prohibit entities from deducting from the cost of any item of property, plants or machinery, any proceeds from the sale of products sold during the period in which that asset is brought to the location or the conditions necessary for such to be capable of operating in the manner intended by the Management. Instead, an entity accounts for the revenues from the sale of such products and the costs to produce those products in the Financial Statement.

These changes did not have an impact on the Group's Consolidated Financial Statements as there were no sales related to such items of property, plants or machinery prior to coming into operation before or after the beginning of the previous comparative period.

IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter

This amendment permits a subsidiary that elects to apply Paragraph D16(a) of IFRS 1 to account for cumulative differences in translation based on the amounts recognised by the parent company, taking into account the date of transition to the IFRSs by the parent. This amendment also applies to associates or joint ventures that elect to apply paragraph D16(a) of IFRS 1.

This change had no impact on the Group's condensed Financial Statements as the Group is not a first-time adopter.

IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities

This amendment clarifies what fees an entity includes in determining whether the terms and conditions of a new or amended financial liability are materially different from the terms and conditions of the original financial liability. These fees include only those paid or received between the debtor and lender, including fees paid or received by the debtor or lender on behalf of others. No such amendment has been proposed with regard to IAS 39 Financial Instruments: Recognition and Measurement.

This change had no impact on the Group's Consolidated Financial Statement, as there were no changes of reference in the Group's financial liabilities during the year under review.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets

The amendments introduced provide clarification as to how the onerousness of a contract is determined. Specifically, the costs directly related to the contract consist of the incremental costs necessary to fulfil the contract (labour and direct raw materials) and the allocation of other costs directly related to fulfilment of the contract (rate of depreciation of property, plants and equipment).

The adoption of this amendment had no effect on the Company's consolidated financial statements.

4. Accounting standards, amendments and interpretations not yet applicable

Certain standards and interpretations that had already been issued but were not yet in force at the time of preparation of the financial statements are illustrated below. The Group intends to adopt these principles when they come into force.

- **Amendments to IAS 1: Classification of Liabilities as Current or Non-current**
  In January 2020, the IASB published amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The changes clarify:
  - What is meant by a right of postponement of maturity;
  - That the right to postponement must exist at the close of the financial year;
  - The classification is not impacted by the likelihood that the entity will exercise its right to postponement;
  - Only if a derivative embedded in a convertible liability is itself an equity instrument, does the maturity of the liability have no impact on its classification;

  The amendments will be effective for financial years beginning on or after 1st January 2023, and must be applied retrospectively. The company is currently evaluating the impact the changes will have on the current situation, however, no impact is expected.

- **Definition of Accounting Estimates - Amendments to IAS 8**
  In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.
  The amendments are effective for financial years beginning on or after 1st January 2023 and apply to changes in accounting principles and changes in accounting estimates occurring on or after the beginning of that period. Early application is permitted provided that this factor is disclosed. The changes are not expected to have a significant impact on the Company.

- **Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2**

  In February 2021, the IASB issued amendments to IAS 1 and IFRS – Practice Statement 2 – Making Materiality Judgements, in which it provides guidelines and examples to help entities apply materiality assessments to accounting policy disclosures. The amendments aim to help entities provide more useful accounting policy disclosures by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies. In addition, guidance is added on how entities apply the concept of materiality in making decisions regarding accounting policy disclosure.

  The amendments to IAS 1 are applicable for annual periods beginning on or after 1st January 2023, with early application being permitted. Since the amendments to PS 2 provide non-mandatory guidance on the application of the definition of materiality to the disclosure of accounting policies, no effective date is required for such amendments.

  The company is currently evaluating the impact the changes will have on the current situation, however, no impact is expected.

- **Deferred taxes on assets and liabilities arising from a single transaction – Amendments to IAS 12**

  In May 2021, the IASB issued amendments to IAS 12, narrowing the scope of application of the initial recognition exception included in IAS 12, which is no longer to be applied to those transactions that give rise to taxable and deductible temporary differences in equal measure.

  Changes will have to be applied to transactions occurring after or at the beginning of the comparative period presented. In addition, at the beginning of the comparative period presented, deferred tax assets (if there is sufficient taxable income) and deferred tax liabilities shall be recognised for all deductible and taxable temporary differences associated with leases and provisions for restoration.

  The company is currently evaluating the impact the changes will have on the current situation, however, no impact is expected.

No material impact on the Company is expected from these amendments.

5. Impacts of the Russia-Ukraine conflict

World economic growth is expected to slow down in 2023 compared to 2022 due to the aftermath of the Coronavirus pandemic and, above all, the war in Ukraine, which is shaping up to be a downward shock for growth and an upward shock for inflation. The impossibility of predicting both the duration and developments of the conflict and of assessing the response of the government authorities, which is still being defined, leaves the market scenario still very uncertain. The impact of this new event will depend, in addition to the duration of the conflict, on the extent and duration of Western sanctions on Russia as well as the response of governments.

The shock produced by the conflict will be transmitted through three channels: rising commodity and energy prices, bottlenecks in international trade, and declining consumer and business confidence. Any escalation into other countries or a partial or complete disruption of Russian oil and gas supplies to Europe would have further significant implications for energy prices and consequently for economic growth.

Interventions currently being defined concern energy policies, support measures for both households and businesses affected by the exceptional energy price hikes, as well as military spending.
The pandemic, by the way, remains an underlying risk in the scenario. As currently demonstrated by the case of China, COVID-19 and its variants underline the risk of a stop-and-go in economic restrictions, although future waves of Covid cases are expected to become progressively less economically disruptive given the increasingly less restrictive measures to contain the spread of the virus.
The Company constantly monitors the development of the conflict and the emergency situation related to the pandemic, having initiated risk assessment activities within all its structures.
The objective is to analyse possible direct and indirect impacts that the pandemic and the conflict are currently causing and may cause in 2022 and subsequent years on the markets and businesses in which the Company operates, also with reference to the management of constraints imposed in regards to companies and persons on the lists of sanctions issued by many countries and international institutions, in order to avoid possible violations. On this last point, the Company currently has no direct exposure to companies operating in countries experiencing conflict.
With regard to the effects of the pandemic, the Company is cautiously optimistic about a gradual exit from the emergency health situation that, starting from the end of 2019, has affected all states worldwide, causing an unprecedented upheaval in the approach to the management of social and personal relations, including within corporate life, as well as macroeconomic effects that are emerging on a global scale.
Nonetheless, there remains a residual degree of uncertainty about the future development of the pandemic crisis, not least because of the virus variants that developed globally in 2022. For these reasons, despite the significant improvements generated by the vaccination campaigns, new increases in cases of infection and consequent new restrictive lockdown measures cannot be ruled out, which could generate negative effects on the Company's markets, activities and future results, the assessment of which remains difficult to quantify, due to being closely tied to the continuation of the health crisis and the constantly-evolving macroeconomic context, the dynamics of which cannot be easily predicted.
Considering the extraordinary nature of the circumstances related to the pandemic and the ongoing conflict, the Company is committed to continuous monitoring of the evolution of the scenario, as a function of the necessary timely detection of any critical indicators of the asset, economic and financial aspects of the business.

Testing for the impairment of intangible assets (Impairment Test)

In the absence of goodwill and intangible assets with indefinite useful lives, the Company conducts an impairment test when circumstances indicate the possibility of a reduction in the recoverable amount of other intangible assets. The test is based on the calculation of value-in-use. The key assumptions utilised to determine the recoverable amount of the various Cash-Generating Units (CGUs) were disclosed in the Consolidated Financial Statements as at 31st December 2022.
For the purposes of preparing the Budget for the year, appropriate assessments were made regarding the existence of indications that an asset may be impaired, carefully considering the possible effects of the conflict between Russia and Ukraine.

In the current context of uncertainty, this analysis required a careful evaluation by management, which concluded that – even considering the increase in sales compared to the same period of the previous year – at the level of individual shops as well as the Group of CGU, it was still appropriate to re-perform the impairment test conducted as at 31st December 2021.

6. Operations under common control

In the 2021 financial year, transactions took place per the definition of "under common control".
On 7th September 2021, the Company's Board of Directors resolved to proceed with a capital increase for Take Off through the contribution of 100% of Over's share capital, with 69.91% held by Summit, 22.57% by Aldo Piccarreta and the remaining 7.52% by Giorgia Lamberti Zanardi.

In accordance with the regulations in force, the capital increase was determined at a total amount of 250,000 euro and supported by the appraisal of Prof. Domenico Celenza, appointed by Over's shareholders to draw up the sworn appraisal of the shareholdings subject to contribution, pursuant to Article 2343-ter, paragraph 2(b) of the Italian Civil Code.

As previously described, this contribution of the shareholding in kind, to the value of 250,000 euro, equal to the carrying value of the same in the financial statements of the parent company Summit S.p.A. and recorded as an increase in the share capital of Take Off S.p.A., can be configured as a reorganisation transaction between entities under common control.

In the 2022 financial year, there were no transactions "under common control".

7. Property, plants and machinery

The composition of the item "Property, Plants and Machinery" as of 31st December 2022, compared with the same values as of 31st December 2021, is shown below:

(euro)	Buildings	Plants and Machinery	Industrial and Commercial Equipment	Leasehold Improvements	Other Assets	Total
Historical cost as at 31st December 2021	**118,141**	**334,097**	**123,155**	**392,989**	**1,159,812**	**2,128,193**
Increases during the year		72,671		303,622	376,302	752,596
Disposals during the year					(16,611)	(16,611)
G/C			(123,155)		123,155	0
Historical cost as at 31st December 2022	**118,141**	**406,768**	**0**	**696,611**	**1,642,658**	**2,864,178**
Amortisation/depreciation reserve as at 31st December 2021	**(33,546)**	**(116,771)**	**0**	**(104,183)**	**(512,329)**	**(766,829)**
Depreciation for the year	(11,814)	(49,171)		(104,235)	(202,906)	(368,126)
Decreases during the year					10,257	10,257
Amortisation/depreciation reserve as at 31st December 2022	**(45,360)**	**(165,942)**	**0**	**(208,418)**	**(704,979)**	**(1,124,698)**
Net book value as at 31st December 2021	**84,595**	**217,326**	**123,155**	**288,806**	**647,483**	**1,361,365**
Net book value as at 31st December 2022	**72,781**	**240,826**	**0**	**488,193**	**937,680**	**1,739,480**

The item "Buildings" includes the acquisition values of buildings and land where the company's business is conducted.
The item "Plants and Machinery" relates to the incurring of costs for installations and equipment in the company's headquarters and in the various sales outlets and the logistics centre.

The item "Industrial and Commercial Equipment" mainly relates to costs incurred in setting up new sales outlets.

The item "Leasehold improvements" represents certain point-of-sale fit-out costs incurred on third-party assets.

The item "Other Assets" relates to residual goods with repeated use (e.g., furniture and fixtures, office machines, telephones) functional to the set-up and operation of sales outlets.
The decreases mainly refer to the sale of two motor vehicles.

Investments made by Company companies during the period, equal to 753,000 euro, mainly refer to the purchase of new plants and machinery, furnishings and leasehold improvements.

It should be noted that property, plants and machinery were not impaired during the year just ended and did not show any indicators of impairment.

8. Intangible assets

The composition of the item "Intangible assets" as at 31st December 2022, compared with the same values as at 31st December 2021, is shown below:

(euro)	Application programs	Website	Total
Historical cost as at 31st December 2021	**20.510**	**3,112**	**23,622**
Increases during the year	3,000		3,000
G/C			0
Historical cost as at 31st December 2022	**23.510**	**3,112**	**6,622**
Amortisation/depreciation reserve as at 31st December 2021	(7,512)	0	(7,512)
Depreciation for the year	(5,024)		(5,024)
Amortisation/depreciation reserve as at 31st December 2021	**(12,536)**	**0**	**(12,536)**
Net book value as at 31st December 2021	**12,999**	**3,112**	**16,111**
Net book value as at 31st December 2022	**10,974**	**3,112**	**14,086**

As mentioned above, intangible assets are represented by software used for the management of sales outlets.

The change in the period, amounting to 2,000 euro, refers to investments in application programmes, website implementation and the quota for amortisation/depreciation.

9. Intangible assets for rights-of-use

The composition of the item "Assets for rights of use" as at 31st December 2022, compared with the same values as at 31st December 2021, is shown below:

(euro)	Buildings	Vehicles	Total
Historical cost as at 31st December 2021	**9,889,513**	**42,976**	**9,932,489**
Renegotiations	1,976,983	118,630	2,095,613
Increases	2,134,202	6,876	2,141,078
Resolutions	(368,800)	0	(368,800)
Historical cost as at 31st December 2022	**13,631,898**	**168,482**	**13,800,380**
Amortisation/depreciation reserve as at 31st December 2021	**(3,548,327)**	**(19,422)**	**(3,567,749)**
Increases	(1,733,314)	(25,743)	(1,759,057)
Resolutions	188,930	0	188,930
Amortisation/depreciation reserve as at 31st December 2022	**(5,092,711)**	**(45,165)**	**(5,137,875)**
Net book value as at 31st December 2021	**6,341,185**	**23,554**	**6,364,740**
Net book value as at 31st December 2022	**8,539,187**	**123,318**	**8,662,505**

Rights of use mainly refer to existing real estate leases pertaining to Take Off sales outlets, as well as residually to motor vehicles and office equipment. The change for the year includes the effect of depreciation and amortisation for 1,759,000 euro, increases due to the opening of new sales outlets for 2,134,000 euro, as well as the effect of the contractual amendments stipulated in 2022 amounting to 1,976,000 euro that resulted in the redefinition of the amounts due on certain existing lease agreements. Such changes led to an increase in assets for rights of use, as well as a corresponding rise in lease liabilities.

It should be noted that, as required by paragraph 59 of lFRS 16, rights of use refer to the leasing of Take Off outlets, as well as company cars and office equipment. Also not covered are: guarantees on the residual value of assets; unexpired leases to which the lessee has committed; and, restrictions or agreements imposed by leases along with sale and leaseback transactions. With regard to the exercise of the option to extend or terminate, please refer to the section "Accounting Policies and Measurement Criteria Adopted – Leases" above.

As at 31st December 2022, in accordance with the provisions of IAS 36, management considered the continuing economic and financial effect caused by the conflict between Russia and Ukraine as a *trigger event and as such,* carried out appropriate assessments to identify possible impairment.

In particular, an analysis was carried out on the prospective capacity of the set of CGUs constituting Take Off (the set of points of sale and wholesale sales), to cope with the full recoverability of the total book value (Carrying Amount) of the same and of the Corporate Assets (Logistics and Headquarters), specifically represented by the

corporate Net Invested Capital (NIN) as at 31.12.2022. Therefore, the cash flows deriving from Take Off's economic forecasts for the coming years were discounted using the Discounted Cash Flow method, taking into account only the current business scope. The discount rate used is equal to the Weighted Average Cost of Capital (WACC) determined to be 10.52%, taking into account the currently estimated risk ratios and market financial structure. An explicit time horizon of four years was therefore taken into account, and the Terminal Value was subsequently defined as a perpetual annuity. The growth rate was conservatively estimated to be zero.

In addition, a sensitivity analysis was performed to verify the impact on the results of the impairment test of changes in the weighted average cost of capital and the growth rate (from -1% to +1%). As a result of the analysis performed, including sensitivity analyses, no potential impairment losses emerged to be considered in the preparation of these Consolidated Financial Statements.

10. Shareholding in subsidiaries

The composition of the item "Investments in Subsidiaries" as at 31st December 2022, compared with the same values as at 31st December 2021, is shown below:

(euro)	Over S.p.A.	Total
As at 31st December 2021	**0**	**0**
Increases	250,000	250,000
Decreases		
Effect of the net assets method		
- *of which in the Income Statement*		
- *of which in the Comprehensive Income Statement*		
- *of which assets*		
Balance at 31st December 2022	**250,000**	**250,000**

Below are the figures for the wholly-owned subsidiary:

(euro)	Headquarters	Share of ownership	Net assets as at 31st December 2022
Over S.p.A.	Castellana Grotte (BA)	100.00%	4,970,832

11. Other non-current receivables

The composition of the item "Other non-current assets" as of 31st December 2022, compared with the same values as of 31st December 2021, is shown below:

(euro)	31st December 2022	31st December 2021	Variation
Secured deposits	613,279	408,518	204,761
Total other non-current assets	**613,279**	**408,518**	**204,761**

This item includes secured deposits on the rental contracts of certain business premises where commercial activities are conducted to the amount of 613,000 euro. The increase in this item relates to the opening of new sales outlets.

12. Deferred tax liabilities

The composition of “Deferred Tax Assets” as at 31st December 2022, compared with the same values as at 31st December 2021, is shown below:

(euro)	31st December 2022	31st December 2021	Variation
Deferred tax liabilities	72,912	128,355	(55,443)
Total deferred tax liabilities	**72,912**	**128,355**	**(55,443)**

Deferred tax assets mainly reflect the tax effects of costs not deductible in the year along with negative IAS/IFRS translation adjustments.

13. Inventories

The composition of the item “Inventories” as at 31st December 2022, compared with the same values as at 31st December 2021, is shown below:

(euro)	31st December 2022	31st December 2021	Variation
Finished products and goods	7,057,180	5,152,481	1,904,699
Advances to suppliers	604,207	84,150	520,057
Total inventories	**7,661,387**	**5,236,631**	

Inventories at 31st December amounted to 7,057,000 euro, up 1,905,000 euro compared to 31st December 2021. This increase is attributable to the massive procurement carried out by the Company for new shop openings, as well as the stock of merchandise purchased for the S/S 2023 and A/W 2023 seasons. Advances to suppliers refer to advances for goods.

14. Trade receivables

The composition of the item “Trade Receivables” as at 31st December 2022, compared with the same values as at 31st December 2021, is shown below:

(euro)	31st December 2022	31st December 2021	Variation
Receivables from customers	141,587	93,931	47,656
Total trade receivables	**141,587**	**93,931**	**47,656**

Trade receivables mainly refer to receivables accrued from the owners of franchise outlets.

As a result of the analyses performed, there were no expected losses on trade receivables as of the Balance Sheet date.

15. Other current receivables

The composition of the item "Other Current Receivables" as at 31st December 2022, compared with the same values as at 31st December 2021, is shown below:

(euro)	31st December 2022	31st December 2021	Change
Advances to suppliers	125,950	0	125,950
Other receivables	57,346	500,000	(442,654)
Accrued and deferred revenue	56,716	6,726	49,990
Advances to employees	0	1,300	(1,300)
CIG credit	587	587	0
Total other current receivables	**240,600**	**508,613**	**(268,014)**

The increase in absolute value over the previous year, equal to 268,000 euro, is mainly due to the item "Advances to Suppliers" in addition to payments made against the provision of services. It should be noted that the increase in advances is due to the significant procurement made by the Company as a result of the numerous openings during the year. The increase is offset by the reduction of the tax credit for listing (500,000 euro as at 31st December 2022), which was used as compensation during the year.
The item "Accrued Income and Prepaid Expenses" mainly includes the portion of so-called 'ongoing costs' incurred by the Company post-listing that span several years.

16. Tax receivables

The composition of the item "Tax Receivables" as at 31st December 2022, compared with the same values as at 31st December 2021, is shown below:

(euro)	31st December 2022	31st December 2021	Variation
Corporate Income Tax	227,869	0	227,869
Other tax receivables	2,338	182,338	(180,000)
Total tax receivables	**230,207**	**182,338**	**47,869**

The rise over the previous year of 48,000 euro is mainly due to Take Off's payment of IRES advances.

17. Cash and cash equivalents

The composition of the item "Cash and cash equivalents" as of 31st December 2022, compared with the same values as of 31st December 2021, is shown below:

(euro)	31st December 2022	31st December 2021	Change
Bank deposits	16,655,054	23,060,850	(6,405,797)
Cash on hand	273,174	69,068	204,107
Total cash and cash equivalents	**16,928,228**	**23,129,918**	**(6,201,690)**

The decrease in cash and cash equivalents is mainly due to the distribution of dividends in the year 2021, as per the resolution of the Shareholders' Meeting of 28th April 2022, along with advances to suppliers for the provision of goods for the A/W 2022 and S/S 2023 seasons, along with repayments made by the Company for the repayment of loans.

18. Net assets

The share capital as of 31st December amounted to 1,562,000 euro, fully paid-up, and consisted of 15,624,800 shares.

Equity as at 31st December 2022 amounted to 19,660,000 euro, down 941,000 euro compared to the previous year. This decrease is the result of the distribution of dividends to the amount of 2,812,000 euro and to the profit for the year.

Please refer to the statement of changes in shareholders' equity as at 31st December for details.

The composition of reserves as at 31st December 2022 is shown below, compared with the same values as at 31st December 2021:

(euro)	31st December 2021	Increases	Decreases	31st December 2022
Legal reserve	200,000	112,496		312,496
IAS/IFRS conversion reserve	2,440,366			2,440,366
Share premium reserve	11,682,808			11,682,808
Other reserves	826,293			865,882
Extraordinary reserve	968,668			968,668
Other capital reserves	0			0
Benefit Plan Reserve (OCI) - Actualisation	(142,375)	39,590		(102,786)
Previous years' profit/(loss)	0			0
Total reserves	**15,149,467**	**152,086**	**0**	**15,301,552**

The <u>legal reserve</u>, amounting to 312,000 euro, increased by virtue of the allocation of the year-end profit as at 31st December 2021.

The IAS/IFRS conversion reserve, positive to the amount of 2,440,000 euro, includes the overall effect of the transition to international accounting standards.

The positive share premium reserve of 11,683,000 euro is following the listing on the Euronext Growth Milan market.

Concerning Other Reserves:

- The "Extraordinary Reserve" of 969 euro remained virtually unchanged;
- The "Benefit Plan (OCI) – Actualisation Reserve", negative in the amount of 103,000 euro, represents the discounting effect of the defined benefit plans for employees (Employee Severance Pay).

The following table shows the possibility of utilisation and distributability of reserves:

(euro)	31st December 2022	Possible uses	Quota available
Legal reserve	312,496	B	–
IAS/IFRS conversion reserve	2,440,366	–	–
Share premium reserve	11,682,808	A, B	–
Revaluation reserve		–	–
Extraordinary reserve	968,668	A, B, C	968,668
Other capital reserves	0	A, B	–
Reserve for translation of Financial Statements of foreign	0	–	–
Reserve Benefit Plan (OCI) – Actualisation	(102,786)	–	–
Reserve for co-financing operations of expected financial flows		–	–
Previous years' profits/(losses)		A, B, C	–
Total reserves	**15,301,552**		**968,668**
Non-distributable portion	*0*		0
Distributable share			**968,668**

A = for increases in share capital
B = for loss coverage
C = for distribution to shareholders

It is recalled that as at 31st December 2022, 15,625,000 warrants were outstanding and the holders will have the right, according to the terms and conditions set forth in the Regulations, to subscribe for compendium shares to the extent of 1 compendium share for every 4 warrants exercised and at the price set out in the respective exercise period.

The warrants issued by the Company are listed on the electronic share market of Borsa Italiana S.p.A..

19. Medium- to long-term financing

The composition of the item "Medium- and long-term loans" as of 31st December 2022, compared with the same values as of 31st December 2021, is shown below:

(euro)	31st December 2022	31st December 2021	Changes
BPB financing – long-term quota	0	67,714	(67,714)
BCC 2 financing – long-term quota	0	459,196	(459,196)
Sanpaolo 2 financing – long-term quota	0	209,712	(209,712)
BPM financing – long-term quota	0	615,829	(615,829)
BPB 2 financing – long-term quota	0	619,540	(619,540)

BDF financing – long-term quota	0	657,932	(657,932)
Sanpaolo 3 financing – long-term quota	0	496,575	(496,575)
Sanpaolo 4 financing – long-term quota	0	98,166	(98,166)
Sanpaolo 5 financing – long-term quota	0	0	0
Total medium- to long-term financing	**0**	**3,224,665**	**(3,224,665)**

This item refers to the medium- to long-term portion of bank loans outstanding as of the reporting dates.

The overall change in short- and medium-/long-term bank borrowings is shown below:

(euro)	31st December 2021	Disbursements	Renegotiations	Reimbursements	31st December 2022
BCC Financing	71,073			(71,073)	0
BPB Financing	335,631			(335,631)	0
BCC 2 Financing	589,664			(589,664)	0
Sanpaolo 2 Financing	710,056			(500,344)	209,712
BPM Financing	808,994			(808,994)	0
BPB 2 Financing	774,445			(774,445)	0
BDF Financing	818,920			(818,920)	0
Sanpaolo 3 Financing	750,000		(750,000)	0	0
Sanpaolo 4 Financing	500,000			(500,000)	0
Sanpaolo 5 Financing	0	250,000	750,000	(1,000,000)	0
Total financing	**5,358,783**	**250,000**	**0**	**(5,399,070)**	**209,712**
Intesa Sanpaolo SpA Finimport	43,539	203,592		(247,131)	0
Intesa Sanpaolo S.p.A. confirming	773,387	1,668,366			2,441,753
Total payables to banks	**6,175,708**	**2,121,959**	**0**	**(5,646,202)**	**2,651,465**
of which due within the next financial year	*2,951,044*				*2,651,465*
of which due beyond the next financial year	*3,224,665*				*0*

In view of the particular historical context and the current increase in interest rates, in evaluating the economic impacts and considering the high liquidity at its disposal, it should be noted that the Company deemed it necessary and prudent to proceed with the repayment of almost all loans in order to mitigate the aforementioned risk, resulting in repayments of 5,399,000 euro.

As of 31st December 2022, the Company had one credit line with a residual amount of 209,712 euro, maturing on 26th May 2023, with monthly instalments.

The increase in the item "Confirming" is attributable to the major procurement that the company had to make in the run-up to the end of the year 2022 for the opening of the new shops.

Loans granted in previous years are summarised below:

- Unsecured loan granted by BCC Alberobello and Sammichele di Bari for a nominal amount of 500,000 euro with a 5-year term and maturity date of 31st August 2022, having monthly instalments and a 3-month Euribor + spread interest rate;
- Loan granted by Banca Popolare di Bari for a nominal amount of 1,300,000 euro with a 5-year term and maturity date of 31st March 2023, having monthly instalments and a 6-month Euribor + spread interest rate, guaranteed by the Fondo di Guarantee Fund for SMEs under Law 662/96;

- Loan granted by BCC Alberobello e Sammichele di Bari for a nominal amount of 800,000 euro with a 6-year term and maturity date of 30th April 2026, having monthly instalments and a 3-month Euribor + spread interest rate, guaranteed by the Guarantee Fund for SMEs. 662/96;
- Loan granted by Intesa San Paolo for a nominal amount of 1,000,000 euro with a 3-year term and pre-amortisation, having a maturity date of 26th May 2023, monthly instalments and a fixed interest rate, guaranteed by the Guarantee Fund for SMEs per Decree-Law no. 23 dated 8th April 2020;
- Loan granted by Banca Popolare di Milano for a nominal amount of 850,000 euro with a 6-year term and maturity date of 6th March 2023, having quarterly instalments, a fixed interest rate, guaranteed by the Guarantee Fund for SMEs per Decree-Law no. 23 dated 8th April 2020;
- Unsecured loan granted by Banca Popolare di Bari for a nominal amount of 800,000 euro with a 5-year term plus one year of pre-amortisation, a maturity date of 31st October 2026, monthly instalments and a fixed interest rate, guaranteed by the Guarantee Fund for SMEs under Law 662/96;
- Unsecured loan granted by Banca del Fucino for a nominal amount of 1,000,000 euro with a 6-year term, having a maturity date of 28th October 2026, monthly instalments and a fixed interest rate, guaranteed by the Guarantee Fund for SMEs under Law 662/96.
- Loan entered into on 26th April 2021 and granted by Intesa San Paolo for a nominal amount of 750,000 euro with a 3-year duration and monthly instalments in arrears, an interest rate with a nominal fixed annual quota equal to 1.50 percentage points (Spread) and a variable annual quota equal to the one-month interest rate (on a 360 basis) (EURIBOR) due 26th April 2024;
- Loan entered into on 29th September 2021 and granted by Intesa San Paolo for a nominal amount of 500,000 euro with an 18-month term and monthly instalments in arrears, an interest rate consisting of an annual nominal fixed rate equal to 1.20 percentage points (Spread), and a variable annual rate equal to the one-month interest rate (on a 360 basis) (EURIBOR).

With reference to the loans granted to Take Off S.p.A. throughout the period, it should be noted that a renegotiation occurred in 2022 for 250,000 euro relative to the loan entered into on 26th April 2021 and granted by Intesa San Paolo and subsequently extinguished by the end of 2022.

For variations in these financial liabilities arising from financial assets, see Note 39 – "Financial Instruments – Fair Value and Risk Management".

20. Other non-current financial liabilities

The composition of the item "Other non-current financial liabilities" as of 31st December 2022, compared with the same values as of 31st December 2021, is shown below:

(euro)	31st December 202231st	December 2021	Variation
Lease obligations – long-term portion	6,653,037	5,155,110	1,497,926
Total other non-current financial liabilities	**6,653,037**	**5,155,110**	**1,497,926**

This item refers to residual long-term liabilities arising from existing lease agreements pertaining to the commercial premises of the sales outlets.

Changes in financial liabilities from 1st January 2022 to 31st December are shown below:

Balance at 01/01/2022	**6,637,387**
Renegotiations	1,873,208
New Contracts	2,141,078
Repayments	(1,741,582)
Terminations	(162,710)
Balance at 31/12/2022	**8,747,381**

The renegotiations refer to rent increases contracted for most of the outlets, to adjust to the original post-Covid-19-pandemic values.

The following table shows the maturity of leasing liabilities by time period:

(euro)	**31/12/2022**	**31/12/2021**
< 1 year	2,094,344	1,482,277
1–2 years	1,326,108	1,345,302
2–3 years	1,508,490	1,121,234
3–4 years	1,240,774	711,299
4–5 years	987,523	388,390
> 5 years	1,590,141	1,588,885
	8,747,381	**6,637,386**

Below is information on the nominal value of the Company's lease payments, broken down into fixed and variable payments:

(euro)	**Fixed payments**	**Variable payments**	**Total**
Balance at 31st December 2022			
Flat fee	1,870,531	–	1,870,531
Variable fee with minimum payment	–	58,927	58,927
Total	**1,870,531**	**58,927**	**1,929,458**
As at 31st December 2021			
Flat fee	1,543,395	–	1,543,395
Variable fee with minimum payment	–	46,950	46,950
Total	**1,543,395**	**46,950**	**1,590,345**

21. Liabilities for future employee benefits

The composition of the item "Liabilities for future employee benefits" as at 31st December 2022, compared with the same values as at 31st December 2021, is shown below:

(euro)	**Severance pay**
Balance 31st December 2021	**748,435**
Social security cost related to current work benefits	234,795
Interest expenses	15,240

Profit/(losses) from discounting	(52,091)
Utilisations	(119,406)
Balance 31st December 2022	**826,972**

This item refers to the Staff Severance Pay Reserve (Trattamento di Fine Rapporto or, "TFR") accrued in regards to employees.

The actuarial valuation of Severance Pay Reserve is carried out using the "accrued benefits" formula by means of the Projected Unit Credit Method as required by IAS 19. This methodology takes the form of valuations that express the average present value of retirement obligations accrued based on the service the worker has rendered up to the time the valuation is made, not projecting the worker's salary in accordance with regulatory changes introduced by the recent Pension Reform. The calculation methodology can be summarised in the following steps:

- Projection for each employee in force at the valuation date of the Severance Pay already set aside up to the unknown date of payout;
- Determination for each employee of the probable payments of Severance Pay to be made by the Company in the event of the employee leaving due to dismissal, resignation, incapacity, death or retirement, as well as in the event of requests for advances;
- Discounting, at the date of valuation, of each probable payment.

The actuarial model for the valuation of Severance Pay is based on various assumptions, both demographic and economic-financial. The main assumptions of the model are:

- Death per the mortality tables published by the State General Accounting Department;
- National Social Security Institute tables by age and sex;
- Retirement – 100% upon reaching the AGO requirements adjusted to Legislative Decree 4/2019;
- Turnover frequency of 8%;
- Frequency of anticipations at 1%;
- Annual rate increase for Severance Pay of 2.4%;
- Inflation rate of 1.2%;
- Discount rate of 0.77%.

The following table shows the effects there would be on the defined benefit obligation as a result of a change in the discount rate:

(euro)	**Sensitivity**	**New Severance**
Turnover rate	+1%	829,397.70
	-1%	824,046.03
Inflation rate	+0.25%	839,779.83
	-0.25%	814,524.81
Discount rate	+0.25%	812,428.03
	-0.25%	842,078.14

The number of employees by category as at 31st December 2022, compared with 31st December 2021, is shown in the table below:

(No. of units)	31st December 2022	31st December 2021	Variation
Management	3	2	1
Clerks	10	6	4
Labourers	273	189	84
Total	**286**	**197**	**89**

22. Provisions for non-current risks and charges

The composition of the item “Provisions for liabilities and charges” as of 31st December 2022, compared with the same values as of 31st December 2021, is shown below:

(euro)	Provision for litigation risks	Total
Balance as at 1st January 2022	**42,531**	**42,531**
Provision for the year	9,468	9,469
Utilisations for the year	0	0
Balance at 31st December 2022	**52,000**	**52,000**

As of 31st December 2022, the item includes the amount set aside for risks deemed probable for labour disputes of a non-current nature. It was deemed opportune to set aside an additional 9.4 thousand euro to adjust the provision to the presumable amount for which the Company could be called upon to pay.

23. Deferred tax liabilities

The composition of “Deferred Tax Assets” as at 31st December 2022, compared with the same values as at 31st December 2021, is shown below:

(euro)	31st December 2022	31st December 2021	Variation
Deferred tax liabilities	108	108	0
Total deferred tax liabilities	**108**	**108**	**0**

Deferred tax liabilities mainly reflect the tax effects of positive IAS/IFRS translation adjustments. For more details on deferred taxes, please refer to the Notes on Income Taxes.

24. Bank borrowings and the short-term portion of long-term loans

The composition of the item “Bank borrowings and short-term portion of long-term loans” as at 31st December 2022, compared with the same values as at 31st December 2021, is shown below:

(euro)	31st December 2022	31st December 2021	Changes
Intesa Sanpaolo S.p.A. finimport	0	43,539	(43,539)
Intesa Sanpaolo S.p.A. confirming	2,441,753	773,387	1,668,366
BCC financing – long-term quota	0	71,073	(71,073)
BPB financing – long-term quota	0	267,916	(267,916)
Sanpaolo financing – long-term quota	0	0	0
BCC 2 financing – long-term quota	0	130,468	(130,468)
Sanpaolo 2 financing – long-term quota	209,712	500,344	(290,631)
BPM financing – long-term quota	0	193,165	(193,165)
BPB 2 financing – long-term quota	0	154,904	(154,904)
BDF financing – long-term quota	0	160,988	(160,988)
Sanpaolo 3 financing – long-term quota	0	253,425	(253,425)
Sanpaolo 4 financing – long-term quota	0	401,834	(401,834)
Sanpaolo 5 financing – long-term quota	0		0
Bank borrowings and the short-term portion of long-term loans	**2,651,465**	**2,951,044**	**(299,579)**

As at 31st December 2022, the item refers to the short-term portion of bank borrowings, for which reference to Note 19 – "Medium- and long-term loans" should be made, along with the amount for payables to banks for import advances.

The increase in the item "Confirming" is attributable to the major procurement that the company had to make in the run-up to the end of the year 2022 for the opening of the new shops.

25. Other current financial liabilities

The composition of the item "Other Current Financial Liabilities" as of 31st December 2022, compared with the same values as of 31st December 2021, is shown below:

(euro)	31st December 2022	31st December 2021	Variation
Leasing liabilities – short-term portion	2,094,344	1,482,277	612,068
Total other current financial liabilities	**2,094,344**	**1,482,277**	**612,068**

This item mainly refers to residual short-term liabilities for lease contracts pertaining to the commercial premises of sales outlets.

26. Trade payables

The composition of the item "Trade Payables" as at 31st December 2022, compared with the same values as at 31st December 2021, is shown below:

(euro)	31st December 2022	31st December 2021	Changes
Liabilities to suppliers	3,004,686	1,777,551	1,227,134
Invoices to be received	117,637	73,275	44,362
Credit notes to be received	(318)	(5,118)	4,800

Banca IFIS S.p.A.	0	74,937	(74,937)
Total trade payables	**3,122,005**	**1,920,645**	**1,201,359**

Trade payables refer to payables contracted for the purchase of goods for resale. The increase in this item is directly related to the increase in procurement as a result of the new sales outlets.

27. Liabilities for returns

The composition of the item "Liabilities for returns" as at 30th 31st December 2022, compared with the same values as of 31st December 2021, is shown below:

(euro)	31st December 2022	31st December 2021	Changes
Vouchers issued	60,400	41,625	18,775
Total Payables for contractual obligations	60,400	41,625	18,775

The balance refers to vouchers issued by individual sales outlets for returns made by customers.

28. Tax payables

The composition of the item "Tax payables" as at 31st December 2022, compared with the same values as at 31st December 2021, is shown below:

(euro)	31st December 2022	31st December 2021	Changes
Corporate Income Tax	645	303,488	(302,843)
Regional Production Tax	0	77,152	(77,152)
Payables for penalties and interest	292,828	458,086	(165,258)
Total tax payables	**293,473**	**838,726**	**(545,253)**

As at 31st December 2022, the item mainly refers to payables for penalties and interest, amounting to 293,000 euro, referring to taxes for previous years, which decreased due to the release of the portion of the payable relative to the year 2016 no longer due.

29. Other current payables and liabilities

The composition of the item "Other Current Payables and Liabilities" as of 31st December 2022, compared with the same values as of 31st December 2021, is shown below:

(euro)	31st December 2022	31st December 2021	Variation
Payables to social security institutions	183,039	129,444	53,595
VAT	252,957	193,676	59,281
Withholding taxes on employment and self-employmer	112,557	92,210	20,348
Payables to employees	474,959	250,347	224,613

Other current payables and liabilities	90,328	0	90,328
Accrued liabilities and deferred income	26,605	9,093	17,512
Total other current payables and liabilities	**1,140,445**	**674,770**	**465,676**

As at 31st December 2022, this item mainly included payables to social security institutions to the amount of 183,000 euro, payables for accrued employee compensation in the amount of 475,000 euro, along with accrued expenses and deferred income to the amount of 27,000 euro.

The increase in the item "Other Current Payables and Liabilities" is largely due to the rise in payables to employees related to the payment of the December 2022 payroll and the accrual of holiday leave.

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30. Revenue from contracts with customers

The breakdown of the item "Revenue from Contracts with Customers" for the 2022 financial year, compared with the same values for the 2021 financial year, is shown below:

(euro)	1st January 2022 – 31st December 2022	1st January 2021 – 31st December 2021	Variation
Sale of wholesale goods	769,606	257,507	512,099
Shop sale payments	22,944,404	19,641,206	3,303,198
Total revenue from contracts with clients	23,714,011	19,898,713	3,815,297

The item "Revenue from contracts with customers" includes revenue from the sale of wholesale goods and revenue from shop sales. The latter, which account for 97% of the turnover, refer to the revenues generated by the 42 direct sales outlets owned by the Company plus the revenues generated by the 7 affiliated sales outlets. The change for the period is essentially due to an up in sales, which is duly commented on in the Management Report to which reference should be made.

Below is a breakdown of revenue from contracts with Company customers according to geographic criteria and the timing of their reporting:

	31st January 2022–31st December 2022	
(euro)	**Sale of goods at wholesale**	**Sale of goods at retail**
Type of goods		
Sale of wholesale goods	769,606	
Shop sale fees Other sale fees		22,944,404
Total revenue from contracts with clients	769,606	22,944,404
Geographical area		
Italy	769,606	22,944,404
Foreign		
Total revenue from contracts with clients	769,606	22,944,404

Timing of revenue recognition		
Assets transferred at a given time	769,606	22,944,404
Assets transferred over time		
Total revenue from contracts with clients	**769,606**	**22,944,404**

	1st January 2021–31st December 2021	
(euro)	**Sale of goods at wholesale**	**Sale of goods at retail**
Type of goods		
Sales of Wholesale Goods Shop Sales Amounts	257,507	19,641,206
Other Sales Amounts		
Total revenue from contracts with clients	**257,507**	**19,641,206**
Geographical area		
Italy	257,507	19,641,206
Foreign		
Total revenue from contracts with clients	**257,507**	**19,641,206**
Timing of revenue recognition		
Assets transferred at a given time	257,507	19,641,206
Assets transferred over time		
Total revenue from contracts with clients	**257,507**	**19,641,206**

The timing of determining revenue for the sale of goods, whether through the retail or wholesale channel, occurs upon control of the good being transferred to the customer, generally at the time of delivery.

31. Other income

The breakdown of the item "Other Income" for the 2022 financial year, compared with the same values for the 2021 financial year, is shown below:

(euro)	1st January 2022–31st December 2022	1st January 2021–31st December 2021	Changes
Leases and subleases	24,657	21,300	3,357
Various contributions	50,758	781,704	(730,946)
Reimbursement of affiliate expenses	65,092	12,074	53,018
Discounts/rebates	5,203	1,419	3,783
Contingent assets	33,515	72,382	(38,867)
Gains	9,721	41,373	(31,652)
Other sales revenue	5,269	564,456	(559,187)
Total other income	**194,214**	**1,494,707**	**(1,300,493)**

The item is positively affected mainly by the contributions received amounting to 51,000 euro pertaining to Training 4.0 – Law no. 205 dated 27th December 2017 and by the subrogation of expenses related to affiliates.

It should be noted that the decrease of 1,300,000 euro is mainly due to the effect of the grants that Take Off received in the year 2021 and from a large non-recurring sale of assets made in the year 2021 relative to the item “Other Sales Revenue”.

32. Costs for raw and semi-processed materials and consumables

The breakdown of the item “Costs for Raw Materials and Consumables” for the 2022 financial year, compared with the same values for the 2021 financial year, is shown below:

(euro)	1st January 2022 – 31st December 2022	1st January 2021 – 31st December 2021	Variation
Purchases of goods	12,594,261	6,630,218	5,964,043
Purchases of consumables	105,887	76,866	29,021
Ancillary charges on purchases	188,698	102,252	86,446
Change in inventories of goods	(1,904,699)	2,168,455	(4,073,154)
Total costs for raw and semi-processed materials and consumables	**10,984,148**	**8,977,791**	**2,006,356**

The costs of raw materials, supplies and consumables mainly refer to the purchase of goods for resale at individual points of sale.

The substantial increase in the item for the purchase of goods is in line with the rise in revenue and is mainly attributable to an up in the purchase costs of goods and the substantial procurement made as a result of new openings.

The increase in the item “Ancillary Charges on Purchases” compared to the previous year, amounting to 86,000 euro, is attributable to the increase in freight and customs clearance costs for the purchase of goods.

33. Costs for services

The breakdown of the item “Costs for Services” for the 2022 financial year, compared with the same values for the 2021 financial year, is shown below:

(euro)	1st January 2022– 31st December 2022	1st January 2021– 31st December 2021	Changes
Telephone expenses	30,449	28,855	1,595
Supervisory services	28,994	27,171	1,823
Electricity	268,592	215,976	52,616
Water	13,829	16,316	(2,488)
Maintenance and repairs	59,678	63,643	(3,964)
Insurance	28,508	19,841	8,668
Shipping	25,033	13,050	11,983
Advertising	392,459	102,080	290,379
Consultancy	691,458	441,421	250,037
Remuneration of the corporate bodies	115,860	123,286	(7,426)
Other service costs	621,106	359,858	261,248
Total costs for services	**2,275,967**	**1,411,498**	**864,470**

Costs for services include expenses for electricity and water utilities, costs for security services, maintenance and repairs, insurance, transport costs, advertising, maintenance costs, services provided for technical, legal, administrative and professional consultation, costs related to remuneration for administrative and supervisory bodies, along with other residual costs.

The increase in this item over the previous year, amounting to 864,000 euro, is mainly due to the costs incurred for advertising relating to the opening of the new Take Off shops and consulting expenses due to the new corporate structure following the listing on the stock exchange and the increase in costs relating to the electricity supply.

The increase in the item “Other Service Costs”, equal to 261,000 euro, is mainly due to the rise in the price of fuel for vehicles used for the reassortment of products within the sales outlets and the increase in ordinary expenses for on-site supervision of new sales outlets.

34. Personnel costs

The breakdown of the item “Personnel Costs” for the 2022 financial year, compared with the same values for the 2021 financial year, is shown below:

(euro)	1st January 2022– 31st December 2022	1st January 2021– 31st December 2021	Changes
Remuneration	3,981,536	2,785,762	1,195,774
Social security and insurance charges	828,321	618,226	210,094
Provision for Severance Pay	234,795	258,060	(23,265)
Other personnel-related costs	50,345	103,761	(53,416)
Total personnel costs	**5,094,997**	**3,765,809**	**1,329,188**

Personnel costs relate to the costs for employees during the period.

The increase in personnel costs compared to the same period of the previous year, equal to 1,329,000 euro, is mainly due to the hiring of new personnel for the opening of the new sales outlets.

35. Other operating costs

The breakdown of the item “Other Operating Expenses” for the 2022 financial year, compared with the same values for the 2021 financial year, is shown below:

(euro)	1st January 2022– 31st December 2022	1st January 2021– 31st December 2021	Changes
Condominium expenses	16,280	16,451	(170)
Other costs related to leases	275,001	53,816	221,185
Lease fees	22,776	17,130	5,645
Taxes and non-income taxes	103,604	91,439	12,166
Contingent liabilities	80,136	24,006	56,129
Losses	3,398	8,385	(4,986)
Other operating costs	14,242	7,469	6,773
Total other operating costs	**515,438**	**218,696**	**296,742**

The change in the item "Other Operating Costs" mainly refers to the increase in other costs related to leasing, which concern miscellaneous expenses, expenditures for equipment used in shops and promotional activities. The increase in this item can be directly attributed to the rise in new sales outlets opened under direct management.

36. Amortisation, depreciation and write-downs

The breakdown of the item "Depreciation, Amortisation and Write-downs" for the 2022 financial year, compared with the same values for the 2021 financial year, is shown below:

(euro)	1st January 2022– 31st December 2022	1st January 2021– 31st December 2021	Changes
Amortisation of intangible assets	5,024	4,724	300
Amortisation on rights-to-use	1,759,057	1,430,917	328,139
Depreciation on property, plants and machinery	368,126	292,259	75,867
Provision for risks	9,469	0	9,469
Provision for writedowns Credits	74,937	0	74,937
Total amortisation, depreciation and write-downs	**2,216,613**	**1,727,901**	**488,712**

This refers to the depreciation of buildings, furniture, electronic machines, general installations and equipment, as well as the depreciation of rights-to-use.

It should be noted that the company has prudentially set aside 75,000 euro for bad debts whose recoverability is uncertain.

For more details, please refer to the comments on intangible assets, rights of use and property, plants and machinery.

37. Financial expenses

The breakdown of the item "Financial Expenses" for the 2022 financial year, compared with the same values for the 2021 financial year, is shown below:

(euro)	1st January 2022–31st December 2022	1st January 2021– 31st December 2021	Changes
Bank interest expenses	73,739	98,791	(25,052)
Exchange rate losses	26,412	6,115	20,297
Interest expenses from leasing contracts	184,051	182,038	2,013
Taxes for previous years	229	0	229
Other financial expenses	35,292	12,794	22,497
Total financial dues	**319,722**	**299,739**	**19,983**

The 20,000-euro increase in this item over the previous year is mainly due to bank interest expenses.

38. Financial income

The breakdown of the item "Financial Income" for the 2022 financial year, compared with the same values for the 2021 financial year, is shown below:

(euro)	1st January 2022 – 31st December 2022	1st January 2021 – 31st December 2021	Variation
Exchange rate gains	2,823	354	2,469
Interest income	59,962	36,344	23,617
Total financial income	**62,785**	**36,698**	**26,087**

The increase in the item “Financial Income” of 26,000 euro is due to the increase in interest income on bank accounts.

39. Income taxes

The composition of the item “Income Taxes” for the period from 1st January to 31st December 2022, compared with the same values for the period from 1st January to 31st December 2021, is shown below:

(euro)	1st January 2022– 31st December 2022	1st January 2021– 31st December 2021	Variation
Taxes for the period	688,873	896,019	(207,146)
Deferred tax assets	42,940	244,029	(201,089)
Total income tax	731,813	1,140,048	(408,235)

Current taxes refer to Corporate Income Tax and Italian Regional Production Tax for the period.

Deferred tax assets include the tax effects of non-deductible costs for the year and negative IAS/IFRS translation adjustments.

The following tables express the reconciliation of theoretical taxes with actual taxes.

Reconciliation between tax charge from financial statements and theoretical tax charge (Italian Regional Production Tax)		**2,022**
Net income before taxes	**2,564,354**	
Theoretical tax burden (24% rate)		**615,445**
Temporary differences deductible in future years:		
Maintenance expenses exceeding the deductible amount (Article 102 – Consolidated Income Tax Code)	–	
Non-deductible write-downs	74,229	
Non-deductible changes in exchange rates	–	
Non-deductible interest expenses	–	
Total	74,229	
Reversal of temporary differences from previous years		
Maintenance expenses exceeding the deductible amount (Article 102 – Consolidated Income Tax Code)	-113,437	
Interest expenses not deducted in previous years		

Total	-113,437
Differences that will not affect subsequent years:	
Non-deductible or unpaid taxes	
Expenses for unpaid means of transport – Article 164	115,854
Other increases	325,267
Other decreases	137,120
Total	304,001
Utilisation of tax losses	
Utilisation of tax losses	–
ACE deduction	-146,263
Total	-146,263
Taxable income	**2,682,884**

Current taxes on operating income	**2,682,884**	**643,892**

Reconciliation between tax charge from financial statements and theoretical tax charge (Italian Regional Production Tax)

Difference between production value and production costs	8,000,466	
Costs not relevant for Italian Regional Production Tax purposes		
Other relevant items		
Total	**8,000,466**	
(Calculated in the Italian Regional Production Tax sheet)		
Theoretical tax burden (4.82% rate)		**385,622**
Differences that will not affect subsequent years:		
Costs, fees and profits referred to in Article 11 of Legislative Decree 446		
Municipal property tax		
Other increases for Italian Regional Production Tax purposes	134,297	
Other decreases for Italian Regional Production Tax purposes	-42,151	
Total	92,146	
Italian Regional Production Tax deductions	3,674,722	

Taxable Italian Regional Production Tax	**4,417,890**	
Current Italian Regional Production Tax for the year (net of the benefit of Article 24 of Decree Law 34/2020)	325,267	**210,239**

Deferred tax assets are detailed below:

	31/12/2022			31/12/2021			31/12/2022	
(thousands of euro)	Total temporary differences	Tax effect %	Tax effect	Total temporary differences	Tax effect %	Tax effect	Effect on profit and loss statement	Effect on the Comprehensive Income Statement
Deferred tax liabilities								
Excess maintenance	153,400	24.00%	36,816	266,838	24.00%	64,041	27,225	–
Measuring short-term employee benefits	0	24.00%	0	0	24.00%	0	0	–
registration of rights of use on leases	88,758	28.82%	25,578	88,758	28.82%	25,579	1	–
Discounting of Severance Pay	43,823	24.00%	10,518	161,398	24.00%	38,735	15,715	12,502
Tax losses that can be carried forward indefinitely	0	24.00%	0	0	24.00%	0	0	–
Non-deductible write-downs	0	28.82%	0	0	28.82%	0	0	–
Total deferred tax liabilities	**285,981**		**72,912**	**516,993**		**128,355**	**42,941**	**12,502**

	31/12/2022			31/12/2021			#	31/12/2022
(thousands of euro)				Total temporary differences	Tax effect %	Tax effect	Effect on profit and loss statement	Effect on the Comprehensive Income Statement
Deferred tax liabilities								
Non-deductible changes in exchange rates				0	24.00%	0	0	–
Other changes	450	24.00%	108	450	24.00%	108	0	–
							0	
Total deferred tax liabilities	450		108	450		108	0	0
Cost/(Revenue) for deferred taxes							**42,941**	**12,502**

40. Financial instruments – fair value and risk management

B. Accounting classification

The classification of the Company's financial assets and liabilities is presented below:

(euro)	31st December 2022	31st December 2021
Financial assets at amortised cost		
Other non-current receivables	613,279	408,518
Trade receivables	141,587	93,931
Other current receivables	844,807	592,763
Tax receivables	230,207	182,338
Total financial assets at amortised cost	**1,829,880**	**1,277,551**
Financial liabilities at amortised cost		
Medium- to long-term financing		3,224,665

Other non-current financial liabilities	6,653,037	5,155,110
Bank borrowings and the short-term portion of long-term loans	2,651,465	2,951,044
Other current financial liabilities	2,094,344	1,482,277
Trade payables	3,122,005	1,920,645
Payables for contractual obligations	60,400	41,625
Tax payables	293,473	838,726
Other current payables and liabilities	1,140,445	674,770
Total financial liabilities at amortised cost	**16,015,169**	**16,288,862**

B. Fair Value Measurement

The table below compares, by individual class, the book value and fair value of financial instruments held by the Company, excluding those whose book value reasonably approximates fair value:

	Book value		Fair value	
(euro)	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Financial assets				
Financial receivables from subsidiaries	-	-	-	-
Equities	-	-	-	-
Total financial assets	-	-	-	-
Financial Liabilities				
BCC Financing	0	71,073	0	71,073
BPB Financing	0	335,631	0	335,631
Sanpaolo Financing	0	0	0	0
BCC 2 Financing	0	589,664	0	589,664
Sanpaolo 2 Financing	209,712	710,056	209,712	710,056
BPM Financing	0	808,994	0	808,994
BPB 2 Financing	0	774,445	0	774,445
BDF Financing	0	818,920	0	818,920
Sanpaolo 3 Financing	0	750,000	0	750,000
Sanpaolo 4 Financing	0	500,000	0	500,000
Sanpaolo 5 Financing	0	5,358,783	0	5,358,783
Intesa Sanpaolo SpA Finimport	0	43,539	0	43,539
Intesa Sanpaolo SpA Confirming	2,441,753	773,387	2,441,753	773,387
Total financial liabilities	**2,651,465**	**11,534,491**	**2,651,465**	**11,534,491**
Total net financial assets	**2,651,465**	**11,534,491**	**2,651,465**	**11,534,491**

The Management has verified that the fair value of cash and cash equivalents and short-term deposits, readily marketable equity securities, trade receivables and payables, bank overdrafts and other current liabilities approximates the carrying value as a result of the short-term maturities of such instruments.

The following table shows whether the Company's financial assets and liabilities belong to Level 1, Level 2 or Level 3 of the fair value hierarchy:

(euro)	31/12/2022 Prices quoted in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial liabilities for which fair value is indicated			
BCC Financing	-	-	-
BPB Financing	-	-	-
Sanpaolo Financing	-	-	-
BCC 2 Financing	-	-	-
Sanpaolo 2 Financing	-	209,712	-
BPM Financing	-	-	-
BPB 2 Financing	-	-	-
BDF Financing	-	-	-
Intesa Sanpaolo SpA Finimport	-	-	-
Intesa Sanpaolo SpA Confirming	-	2,441,753	-
Sanpaolo 3 Financing	-	-	-
Sanpaolo 4 Financing	-	-	-
Sanpaolo 5 Financing	-	-	
Total financial liabilities	-	**2,651,465**	-

(euro)	31/12/2021 Prices quoted in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial liabilities for which fair value is indicated			
BCC Financing	-	71,073	-
BPB Financing	-	335,631	-
Sanpaolo Financing	-	0	-
BCC 2 Financing	-	589,664	-
Sanpaolo 2 Financing	-	710,056	-
BPM Financing	-	808,994	-
BPB 2 Financing	-	774,445	-
BDF Financing	-	818,920	-
Intesa Sanpaolo SpA Finimport	-	750,000	-
Intesa Sanpaolo SpA Confirming	-	500,000	-
Sanpaolo 3 Financing	-	43,539	-
Sanpaolo 4 Financing	-	773,387	-
Total financial liabilities		**6,175,708**	

The following methods and assumptions were utilised to estimate fair value:

- Financial receivables from subsidiaries are assessed by the Company on the basis of parameters such as the interest rate, the individual creditworthiness of the subsidiary and the characteristic risk of the financial project;
- The fair value of equities is determined using the market value at the date of reference;

- The fair value of the Company's interest-bearing loans and borrowings are determined using the discounted cash flow method, with a discount rate that reflects the loan rate used by the issuer at year-end. Its default risk as at 31st December 2022 and 31st December 2021 was assessed as not significant.

There were no transfers between Level 1 and Level 2 and no fair value estimates at Level 3 as at 31st December 2022 and 31st December 2021.

C. Financial risks

Take Off is exposed to varying degrees of financial risks pertaining to the company's activities. In particular, the Company is simultaneously exposed to market risk (interest rate risk and price risk), liquidity risk and credit risk.

Financial risk management is carried out on the basis of guidelines defined by the Management. The objective is to ensure that the liability structure is always in balance with the composition of the assets, in order to maintain adequate solvency of the capital.

The sources of financing utilised by the Company consist of a mix of risk capital, contributed on a permanent basis by shareholders, and debt capital, comprising:

- Medium-/long-term loans with a multi-year amortisation plan, to cover investments in fixed assets;
- Real estate leasing contracts.

Market risk

Market risk is the risk of fluctuations in the future streams of a financial instrument as a result of changes in market prices. It consists of two types of risk:

- Interest rate risk;
- Price risk.

Interest rate risk

Interest rate risk is the risk of fluctuations in the future streams of a financial instrument due to changes in interest rates.

The Company's sensitivity to interest rate risk is managed with due consideration for its overall exposure. As part of its general policy of optimising financial resources, Take Off seeks balance by resorting to the least costly forms of financing.

The Company's main sources of exposure to interest rate risk are bank loans, which have variable interest rates and are thus subject to the risk of changes in cash flows. This risk is reflected in the leasing liabilities, measured at the marginal financing rate.

The following table shows the book value, by maturity, of the Company's financial instruments that are exposed to interest rate risk:

(euro)	Interest rate	Expiry date	31st December 2022	31st December 2021
Non-current financial liabilities				
BCC Financing	3-month Euribor + spread	2022	0	0
BPB Financing	6-month Euribor + spread	2023	0	67,714
Sanpaolo 2 Financing	fixed	2023	0	209,712
BCC 2 Financing	3-month Euribor + spread	2023	0	459,196
BPM Financing	fixed	2023	0	615,829
BPB 2 Financing	fixed	2026	0	619,540
BDF Financing	fixed	2026	0	657,932
Sanpaolo 3 Financing	fixed	2024	0	496,575
Sanpaolo 4 Financing	Euribor 1 month+spread	2023	0	98,166
Sanpaolo 5 Financing	Euribor 1 month+spread	2023	0	0
Lease payables	2.5%	2022–2031	6,653,037	5,155,110
Total non-current financial liabilities			**6,653,037**	**8,379,775**
Current financial liabilities				
BCC Financing	3-month Euribor + spread	2021	0	71,073
BPB Financing	6-month Euribor + spread	2021	0	267,916
Sanpaolo Financing	fixed	2021	0	0
BCC 2 Financing	3-month Euribor + spread	2021	0	130,468
Sanpaolo 2 Financing	fixed	2021	209,712	500,344
BPM Financing	fixed	2023	0	193,165
BPB 2 Financing	fixed	2026	0	154,904
BDF Financing	fixed	2026	0	160,988
Sanpaolo 3 Financing	fixed	2024	0	253,425
Sanpaolo 4 Financing	Euribor 1 month+spread	2023	0	401,834
Sanpaolo 5 Financing	Euribor 1 month+spread	2023	0	0
Intesa Sanpaolo SpA Finimport		2021	0	43,539
Intesa Sanpaolo SpA Confirming		2021	2,441,753	773,387
Lease payables	2.5%	2022–2031	2,094,344	1,482,277
Total current financial liabilities			**4,745,810**	**4,433,321**

Price risk

The main price risk identified stems from fluctuations in the prices of traded goods. In order to monitor this risk, the Company pays particular attention to procurement policies, fixed cost optimisation and the efficiency of the organisational structure.

Credit risk

The Company's main exposure to credit risk arises from trade receivables, the quality and seniority of which is constantly monitored by the administrative structure to ensure timely intervention and reduce the risk of losses. With regard to overdue receivables, no particular risks are evident.

The Company's financial assets, which include cash and cash equivalents and other financial assets, present a maximum risk equal to the book value of these assets in the event of a default by a counterparty.

Liquidity risk

The Company manages liquidity risk through tight control of the components of operating working capital and of trade receivables and trade payables in particular.

The Company is committed to obtaining a good generation of cash then exploiting such in the outgoings necessary for payments to suppliers without jeopardising the short-term treasury balance and whilst avoiding critical situations and tensions in current liquidity, using – in addition and where necessary – short-term loans. On the other hand, the outstanding medium- to long-term loans are used to realise investments, consisting of the expansion of the distribution network.

The table below summarises the maturity profile of the Company's financial liabilities based on expected principal payments.

(euro)	< 1 anno	1–2 years	2–3 years	3–4 years	4–5 years	> 5 years	Total
Balance at 31st December 2022							
Sanpaolo 2 Financing	209,712						209,712
Intesa Sanpaolo SpA Confirming	2,441,753						2,441,753
Lease payables	2,094,344	1,326,108	1,508,490	1,240,774	987,523	1,590,141	8,747,381
Payables for contractual obligations	60,400						60,400
Trade payables	3,122,005						3,122,005
Tax payables	293,473						293,473
Other current payables and liabilities	1,140,445						1,140,445
Total	**9,362,133**	**1,326,108**	**1,508,490**	**1,240,774**	**987,523**	**1,590,141**	**16,015,169**

Changes in financial liabilities arising from financial assets

Changes in financial liabilities arising from financial assets as at 31st December 2022, compared to 31st December 2021, are detailed below:

(euro)	31st December 2021	Cash Flows	New leasing contracts	Other	31st December 2022
Medium- to long-term financing	3,224,665	(5,149,070)		1,924,406	0
Bank borrowings and short-term portion of loans	2,951,044	1,874,827		(2,174,406)	2,651,465
Lease liabilities – non-current portion	5,155,110		2,141,078	(643,152)	6,653,037
Lease liabilities – current portion	1,482,277	(1,741,582)		2,353,649	2,094,344
Total	**12,813,095**	**(5,015,825)**	**2,141,078**	**1,460,497**	**11,398,846**

The "Other" column includes the effects of reclassification of loans from "non-current" to "current", including lease obligations, related to the passage of time, as well as the effect of renegotiations and terminations of operating leases.

D. Capital management

The primary objective of the Company's capital management is to ensure that a strong credit rating and adequate levels of capital indicators are maintained to support the business and maximise shareholder value. The Company manages the capital structure and modifies such according to changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividends paid to shareholders, redeem capital or issue new shares.

No changes were made to the objectives, policies or procedures during the 2022 and 2021 financial years.

The Company includes in net debt, interest-bearing loans, lease liabilities, trade payables and other payables, net of cash and cash equivalents, as shown below:

(euro)	31st December 2022	31st December 2021
Burdensome financing	2,651,465	6,175,708
Leasing liabilities	8,747,381	6,637,387
Trade and other payables	4,616,323	3,475,766
Cash and cash equivalents	(16,928,228)	(23,129,918)
Net debt	**(913,058)**	**(6,841,056)**
Net assets	**19,660,021**	**20,600,584**
Capital and net debt	**18,746,962**	**13,759,527**
Net payables/Net assets	**-4.64%**	**-33.21%**

The change in the ratio of net payables to equity compared to the year 2021 is attributable to the decrease in the Company's cash and cash equivalents.

41. Earnings per share

As required by IAS 33, information is provided on the data used to calculate basic and diluted earnings per share. Basic earnings per share is calculated by dividing the result for the period, profit or loss, attributable to the shareholders of the companies of the Company by the weighted average number of shares outstanding during the period.

It should be noted that diluted earnings per share are the same as basic earnings per share since there are no events and/or transactions that would have a dilutive effect on earnings.

The values utilised in the calculation of basic and diluted earnings per share are shown below:

(euro)	31st December 2022	31st December 2021
Net operating result	1,832,312	3,888,637
Average number of ordinary shares	15,624,800	10,940,035
Basic and diluted earnings per		**0.12 0.36**

The downturn in earnings per share compared to 2021 is due to the reduction in net income for the year and the increase in the number of shares.

As of 31st December 2022, there were outstanding instruments that could potentially dilute basic earnings per share such as warrants. To this end, it should be noted that the warrants have no dilutive effect as at 31st December 2022 because, in accordance with paragraph 47 of IAS 33, it was verified that the average market price of ordinary shares in the period was lower than the exercise price of the warrants.

42. Significant Events occurring after year's end

On 6th February, by means of a Press Release issued on the same date, Take Off S.p.A. received notice from majority shareholder Summit S.p.A. that it had sold a total of 1,694,009 ordinary shares and a total of 5,721,636 warrants to leading Italian and foreign institutional investors. The transaction took place off-market on 3rd February 2023 at a price of 4,166 euro per share and 0.0099 euro per warrant. Following this transaction, Summit S.p.A.'s shareholding in Take Off S.p.A. went from 64.33% to 53.49% of the share capital, increasing the floating from 28.29% to 39.13%.

I Sales results in January–March 2023 were in line with the budget, also in terms of margins, confirming the positive trend for Take Off S.p.A.
For the time being, there are no direct repercussions of the current macroeconomic scenario as a result of international tensions.

II Rising energy, fuel and raw material costs undoubtedly have a negative impact by burdening the Income Statement with costs that, no matter how carefully controlled and efficient, certainly affect our planning. Costs and upsurges unfortunately incurred due to exogenous variables, being predictable but unfortunately not always controllable, shall be managed as best as possible. Still, the Company has already demonstrated the resilience of its business model as well as the high variability and flexibility of its cost structure by maintaining significant margins even during the most complex years of the pandemic. Within the actual complex context there are currently no elements that cannot be managed by the Management in line with what has been done in the recent past.
In this market environment, the company will continue with its purchasing, procurement and research and design strategy, trying to be more aggressive in view of the solid net financial position and more flexible in the rotation of collections and inventory.
Considering these general market conditions, the management bodies continued to take actions to contain corporate costs in order to nonetheless ensure the economic and financial balance of the Company.

43. Transactions with correlated parties

During the year, Take Off S.p.A. entered into a lease agreement with the associated company Horizon S.p.A. for an additional logistics point located at Via Baione 251/C in Monopoli. It should be noted that, in order to estimate a congruous fee based on normal market conditions, it was deemed appropriate to submit the aforesaid fee estimate to an independent third party, more specifically to the company PRAXI S.p.A., which estimated a congruous fee of 126,000 euro per annum. In addition, the lease agreement provides for an initial *free-rent* period of two months, together with November and December 2022, seeing the relative maturity commencing on 1st January 2023.
In addition, Take Off S.p.A. sold two company vehicles for a value of 4,000 euro each to the associated company Horizon S.p.A. and the associated company Vistamare S.r.l., respectively.

ASSET RELATIONS

(euro)	Receivables and other current financial assets	Tangible fixed assets	Other non-current financial liabilities	Other current financial liabilities
Balance at 31st December 2022				
Horizon S.p.A.	-		(1,700,513)	(166,423)
Vistamare S.r.l.	-	(4,098)	-	-
Summit S.p.A.	-	-	-	-
Total	**-**	**(4,098)**	**(1,700,513)**	**(166,423)**
Balance at 31st December 2021				
Horizon S.r.l.	-	-	(1,803,333)	(156,785)
Vistamare S.r.l.	-	-	-	-
Summit S.p.A.	-	-	-	-
Total	**-**	**-**	**(1,803,333)**	**(156,785)**

ECONOMIC RELATIONS

		Revenues from contracts with customers		
(euro)	customers	Other income	Service costs	Interest expenses
Balance at 31st December 2022				
Vistamare S.r.l.	-	-	-	-
Over S.p.A.	-	-	4,277	-
Summit S.p.A.	-	-	-	-
Horizon S.p.A.	-	4,098	-	48,869
Total	**-**	**4,098**	**4,277**	**48,869**
Balance at 31st December 2021				
Vistamare S.r.l.	-	-	-	-
Summit S.r.l.	-	-	-	-
Horizon S.r.l.	-	582,056	-	51,082
Total	**-**	**582,056**	**-**	**51,082**

It should be noted that all transactions with correlated parties were concluded under normal market conditions.

44. Remuneration of Corporate Bodies

The annual remuneration resolved by the Shareholders' Meeting for the Members of the Board of Directors is set at a total of 90,000 euro.

The annual remuneration approved by the Shareholders' Meetings for the Members of the Board of Statutory Auditors is set at a total of 25,000 euro.

The auditor's fee for auditing the company's Annual Financial Statements amounted to 27,000 euro, with activities broken down as follows:

- Auditing of financial statements;
- Verification of the proper keeping of company accounts;
- Checking the consistency of the social management report;
- Activities aimed at signing tax returns;
- Audit of annual Consolidated Financial Statements.

45. Information pursuant to Article 1(125) of Law of no. 124 dated 4th August 2017

In compliance with the new rules on transparency of public disbursements introduced by Article 1(125–129) of Law no. 124/2017 5 (Annual Market and Competition Act) it is reported that, on a cash basis, Take Off received the following disbursements from public entities during the financial year:

- BONUS INVENTORIES at 432,795.71 euro, tax credit per Article 48-bis

With reference to State aid and de minimis aid from which the Company benefited during the year, please refer to the contents of the "National Register of State Aid" pursuant to Article 52 of Law no. 234 dated 24th December 2012.

46. Commitments, guarantees and contingent liabilities not resulting from the balance sheet

In accordance with the provisions of Article 2427(1)(9) of the Italian Civil Code, it should be noted that there are no commitments, guarantees or contingent liabilities not shown in the balance sheet.

47. Management and coordination activities

The company is subject to Article 2497 et seq. of the Italian Civil Code regarding management and coordination activities by the company Summit S.p.A., with registered office at Via Montenapoleone 8, Milan, as a subsidiary of the same, which holds 64.15% of the share capital and thus the majority of the votes exercisable at the Shareholders' Meeting.

Pursuant to Article 297-bis(4) of the Italian Civil Code, the basic data from the last approved financial statements of the company exercising management and coordination activities are set out below:

(euro)

BALANCE SHEET	**31/12/2021**	**31/12/2020**
Assets		
B) Fixed Assets		
I - Intangible assets	632	885
II – Tangible fixed assets	139,971	20,471

III – Financial fixed assets	3,619,544	1,524,602
Total assets (B)	**3,760,147**	**1,545,958**
C) Current assets		
II – Receivables		
due within 12 months	26,260	1,014,589
deferred tax assets	21,655	–
Total receivables	**47,915**	**1,014,589**
IV – Cash and cash equivalents	3,931,393	585,068
Total current assets	**3,979,308**	**1,599,657**
Total assets	**7,739,455**	**3,145,615**
Liabilities		
A) Net equity		
I - Share Capital	1,000,000	186,000
IV - Legal reserve	37,200	2,000
VI - Other reserves	1,782,443	664,691
IX - Operating profit (loss)	4,646,041	1,966,950
Total net assets	**7,465,684**	**2,819,641**
B) Provisions for risks and charges	–	12,000
C) Employee severance pay	70	1,330
D) Payables		
due within 12 months	98,659	21,875
due beyond the next financial year	175,042	290,650
Total payables	**273,701**	**312,525**
E) Accruals and deferrals	–	119
Total liabilities	**7,739,455**	**3,145,615**

(euro)

INCOME STATEMENT	**31/12/2021**	**31/12/2020**
A) Production value		
1) Revenues from sales and services	–	432,905
5) Other revenues and income		
Contributions in the year	–	2,000
others	4,816	40,998
Total other revenues and income	**4,816**	**42,998**
Total production value	**4,816**	**475,903**
B) Production costs		
6) For raw materials, ancillary materials, consumable materials and goods	–	205,432
7) For services	330,952	87,180
8) For use of third party assets	4,800	–
9) For staff		
a) wages and salaries	12,734	78,294
b) social security expenses	2,962	4,001
c), d), e) severance pay, pensions, other personnel costs	694	834
c) Employee severance pay	694	756
e) Other costs	–	78
Total personnel costs	**16,390**	**83,129**
10) Amortisation, depreciation and write-downs		
a), b), c) Depreciation of tangible assets and amortisation of intangible assets, other write-downs of fixed assets	21,118	1,913
a) Amortisation of intangible assets	253	253
b) Depreciation of tangible fixed assets	20,865	1,660
Total amortisation, depreciation and write-downs	**21,118**	**1,913**

14) Sundry operating expenses	37,990	11,842
Total production costs	411,250	389,496
Difference between production value and costs (A - B)	**406,434**	**86,407**
C) Financial income and expenses		
15) Income from shareholdings		
From subsidiaries	5,022,653	1,920,000
Total income from equity investments	**5,022,653**	**1,920,000**
16) Other financial income		
d) Income other than the above		
others	3,445	1,348
Total other income	3,445	1,348
Total other financial income	3,445	1,348
17) Interest and other financial charges		
others	7,278	3,091
Total interest and other financial charges	**7,278**	**3,091**
Total financial income and expenses (15 + 16 - 17 + - 17-bis)	**5,018,820**	**1,918,257**
Pre-tax result (A - B + - C + - D)	**4,612,386**	**2,004,664**
20) Income taxes for the year, current, deferred and anticipated taxes		
current taxes	–	25,714
deferred tax liabilities and assets	**33,655**	12,000
Total income taxes for the year, current and deferred tax liabilities and assets	**33,655**	**37,714**
21) Operating profit (loss)	**4,646,041**	**1,966,950**

48. Proposal to the Shareholders' Meeting

In thanking you for your confidence, we invite you to approve the financial statements of the Parent Company Take Off S.p.A. as at 31st December 2022, submitted for your attention and to resolve on the allocation of the profit for the year totalling 1,832,312 euro, as follows:

- 937,488 euro as ordinary dividend gross of withholding taxes equal to 0.06 euro gross per share, to be distributed to the Shareholders in proportion to their respective shareholdings in the Company's share capital;

- 894,824 euro to retained earnings.

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Dear Shareholders,

We invite you to approve the Financial Statements for the year ending 31st December 2022, as prepared by me.

Milan, 27th March 2023

The Chair of the Board of Directors
Aldo Piccarreta

TAKE OFF S.p.A.
Presra... S.p.A
Aldo Piccarreta

The undersigned Aldo Piccarreta, in his capacity as Legal Representative, pursuant to and for the purposes of Article 23 of Legislative Decree no. 82/2005 and aware of the criminal liability under Article 76 of Presidential Decree 445/2000 for cases of falsity in deeds and mendacious declarations, certifies the conformity of the attached documents with those retained in the Company's records.

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