VICENZA

FOPE

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CONSOLIDATED
FINANCIAL STATEMENT
AT 31-12-2021

FOPE GROUP

Consolidated Financial Statement at 31 December 2021

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Letter to Shareholders

Dear Shareholders,

2021 was a very positive year for our Group, which reacted strongly to the negative situation produced by the pandemic and generated a new growth target. The results were achieved by conducting business according to the rules of ethics, efficiency and respect, aiming to involve employees and associates in the adoption of positive behaviour in the constant improvement of the quality of the product and the services offered to customers.

Net revenue stood at EUR 40.3 million, up from 55% compared to the value in 2020 and 15.3% compared to the value in 2019. 89.8% Revenue from sales made on foreign markets, in particular growth in European and American countries, together with +48.1% compared to sales in the year 2020 and 11.2% compared to the year 2019. The excellent results achieved were achieved without the contribution of tourist markets which, as a result of restrictions on passenger movement, did not reach pre-pandemic sales levels.

For the affirmation of the *brand*, the commitment to marketing and communication to support the distribution network continues, a portion of which is achieved directly alongside distributor customers with whom Fope always builds strong partnership relationships. Our collections were present in major newspapers of the international press and on online sites, as well as social media channels which received a new boost in 2021 with the production of a new material and intense editorial programmes to involve customers who buy and wear our jewellery. During the year to complete the brands offer, a jewellery line dedicated to men was presented. The new line speaks to a man who is dynamic, safe, works, travels, who loves comfort and practicality but knows how to be elegant. The collection was immediately very interesting and will certainly be a new area of development for the future.

The increase in sales volumes and a careful management of costs has allowed the levels of margin expected in the budget to be achieved, with an EBITDA margin, an indicator that better represents the performance of the management that stands at 21.8% in net revenue, a higher value than in the 2020 year when it amounted to 15.2%.
In line with the market presence consolidation strategies, three new Shop in Shops (customised corners) were opened inside points of sale of major clients and a FOPE boutique was created at the headquarters of our client in Kuala Lumpur.

It is recalled that the FOPE collections are made with a production cycle conducted entirely in house and are not subject to supplies of raw materials or semi-finished products and therefore not influenced by the tensions recorded in other sectors in the acquisition stage.

The sensitivity in respect of ethics and sustainability matters this year has led to the Parent company including a chapter in the financial statements devoted to "*Sustainability Reporting*", which represents Fope's position in this area. With reference in particular to environmental sustainability, we recall the Neutral Carbon Footprint project whose objective is CO2 offsetting, which we confirm that with a new purchase and planting of trees in Kenya, carried out in 2021, we have neutralised the CO2 emissions produced even in 2020.

The very extraordinary condition that continued to mark a large part of 2021, due to the restrictions imposed by the Pandemic, makes the positive results achieved even more important, managed thanks to the professionalism, passion and commitment of the Fope team even more important. A sincere thanks for the work done and the sharing of our ideals and our development plan which combines the strength of values consolidated over time with a strong innovative drive creating unique jewellery, exported all over the world.

Diego Nardin
CEO Fope S.p.A.

Group profile

Fope S.p.A., the parent company, and the three subsidiaries operating in the jewellery sector as producer and distributors on the high-end own brand jewellery markets. Fope is an international brand that made 90% of its turnover in 2021 with sales on foreign markets. In addition to developing new product "*collections*", the company is historically also concentrated in the innovation process, to efficiently combine its goldsmith tradition with the best industrial production techniques by making jewellery from elegant and sophisticated designs.

Its headquarters, offices and workshop are located in Vicenza, in one of the main Italian goldsmith districts, where the brand was created and developed.

FOPE is a certified member of the *Responsible Jewellery Council*, an international non-profit organisation that promotes responsible, ethical, social and environmental standards and practices in respect of human rights.

Business Model

The business model is characterised by these elements, which constitute the company's strengths:

- collections of products designed and manufactured *in-house*, at the headquarters in Vicenza and exclusively sold under the FOPE brand;
- distributed by *multi-brand* jewellers (the customer Fope S.p.A.) with medium-high positioning;
- direct sale to the jewellery customer (independent or group-owned) without the intermediary of external distributors (with the exception of the two branches belonging to the group);
- high characterisation of the *brand* and *design* with strong recognisability;
- presence in international markets;
- particular attention to product and process innovation, with the use of patents for inventions developed by the parent company;
- direct protection of the entire production chain, from the processing of the raw material to the finish.

Fope S.p.A. leads the research and technological development, the *concept* and creation of new collections, production, logistics as well as the Group's commercial and marketing organisation. All company departments including production are integrated at the headquarters of Fope S.p.A.; this is a building built in 2000, extended in 2019, that combines space saving and efficient use with a modern architectural style and with a high aesthetic content. The absence of harmful emissions of the production department has enabled the headquarters to remain in the urban context of the city of Vicenza.

Fope USA Inc. whose headquarters is in Miami, is a distributor of Fope S.p.A. for the American, Caribbean and South American market.

Fope Spa – DMCC Branch, opened in October 2020 whose headquarters is in Dubai, takes care of the activity of assistance and Customer Service on behalf of the group's customers residing in Arab markets and in the South-East Asia area.

Fope Jewellery Ltd whose headquarters is in Solihull, UK, is a distributor of Fope S.p.A. for the English market.

Fope USA is controlled by Fope S.p.A. with 100% share of the capital, while Fope Jewellery is 75% controlled with 25% of the capital owned by three managers of companies dealing with market development.

Fope S.p.A. holds 20% of the share capital of the company Milano 1919 S.r.l., the owner of the historic Antonini brand. Antonini, now Milano 1919 S.r.l., a historical and known high-quality Italian jewellery house, founded and still based in Milan, produces and distributes prestigious collections of exquisitely and exclusively designed jewellery. The Antonini brand is positioned as a niche brand, which expresses refined luxury, through the extreme craftsmanship that distinguishes all its creation.

The shareholding of Fope S.p.A. in Milano 1919 S.r.l. is not included in the consolidation scope.

History

1929 - Umberto Cazzola opened the first handmade jewellery workshop in the city of Vicenza in Contrà Sant'Ambrogio, with the name Fabbrica Italiana Cinturini Metallici (FICM), specialising in the production of extendible metal watch straps.

1960 - Odino Cazzola founded the Fope brand giving the company a new impetus by focusing energy on the export of gold cases and bracelets for watches, whose customers included the greatest Swiss Houses of Haute Horlogerie.

1970 - His children, Ines and Umberto, assumed roles of responsibility in the company and reinvigorated development. Production was renewed, and precious jewels started to be created. The Novecento mesh, still in production today, was designed in these years and went on to become a classic Fope jewel.

1980 - The product range expanded over these years to meet the needs of an increasingly large and demanding clientele. New productive criteria were introduced in order to meet the rigorous quality standards in addition to the warranty and international certification of products.

1997 - The company transformed into a limited company under the name FOPE S.r.l.

2000 - Fope created important communication campaigns, redefining its commercial strategies abandoning distributors, and creating the direct relationship with the Jewellery market.

2007 - Launch on the market of the extendible Flex'it link designed by the company and covered by an international invention patent, made entirely from gold. The jewels created with this particular link become "*extendible*" thanks to microscopic gold springs inserted between each element of the link.

Fope's international vocation during these years was strongly pursued and sales volumes of foreign markets *overtook* the domestic market.
The current Governance and Organisation arrangements were established.

2013 - Launch of the "A Tale of Beauty" communication project, based on the essence of the Italianness of the *brand*, with the actress Anna Valle as its spokesperson.

2014 - Constitution of Fope Services Dmcc Dubai, a company under UAE law, which enabled the allocation of a commercial resource by FOPE dedicated to the development and direct support of the areas of greatest interest in the Gulf countries and South-East Asia.

2015 - Opening in November of the company's first single brand FOPE boutique, in Piazza San Marco in Venice. The Shareholders' Meeting decided on 15 December to transform FOPE S.r.l. into a limited liability company.

2016 - Fope S.p.A. listed on the AIM (Alternative Investment Market) market, now Euronext Growth Milan of the Borsa Italiana (Italian Stock Exchange). On 30 November 2016, the first day of trading of the company's securities on the stock market.

2017 - Acquisition of a minority share equal to 20% in the company Milano 1919 S.r.l. owner of the Antonini jewellery brand. Antonini, a historical and known house of high-quality Italian jewellery, created and still based in Milan, produces and distributes prestigious collections of exquisitely and exclusively designed jewellery.

2018 - Founding of FOPE Jewellery Limited, a company incorporated under English law whose registered office is in Birmingham with a mandate from Fope S.p.A. to sell the brand's collections and provide operational support to distributors for the English language United Kingdom and Ireland market, which is one of the Group's main markets.

2019 - The new Fope Boutique in the prestigious Old Bond Street in London opened at the end of November. The purpose of the ambitious project was to transport the Fope brand to a location with international standing, such as London, to obtain a strong brand awareness effect for the British market, but even more for the international market.

2020 - As a consequence of the lockdown imposed by the health emergency due to Covid-19 the present company closed the headquarters from 14 March to 4 May 2020. During the closure period, production and shipment operations remained halted while administrative, sales and marketing tasks continued with home working.
The Fope boutique in Kuala Lumpur in Malaysia officially opened at the end of 2020. The project was carried out in collaboration with our distributor in the city, with whom we have established partnership relations.

2021 - Opened the Fope showroom in April in a prestigious location in the city of Dubai. In July, Fope opened its creations up to men and launched a dedicated collection. The collection, characterised by the presence of Flex'it bracelets and the use of black diamonds, is aimed at a dynamic and safe man, who travels, loves comfort and practicality but also elegance.

Development strategies

The keys to success that have identified the strategic line pursued by the Fope Group in recent years, in order to grow and consolidate its position on the markets, are due to specific elements:

- Product
  - excellent quality, design and innovation of the collections offered;
  - strong brand characterisation - the Fope jewel has a highly detectable design line;
  - made in Italy (made in Fope).
- Service
  - support the distributor for end customer satisfaction;
  - order/commercial policies management;
  - training sales team at distributors.
- Partnership with Jewellery
  - involvement of the distributor in marketing initiatives (campaigns in support of the point of sale - special events);
  - involvement of the distributor in events at Fope's headquarters to transfer the Company's values.
- Markets
  - focusing of investment and marketing initiatives on markets that already have a significant presence: America and Europe, in particular, Germany and the United Kingdom.

The results recorded, which show a significant growth in 2021 in sales volume, represents a valid indicator for expressing a positive opinion on the strategies pursued.
Actions on key levers of success that have supported growth are long-term phenomena that act with increasingly positive effects on the perception of the brand by the market and self-feed development.

Ethical values

FOPE conducts its business based on standards of ethics, integrity, efficiency and respect. It encourages all staff and associates to adopt positive behaviour, to constantly improve product quality and to appreciate each person individually and as part of a team.
The Company sees Italian legislation as a fundamental starting point and is committed to making its conduct conform to this and to the existing international rules applicable to its field of action. Furthermore, it ensures, in all its actions, respect of the Universal Declaration of Human Rights.

The activities carried out by Fope are based on:

- respect for employees, partners, customers and suppliers, in the perspective of a shared work ethic;
- the safety of the working environment and the health of those who work in it;
- the sense of social responsibility that comes directly from the role of entrepreneur;
- the commitment to adopt production methods which, according to the type of production, aim for as much sustainability as possible.

FOPE rejects any form of discrimination and child labour and forced labour and encourages anyone who deals with the company to adopt the same principles and promotes good practices of behaviour to its employees and associates in all areas of action.

In 2020, the company formally adopted its Code of Ethics, considered a pillar of fundamental importance for the development of an increasingly responsible, transparent management model based on the creation of shared value for all stakeholders. This document defines the set of values that the company recognises, shares and promotes, in the awareness that conduct inspired by the principles of integrity and responsibility is an important driver for the economic and social development of the individual organisations and communities in which they operate.

The Code of Ethics is also available in English on the company's websites www.fope.com and www.fopegroup.com. These online pages also indicate the email account any Fope stakeholder can refer to in order to report their suggestions or observations to the company about the occurrence of behaviour that breach the principles set out in the Code.

The adoption of the Code has been shared with external stakeholders through an official email communication sent to all of the company's customers and suppliers. These stakeholders have been invited to sign the values, principles and rules of conduct outlined in the document.

Lastly, the company has an elective Ethics Committee charged with looking after and managing any complaints, reports of unease or suggestions by its employees. The Committee can be consulted by giving your name or anonymously and can be involved as a whole, or through the involvement of one member at a time. The objective of the Ethics Committee, which comprises three members, is the guarantee of a space in which workers are listened to without prejudice and obtain the tools to tackle situations of unease experienced or perceived.

Since 2013, the company has been a certified member of the *Responsible Jewellery Council* (RJC), an international non-profit organisation that promotes responsible, ethical, social and environmental standards and practices in respect of human rights in the entire chain in the diamonds, goldsmithing and platinoids sector, from mining to retail trade. Many of Fope's main suppliers have in their turn been awarded this certification. The RJC certificate remains valid for a period of three years and to renew it an *audit* process.

In recent years, the objective of transparency with respect to its own operations, has meant that Fope is committed to a process of reporting its position and initiatives linked to social responsibility. In fact, since 2017, Fope's consolidated financial statements have included a chapter entitled "Sustainability report", which is drafted taking international guidelines into consideration and is updated annually in order to demonstrate the projects implemented in the context of corporate social responsibility and the results achieved by these activities.

This commitment to transparency and the increasing integration of environmental, social and governance factors (often called "ESG factors") in the strategies and business processes earned the group the attainment of the AIM ESG award, awarded to it by IR *TOP Consulting*[1] and by the *Department of International Trade (DIT)* of the United Kingdom during the *AIM Awards* ceremony in November 2019. In 2021, the company also achieved the ESGe rating of the Cerved Rating Agency with a score of BBB *("High ESGe Risk Management Capability")*. The analysis of the sustainability information carried out on the data

1 The leading company in Italy for management consultancy in the areas of Capital Markets and Investor Relations (http://irtop.net/).

reported for 2020 by the rating agency revealed a higher than average score for Fope with reference to the *"Accessories"* cluster. In particular, it rewards efforts to reduce its environmental impacts and initiatives to mitigate risks related to corporate governance implemented over the years.

Responsible and transparent business management

The process of expansion and extension of the business pursued by the Group is based on a solid corporate governance model that regulates all decision-making processes and the measurement of business performance, in full respect of the interests of stakeholders.
The management model adopted is a traditional one and includes the presence of a Board of Directors, with management functions, and a Board of Statutory Auditors, with control functions over management. Both bodies are appointed through the Shareholders' Meeting.
The high degree of diversity expressed by the Board of Directors of Fope in terms of gender and skills ensures high levels of effectiveness and efficiency in the Group's management. Company presidency lies with the Cazzola family, the founder and majority shareholder. Of the 5 members of the Board of Directors, 4 perform an executive role, while 1 is an independent director. The almost equal presence of men and women on the Board of Directors represents a figure in line with the recommendations reported in the new Code of Corporate Governance of the *Borsa Italiana*, according to which at least one third of the Board of Directors should consist of members of the less represented gender.
With the Organisation, Management and Control Model adopted pursuant to Legislative Decree 231/2001 (MOG 231) the Supervisory Body has been appointed and is operational.

Composition of governing bodies by gender	**2021**			**2020**			**2019**		
	W	**M**	**Total**	**W**	**M**	**Total**	**W**	**M**	**Total**
Board of Directors	2	3	5	2	3	5	2	3	5
Board of Statutory Auditors	1	2	3	1	2	3	1	2	3
Supervisory Board	1	0	1	n/a	n/a	n/a	n/a	n/a	n/a
Total	**4**	**5**	**9**	**3**	**5**	**8**	**3**	**5**	**8**
Percentage	44.4%	55.6%	100%	37.5%	62.5%	100%	37.5%	62.5%	100%

Adoption of the Organisation, Management and Control Model pursuant to Legislative Decree No. 231/2001

In April 2021, Fope adopted an Organisation and Management Model pursuant to Legislative Decree No. 231/2001[2], an essential tool for protecting entities and companies from their employees and directors committing the crimes mentioned in the Decree.
MOG 231 has been formalised following a mapping of the company's processes, in order to identify the areas most at risk within the organisation and includes all the rules and procedures aimed at preventing the offences included in the law from being committed. There are many offences involved in this and they concern the correct operation of business activities and competitive practices, respect for environmental regulations, but also for people and workers' rights.
Ad hoc audits are conducted periodically by an external body to monitor that these procedures are respected by all employees and directors and that the company operates in a context of legality in all respects.
During the reporting period, no corruption or other incidents related to the offences included in MOG 231 were recorded. Similarly, there is no legal action being taken against the company in the context of anti-competitive behaviour, antitrust breaches, related monopolistic practices or breaches of human and/or workers' rights.

[2] The Model 231 adopted can be consulted on Fope's website at the following address: https://www.fopegroup.com/it/governance/modello-231

Highlights 2021

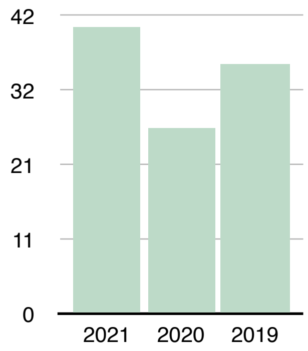
The following table shows a summary of the values of the Group's Consolidated Financial Statements compared to the values of the previous year. The amounts are expressed in millions of euros.

FOPE CONSOLIDATED

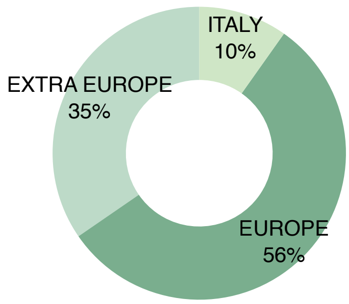
	2021 (31 Dicembre) EUR/.000.000		2020 (31 Dicembre) EUR/.000.000		2021 Vs 2020 EUR/.000.000	
Net Revenue	**40,31**	100%	**26,00**	100%	**14,31**	55,0%
Operating Costs	(31,52)		(22,05)		(9,47)	
EBITDA	**8,79**	21,8%	**3,95**	15,2%	**4,84**	122,7%
Depr. & Amortization	(2,01)		(1,61)		(0,40)	
EBIT	**6,78**	16,8%	**2,34**	9,0%	**4,44**	190,1%
Financial Incoms / (Costs)	0,05		(0,27)		0,32	
Earning Before Tax	**6,83**	16,9%	**2,07**	8,0%	**4,76**	230,3%
Tax	(1,80)		(0,40)		(1,40)	
Net Income	**5,03**	12,5%	**1,66**	6,4%	**3,37**	202,4%
Asset	12,76		13,72		(0,96)	
Working Capital	13,61		12,12		1,49	
Funds	(2,41)		(2,86)		0,45	
Net Invested Capital	**23,97**		**22,99**		**0,98**	4,3%
Equity	**25,84**		**20,57**		**5,27**	25,6%
Net Debt / (Cash)	**(1,88)**		**2,42**		**(4,29)**	

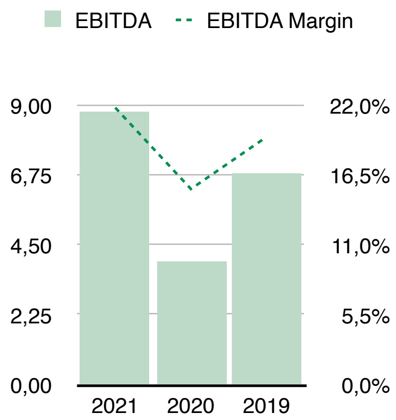
Main indicator graphs

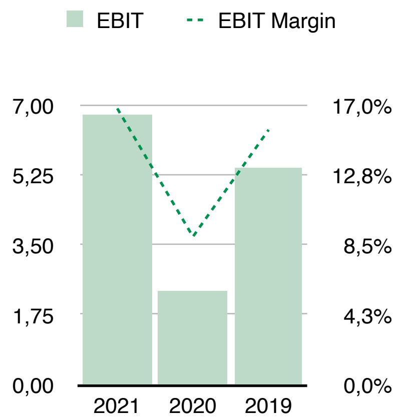
NET REVENUE



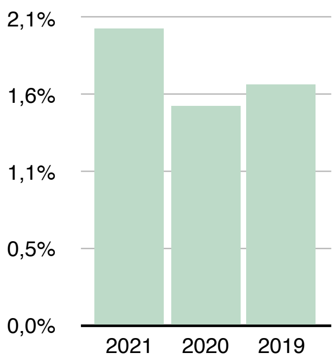
SALES



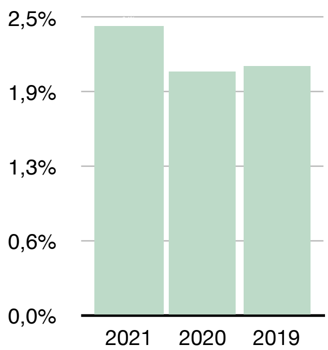




PRIMARY MARGIN INDEX



SECONDARY MARGIN INDEX



The Equity minus fixed assets margin Index (Fixed Assets on Equity) expresses a high level of capitalisation and resources to plan further investment plans.
Similarly the Fixed asset to equity capital and medium-long term debt margin (Fixed Assets on Equity + M/L debt) expresses a very extensive level of hedging.

The following table shows the highlights of the 3 companies that comprise the Group, the values are expressed in millions of euros.

	FOPE SPA	FOPE USA INC	FOPE JEWELLERY LTD
	2021 (31 Dicembre)	*2021 (31 Dicembre)*	*2021 (31 Dicembre)*
	EUR/.000.000	*EUR/.000.000*	*EUR/.000.000*
Net Revenue	**38,96**	**8,10**	**6,71**
Operating Costs	*(29,03)*	*(7,88)*	*(6,47)*
EBITDA	**9,93**	**0,22**	**0,24**
Depr. & Amortization	*(1,96)*	*(0,00)*	*(0,04)*
EBIT	**7,96**	**0,22**	**0,20**
Financial Incoms / (Costs)	*0,05*	*0,00*	*(0,00)*
Earning Before Tax	**8,01**	**0,22**	**0,20**
Tax	*(2,09)*	*(0,03)*	*(0,05)*
Net Income	**5,92**	**0,19**	**0,14**
Asset	*12,56*	*0,05*	*0,20*
Working Capital	*16,34*	*(0,39)*	*(1,10)*
Funds	*(2,40)*	*0,00*	*0,00*
Net Invested Capital	**26,50**	**(0,34)**	**(0,90)**
Equity	**26,37**	**0,45**	**0,32**
Net Debt / (Cash)	**0,14**	**(0,79)**	**(1,22)**

Exchange rate		*USD/EUR*	*GBP/EUR*
To 31/12/2020		1,133	0,840
Average by year		1,183	0,860

Significant events over the financial year 2021

Opening of Fope showroom in Dubai

In April 2021, a Fope showroom was opened in Dubai.
The showroom was created in a prestigious and exclusive location in a tourist area of Dubai, which houses other prestigious brands from the jewellery and fashion world, as well as Fope. The project developed in the first few months of 2021, was carried out in collaboration with the company "DAMAS JEWELLERY LLC", our distributor, with whom we have established partnership relations.
The boutique project is a new element that lies in the strategy of the continuous search for growth of the brand's visibility and reinforcement of the positioning; this objective is complemented by the main reason that justified the opening, provided by the commercial development and growth of sales volumes for the area.
The investment to create the boutique was borne by Fope. The design was taken care of by the Italian architect Flavio Albanese from the firm ASA who interpreted and combined Fope's image tenets with local style requirements.
The operational management and services of welcoming customers are entrusted to the care and professionalism of team managed by DAMAS.

Launch of the Fope collection dedicated to men

In July 2021, with the presentation to the team of the sales force, present internationally, the new jewellery lines were launched that open the FOPE brand's offering up to men. An innovative project that intercepts the demands of the male universe and breaks down the historical FOPE collections interpreting the desires and character of 2021 man.

Impact on managing the Covid-19 health emergency and Russia-Ukraine conflict

The Group operates by producing and distributing its own jewellery collections to shops that sell the FOPE brand, revenue is generated by sales, which during the year are made in the concession-holding shop, which in turn it sells to the end customer.
The negative effect of the Covid-19 health emergency on the sector in which the group operates was the substantial halt of sales of jewellery by shops to end customers, in the lockdown period and subsequent stages of restrictions on movement, which consequently caused a halt or decline in repurchase orders of collections from Fope to restock products.
As recorded, the value of revenue for 2021, amounting to EUR 40.3 million, with an increase amounting to 55% compared to the previous year, indicates that the negative impact on the group generated on the markets by the effect of the Covid-19 pandemic can be considered largely overcome. Although all reservations about the end of the effects of Covid-19 are not resolved, given the presence in certain market areas of criticality attributable to the limits still imposed on the movement of tourists, which nevertheless represent areas of marginal interest for Fope, the effects of the pandemic can be thought to no longer affect the group's business. The sales volumes and orders collected in the early months of 2022, partly exceeding expectations, confirm these positive indications.

On 24 February 2022, the Russia-Ukraine conflict broke out, leading to a series of sanctions against Russia. Such sanctions will inevitably have effects on the global economy. At present, Fope's business is not suffering the direct effects of these sanctions because the company does not operate on the Russian market, has no Russian, Belarusian or Ukrainian customers, nor are there any Russian, Belarusian or Ukrainian suppliers in its supply chain. Furthermore, it should be noted that in the shareholding structure of Fope S.p.A. and its subsidiaries there are no direct links with Russian, Belarusian or Ukrainian companies or even with natural persons who have nationality and/or residence in Russia, Belarus or Ukraine.

Since the Group does not operate with the Russian and Ukrainian markets, estimates for the financial year 2022 do not include sales assumptions in these markets. While not being able to resolve all the reservations with respect to a potential indirect negative effect on the Group's business, caused by a general deterioration of the economy in the Eurozone, due to the deepening and continuation of the conflict, there are no direct phenomena at the moment that could influence a positive development of the Group's activities and business for the current year.
It should be noted that according to OIC 29 this event has been treated as a subsequent event which does not alter the financial statements.

Below is an assessment of the impacts with respect to

- the economic and financial situation
- the development strategies and key markets.

Economic and financial impact

The volume of orders collected in the first few months of 2022 confirm the forecast of a positive performance for the year, with adequate profit margins.

Customer receipts during 2021 were not critical and good turnover ratios were maintained. The net financial position recorded at the end of 2021, cash positive amounting to EUR 1.9 million, indicated the Group's ability to generate positive cash flows net of commitments under the investment plan carried out and the repayment of loans plan. Moreover, for 2022 too, there is no evidence that, in relation to the possible continuation of the Covid-19 pandemic and in relation to ongoing geopolitical tensions, treasury management could be adversely affected.

Development strategies and key markets

The results recorded, which show an increase in sales volume in last year represent a valid indicator to express a positive opinion on the Company's business model and that of the Group and on the strategies pursued to date, respectively described in the subsequent paragraphs of the report on operations. Actions on key levers of success that have supported growth are long-term phenomena that act with increasingly positive effects on the perception of the brand by the market and self-feed the Company's and the Group's development. The experience gained from handling the health emergency and the consequent assessments of the behaviour of the markets and of the sector in which the group operates, have confirmed the validity of the strategies pursued, which do not need revising and will be the guideline for the group's actions to be implemented in order to overcome the passing phase and continue to develop in the coming years.

Significant events occurring after the financial year-end 2021

Fope Deutschland GmbH formed

In February 2022, the Board of Directors of the Parent Company decided to set up a new company, 100% owned by Fope Spa, known as Fope Deutschland GmbH, based in Germany.
The establishment of the new company is an action that refers to the strategy pursued in recent years by the Group to have a direct commercial presence in the main markets and has already had very positive feedback with the experiences of the American and English subsidiaries.
The German market as a result of the volumes of sales developed and the size of the concession-holders network has reached the maturity necessary to have a Fope office that follows and supports in the territory the consolidation of partnerships with customers and marks a new development and growth phase.
The project to open the new branch foresees the review of the commercial organisational structure present in the German territory, with the insertion of new figures and fully operation for Fope Deutschland before the end of the first half of 2022.

Corporate Bodies

FOPE SPA

Consiglio di Amministrazione:

Umberto Cazzola	Chairman
Ines Cazzola	Vice - Chairwoman
Elisa Teatini	Director
Davide Molteni	Indipendent Director
CEO	

Collegio Sindacale:

Marina Barbieri	Chairman
Silvio Rizzini Bisinelli	Statutory Auditor
Cesare Rizzo	Statutory Auditor

Società di Revisione:

BDO Italia S.p.A.

Titoli quotati:

FOPE SPA

Ordinary share	FPE	Cod ISIN	IT0005203424

CEO's Report on Operations

ANALYSIS OF THE MAIN FINANCIAL DATA

The Group's reclassified Consolidated Income Statement compared with the previous year is as follow (in euros):

FINANCIAL STATEMENTS	31/12/2021	31/12/2020	Variation
Revenue	**40,306,787**	**25,998,489**	**14,308,298**
Other revenue and income	401,613	465,760	(64,197)
External costs	28,184,292	19,481,047	8,703,245
Added value	**12,524,107**	**6,983,202**	**5,540,905**
Personnel costs	3,736,898	3,037,782	699,116
EBITDA	**8,787,209**	**3,945,420**	**4,841,789**
Depreciation and amortisation	2,006,714	1,608,155	398,559
EBIT	**6,780,495**	**2,337,265**	**4,443,230**
Financial income and charges	49,300	(260,184)	309,484
Pre-tax profit	**6,829,795**	**2,077,081**	**4,752,714**
Earnings before Tax	1,800,240	405,383	1,394,857
Net profit	**5,029,555**	**1,671,698**	**3,357,857**

Sales Revenue

The business results for 2021 were positive, revenues for net sales amounted to EUR 40.31 million with an increase compared to the values of the previous period of EUR 14.3 million, equal to 55%,

Sales relate to the Fope jewellery collections, made in house as known exclusively with the Fope brand and distributed in the multi-brand, customer and distributor brand shops. In addition to this business model, from 2016, the sales made at the boutique in Venice and London, which in this case directly see the end consumer as a customer and the sales, always to the end consumer via the parent company’s website. The boutique in Venice is managed directly by the Parent Company and the boutique in London in collaboration with a large English concession-holder.
The new collections presented in 2021, at the trade fair held in March in Vicenza and directly to the shops from the distribution network, enjoyed excellent results and the "timeless" pieces and collections that have been present on the market for several years continue to be very popular.
Multi-brand shops, largely medium-high end, are present on the international market and about 90% of the total turnover made in 2021 was recorded in foreign countries, a percentage in line with the previous year but higher as conditioned by the results of the Italian market in which shops in some areas, still due to the effect of Covid-19, have recorded significantly lower sales due to a lack of purchases made by tourists.

Operating costs

The operating costs, excluding labour costs, increased over the financial year 44.7% compared to the previous year, comprises elements of industrial costs variable and proportional to the sales volume, on which it recorded a margin in line with the forecast values, the operating costs of the structure that have not undergone significant changes compared to that recorded in the previous year.
No costs of an extraordinary nature with respect to current operations were recorded in the financial year.

The marketing and communication initiatives plan has been completely paid for in the year and has seen 2021 a greater economic commitment than the previous year to support the various activities carried out and functional for commercial development. The costs for marketing initiatives include costs for participating in international trade fairs, communication programmes in the press and online and marketing initiatives and events carried out directly in collaboration with the distributor jewellers.
During 2021, the communication activity was given an important boost via social media channels.

The international exhibitions that Fope participates in are two editions in Vicenzaoro, which resulted in 2021 in growth for the business volume generated, the Centurion event in Arizona and the Las Vegas trade fair. It should be recalled that during trade fairs Fope presents collections but above all it collects sales orders.

The costs for the purchase of raw materials and other consumer goods, in line with the forecasts, produced the expected margins. Gold is purchased with forward hedging operations in order to stabilise the average cost. The costs for managing the sales network, agents' commission and the Group's commercial companies, have increased, but in proportion to sales growth.

The Fope working team increased compared to last year, the increase in the cost of 23% is mainly attributable to the entry of new resources. The workload required in some periods of the year to fulfil orders received in respect of delivery times was covered by resorting to working overtime.

According to the Group's operating model, it should be recalled that the distributing companies that deal with marketing the collections compete on commercial cost and specific marketing activities, besides labour costs, while the operating costs of the product production and distribution cycle, for areas not managed by subsidiaries and other support functions, are borne by the parent company.

Depreciation and other provisions

The share of depreciation amounts charged to the financial year grew by 24.8% compared to the value in 2020, this includes the investments made in the year and previously. With reference to the investment made to extend the headquarters which ended in March 2020, the full amount of the normal rate was charged. In addition, the part of the investment already made in 2021 relating to the implementation of the new information system was raised to fixed assets but not amortised.
Provisions for the Severance Pay Fund, as well as the provision to the Severance Pay Fund for Agents, have been calculated in accordance with the statutory provisions.

Margins and Operating Profit

The operating profit of EUR 5.03 million is up on the previous year, which amounted to EUR 1.67. The positive change is due to the increase in turnover volumes and margins on sales which were in line with expectations.

The Operating Margin before amortisation (EBITDA) amounted to EUR 8.78 million has grown in absolute value by EUR 4.84 million compared to the value recorded in 2020, similarly, EBIT improved and amounted to the value of EUR 6.83 million.

ANALYSIS OF THE MAIN BALANCE SHEET AND FINANCIAL DATA

Main balance sheet data

The company's reclassified Balance Sheet, compared with the previous year is as follows (in euros):

RECLASSIFIED BALANCE SHEET	31/12/2021	31/12/2020	Variation
Net intangible fixed assets	3,107,913	3,580,307	(472,394)
Net tangible fixed assets	9,568,104	10,062,221	(494,117)
Holdings/equity and other financial fixed assets	88,071	78,611	9,460
Non-current assets	**12,764,088**	**13,721,139**	**(957,051)**
Warehouse stock	10,308,809	8,426,383	1,882,426
Trade receivables	9,324,585	5,592,008	3,732,577
Current receivables	1,301,646	943,774	357,872
Cash flow hedging op. cr. position	794,993	419,932	375,061
Short-term assets for the year	**21,730,033**	**15,382,097**	**6,347,936**
Trade payables	4,457,257	2,471,024	1,986,233
Current liabilities	3,313,533	787,984	2,525,549
Short-term liabilities for the year	**7,770,789**	**3,259,008**	**4,511,781**
Net working capital	**13,959,243**	**12,123,089**	**1,836,154**
Severance pay fund	(1,006,788)	(953,534)	(53,254)
End-of-mandate indemnity fund and other funds	(1,727,961)	(1,548,946)	(179,015)
Expected cash flow hedging op. fund	(21,931)	(352,521)	330,590
Provisions for risks and non-current charges	**(2,756,680)**	**(2,855,001)**	**98,321**
Total assets	23,966,651	22,989,227	977,424
Share capital and equity reserve	(25,285,252)	(20,523,420)	(4,761,832)
Expected cash flow hedging op. reserve	(556,610)	(50,334)	(506,276)
Shareholders' equity	**(25,841,862)**	**(20,573,754)**	**(5,268,108)**
Medium to long-term financial position	(5,002,537)	(7,358,338)	2,355,801
Short-term financial position	6,877,748	4,942,866	1,934,882
Net financial position	1,875,211	(2,415,472)	4,290,683
Equity and net financial position	**23,966,651**	**22,989,226**	**977,425**

Fixed assets

Investments in tangible and intangible fixed assets made during the year, amounting to EUR 1.24 million, relate in particular to the technological devices and equipment used in the production process and goods in support of the commercial activity, Among investments of a commercial nature, the creation of SiS (personalised FOPE furniture corners inside distributor shops) and the Fope space at the customer's premises in Dubai, Fixed assets includes the progress of the project to implement the new information system started in 2021, The system start-up plan provides for several release steps of the technological platform in 2022. The first step was successful completed at the start of January; the last step is expected at the end of 2022.

Trade receivables and payables

The credit exposure to customers did not change in the deferment ratios compared to the 2020 financial year and also compared to the pre-Covid-19 financial years. The increase in the balance compared to the previous year is proportional and due to the growth in sales volumes.
For suppliers, the policies for managing payments have not changed and the balance changes as at 31 December are attributable to the expiry time of some payments made at the start of 2022.
In the heading “Cr. of derivative financial instruments” is entered under the heading "Cash flow hedging op. cr. position" of the reclassified statement, and its liabilities position under the heading "Cash flow hedging operations fund".

Warehouse stock

The growth in the value of warehouse stock amounting to EUR 1.88 million (+ 22.3%) is attributable to greater availability, compared to the year-end 2020, of the raw material gold and diamonds. The stock of finished product and semi-finished products remained largely unchanged. It is recalled that the production only works on ordered and not on stock.

Amounts owed to Credit Institutions and Financial Position

In November 2021, a new loan for EUR 2 million was purchased, replacing similar positions that had been exhausted and aimed at optimising cash costs and investment in gold stock.

The net financial position, cash positive for EUR 1.88 million, shows a considerable improvement compared to the position at 31 December 2020, when it amounted to EUR 2.42 million in debt.
The individual flow entries are recorded and commented on in the Statement of Cash Flows, presented on page 21.

Stock grant operation

The stock grant project for employees of the Parent Company, approved by the Board of Directors on 15/12/2017, was completed in May 2021. To complete the project, 51,925 new shares were issued.

Maturity of the convertible bond loan called “Fope convertible bond loan 4.5% 2016 - 2021”

On 15 November 2021, the third and final conversion period of the convertible bond loan called “Fope Convertible Bond loan 4.5% 2016 – 2021” was concluded, which expired on 30 November 2021. During the third and last conversion period, requests for conversion were received for 2,062 bonds for a total equivalent nominal value of EUR 206,200 and 53,612 conversion shares (ISIN IT0005203424) were assigned, with the same characteristics as those in circulation at the issue date. The only two remaining bonds for which conversion was not requested were repaid at nominal value together with interest on maturity of the bond.

The share capital at 31 December 2021, updated with the issues of the shares related to the stock grant project and conversion of the bond, comprises 5,399,608 shares.

Equity and Hedging Operation Reserves Highly Probable forecast transactions

During the financial year, dividends of 794,110 were distributed, and the remaining profit was allocated to equity reserves.

In the transposition of the new accounting standard OIC 32 (December 2016) the effects recorded at 31 December 2021 for hedging operations of asset financial flows have been entered under the Balance Sheet headings. Specifically for the Parent Company, it exclusively concerns hedging operations aimed at stabilising the purchase price of gold or stabilising the exchange rates of currencies.
The effects calculated of the operations have been entered in the asset components if with a positive effect and in the liabilities components if with a negative effect and recorded as a balance in the "Cash flow hedging operation" reserve.

The company at 31 December 2021 does not hold any treasury shares and therefore no specific Equity reducing entry has been entered under liabilities pursuant to and for the effects referred to in Article 2357(3) of the Civil Code.

Cash flows

Summary consolidated cash flow statement as at 31 December 2021 (in euros):

	31/12/2021	31/12/2020	Variation
Profit for the year	5,029,555	1,671,698	3,357,857
Portion of amortisation	2,006,715	1,608,155	398,560
Change in severance pay and end-of-mandate indemnity funds	55,577	137,604	(82,027)
Gross self-financing	**7,091,847**	**3,417,457**	**3,674,390**
Change in trade receivables	(3,713,894)	2,705,899	(6,419,793)
Change in other short-term receivables	(344,788)	845,496	(1,190,284)
Change in inventories	(1,882,426)	(2,224,342)	341,916
Change in short-term payables	4,669,794	(3,610,289)	8,280,083
Changes in net working capital	**(1,271,314)**	**(2,283,236)**	**1,011,922**
Cash flow generated by operations	**5,820,533**	**1,134,221**	**4,686,312**
Change tangible and intangible fixed assets	(1,040,204)	(2,635,613)	1,595,409
Change financial fixed assets	(22,543)	(74,100)	51,557
M/L term financing reimbursement	(3,784,980)	(2,205,064)	(1,579,916)
Uses of financing	**(4,847,727)**	**(4,914,777)**	**67,050**
Financing acquisition	2,000,000	4,900,000	(2,900,000)
Convertible bonds issue	(206,400)		(206,400)
Changes shareholders'equity reserve	(267,723)	(1,067,592)	799,869
Sources of financing	**1,525,877**	**3,832,408**	**(2,306,531)**
Cha. expected cash flow hedging op. cr. pos.	(375,061)	936,294	(1,311,355)
Cha. expected cash flow hedging op. fund	(330,590)	185,286	(515,876)
Cha. expected cash flow hedging op. reserve	506,276	(802,487)	1,308,763
Cha. expected cash flow hedging op. positions	**(199,375)**	**319,093**	**(518,468)**
Net cash flow	**2,299,308**	**370,945**	**1,928,363**
Net position banking relationships as at 31/12/2021	11,234,228		
Net position banking relationships as at 31/12/2020	8,934,920	8,934,920	
Net position banking relationships as at 31/12/2019		8,563,975	
Change net financial position	**2,299,308**	**370,945**	**1,928,363**

Self-financing generated by economic results and the careful working capital management have produced a positive net cash flow amounting to EUR 2,299,308, which permitted cash flow management without putting pressure on liquidity needs.
Self-financing and that provided following the activation of new M/L term financing have enabled commitments to be met required to finance the investments plan and the depreciation plans to repay existing finance.

Analysis of the Financial Position

The net financial position as at 31 December 2021, and at the end of the previous financial year was as follows (in euros):

	31/12/2021	31/12/2020	Variation
Net position short Bank reports and cash values	**11,984,227**	**9,684,920**	**2,299,307**
Convertible bond (POC)		(206,400)	206,400
Short-terms financial position	(5,106,480)	(4,535,654)	(570,826)
Net short-term financial position	**6,877,747**	**4,942,866**	**1,934,881**
Medium to long-term financial position	(5,002,537)	(7,358,338)	2,355,801
Net financial position	**1,875,210**	**(2,415,472)**	**4,290,682**

During the financial year, new financing amounting to EUR 2 million was activated and existing financing amounting to EUR 3.78 million repaid.

Payable for the Convertible Bond Loan

As stated above, the bond loan expired on 15 November 2021 and the third and last conversion period of the bond loan ended (which expired on 30 November 2021), with requests for conversion for 2,062 bonds for a total equivalent nominal value of EUR 206,200 and 53,612 conversion shares were assigned.

Relationships between the group's companies

During the year, the parent company Fope S.p.A. entered into the following relationships with subsidiaries (in euros):

- Fope Usa Inc
- Fope Jewellery Ltd

Company	Credits	Debts	Revenues	Costs
Fope Usa Inc	2,854,221	108,060	6,230,884	317,996
Fope Jewellery Ltd	4,088,039	2,421	6,822,786	94,518

These relations, which do not include atypical and/or unusual transactions, are regulated by normal market conditions,

At the end of 2020, the nature of the existing commercial relationship was transformed for both subsidiaries. With 2021 the companies assumed the title of distributor of Fope products in the countries of competence changing from the previous relationship in which Fope SpA had given both companies a representation mandate as agents. The application of new trading and administrative rules in intra-group relations envisage for both companies the purchase by Fope of products that are ordered and sold by them to customers.

Staff

The breakdown of the staff who work in the Group's companies as at 31 December 2021 is 62 people: 28 women and 34 men. There were no accidents during the year.

Environment

The Group carries out its activities in compliance with the provisions on environmental protection. During the year, compliance with the standards on gaseous and liquid emissions monitoring activities were regularly carried out by external contracted companies, always with negative results. The Sustainability Report was drafted for the fifth consecutive year. The report has been drawn up for the Parent Company Fope S.p.A. and is included in this Fope Consolidated Financial Statements dossier.

Research and development activities

During the financial year 2021, the parent company continued with its research and development activities and directed its efforts in particular on projects that we consider particularly innovative called:

1. Study, design and experimental development of new product lines and types of meshes for jewellery and developing new collections:
    - new Aria collection;
    - new Luna collection;
    - Essentials collection expansion;
    - Panorama You collection expansion;
    - Must Have collection expansion;
    - making of new mesh;
    - making of new elastic mesh;

2. Activities related to the protection and preservation of intellectual property

The projects were carried out at the parent Company's headquarters. For the development of the above projects, the company incurred admissible costs amounting to EUR 556,098 on which it intends to access the benefits provided by the tax credit for research, development, technological innovation, design and aesthetic ideation activities according to Art. 1, paragraphs 198 - 209 of Law no. 160 of 27 December 2019.
We trust that the successful outcome of these activities will generate a competitive strengthening of the Company and the Group with favourable economic consequences.
The research activities are continuing in the financial year 2022.
The Group did not consider it appropriate to capitalise the costs related to the above research and development activities, spending them entirely in the year they were incurred.

Information relating to risks and uncertainties pursuant to art. 2428, section 2, in paragraph 6-bis, of the Civil Code

In accordance with Art. 2428, Section 2, in paragraph 6-Bis of the Civil Code information is provided below regarding the use of financial instruments, as relevant for the purposes of assessing the income and financial situation.
More precisely, the objectives of company management, policies and criteria used to measure, monitor and control the financial risks are the following:

- financial resources to stabilise the purchase price of raw materials;
- financial resources to stabilise exchange rate risk for Dollar and Sterling countries;
- financial resources to stabilise the interest rate risk on medium-term funding.

Credit risk

The receivables write-down fund amount is adequate to cover the credit risk.

Liquidity risk

As regards liquidity risk, the following is indicated:

- the companies of the Group do not have financial assets for which there is a liquid market and that are readily marketable to meet the need for liquidity;
- there are instruments of indebtedness or other lines of credit to meet liquidity needs (borrowing via an overdraft and borrowing via disposal of trade receivables to banks);
- the parent company has financial assets for which there is not a liquid market but from which cash flows are expected (capital or interest) that will be available to meet its liquidity needs;
- the parent company has deposits with credit institutions to meet its liquidity needs;
- the main sources of financing, excluding short-term bank exposure are: M/L term loans with banks.

Policies related to the various hedging activities

The Group operates in the jewellery sector and a significant risk class applies to the volatility of valuations on the international gold market, used as a raw material, and the resulting purchase price.
In order to stabilise the purchase price, the parent company fixes the end price with financial hedging operations. The operations, which do not last more than 24 months, are carried out in rotation for a share of the estimated total requirement.

Business outlook

In addition to what has already been explained in detail in the previous paragraphs of this report, it is noted that on the basis of the forecast data for the financial year 2022, an increase in sales volume and a positive economic result are estimated.
The results of the first few months of 2022 confirmed these predictions, and, consequently, the above expectations.

Diego Nardin
CEO Fope S.p.A.

Sustainability Reporting

Methodological note

The sustainability reporting complements Fope's financial statements in order to inform all stakeholders about the company's performance, not only from an economic-financial point of view, but also environmental and social. The drafting of a "complementary report" is done so as a voluntary exercise for Fope, which pursuant to Legislative Decree 254/2016, does not fall in the case law of groups required to report on their non-financial performance.

The sustainability reporting has been prepared taking the guidelines of the GRI Sustainability Reporting Standards (GRI Standards) into consideration, which are the most authoritative and widespread in the field of non-financial disclosure. In particular, the guidelines of the standard have been adopted according to the GRI-referenced level option (see the Annex "Table of GRI – *Global Reporting Initiative indicators*").

As required by the standard, the reporting activity has focused on economic, social and environmental issues that may mostly affect the strategic choices of Fope and its stakeholders. These "material" issues were identified through an analysis carried out internally involving a sample consisting of about half of the company's population (see also the next section "Materiality analysis").

The ability to capitalise on existing business processes, from internal information systems and, from experience already gained by Fope in the field of non-financial reporting has meant that the qualitative and quantitative information presented below have been collected in an accurate and efficient manner.

The data reported in this report relate to the financial year which ended on 31 December 2021 and relate exclusively to the parent company Fope S.p.A. Affiliated companies did not cause significant impacts on environmental and social sustainability.

Materiality analysis

In order to best define the nature of its sustainability strategies, and for the subsequent drafting of this sustainability report, Fope has carried out a materiality analysis to identify and prioritise the issues considered relevant and important to its business and all of its stakeholders. These issues are defined as 'material' as they reflect the economic, social and environmental impacts of the company and because they can affect the internal and external decisions of stakeholders.

In line with the methodological approach also adopted in 2020, Fope carried out a structured survey based on the following steps:

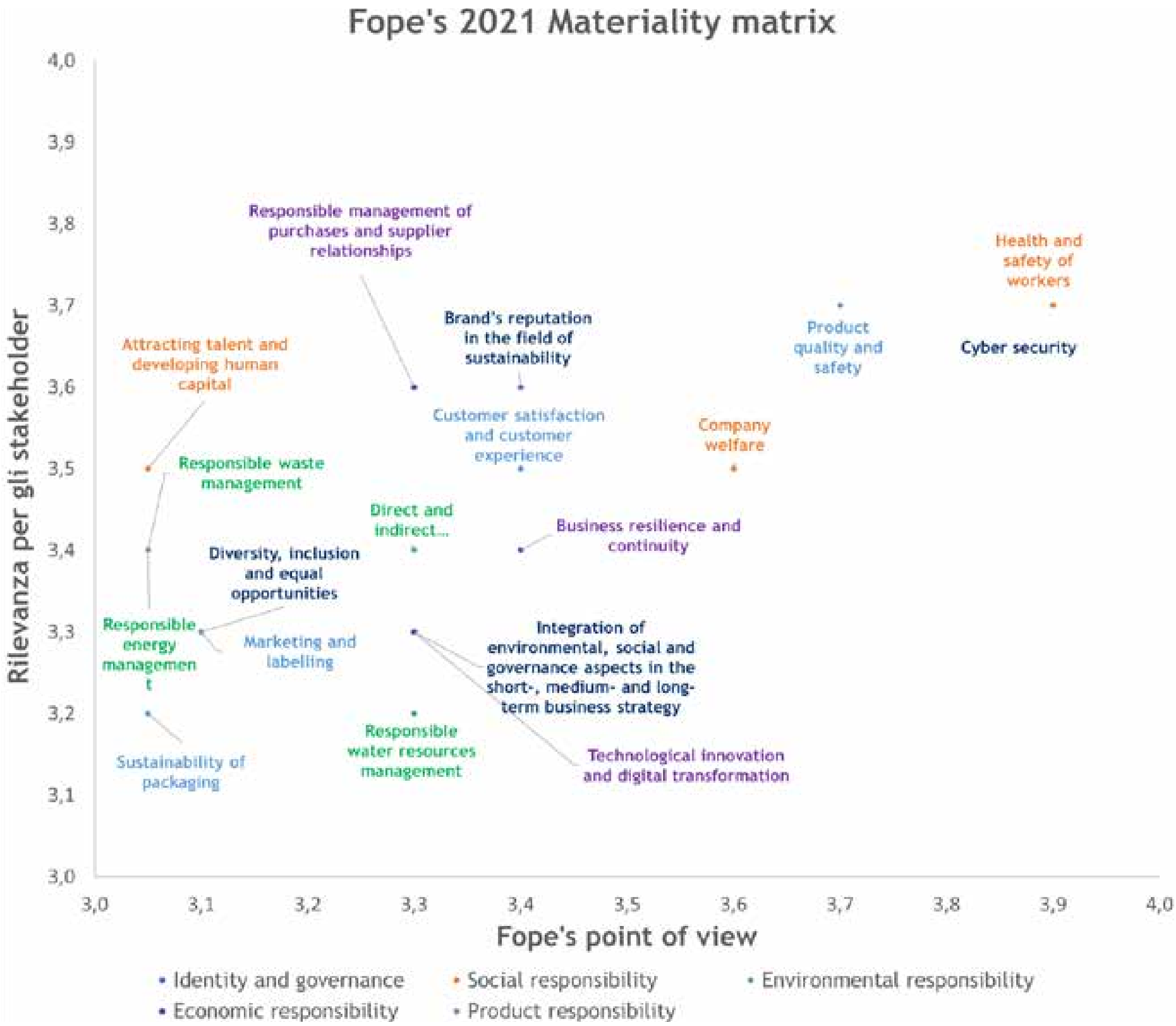
- analysis of the existing internal documentation;
- analysis of public documents, articles and statistics and results of observers on the type of standards and international frameworks adopted in sustainability reporting;
- analysis of the specific features of the sector it is in, in order to identify the main topics its competitors and comparable companies also tend to focus on.

This analysis resulted in the identification of 19 key topics relating to 5 different macro-areas: "Identity and governance", *"Product responsibility", "Economic responsibility" "Environmental responsibility"* and *"Social responsibility"*.

Subsequently, in order to select the actual material themes for Fope, a special online "materiality questionnaire" was published through which the level of relevance of each theme was assessed separately by:

- 25 representatives of the main company departments (47% of Fope's total staff)
- 20 other stakeholders of the organisation, including 11 of Fope's main international clients.

The following materiality matrix is a summary representation of the results that emerged from the analysis carried out. It comprises the Cartesian plane defined by the two axes that represent the level of significance to be attributed to the different topics considering, respectively, Fope's point of view of (x-axis) and that of its stakeholders (y-axis). Within the matrix, only issues that have passed the so-called "materiality threshold", i.e. those who have obtained an average rating greater than 3 on a scale from 1 (negligible aspect) to 4 (very significant) on both axes are represented (in the form of dots).



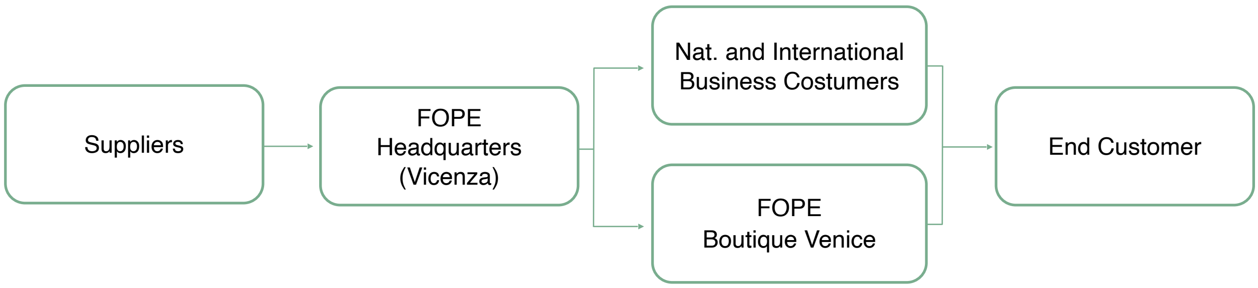
Environmental sustainability

The main environmental impacts of the company occur along the supply chain. Gold constitutes the main raw material for Fope and is purchased from banks. For the supply of other raw materials (mainly diamonds, and marginally other precious stones, silver and other precious metals) necessary to create the products, the company uses suppliers predominantly located in the centre-north of Italy.

The production process, characterised by a high level of standardisation and automation is carried out at the headquarters in Vicenza and is based on the typical phases of:

- melting of the raw material and preparation of the alloy;
- preparation of semi-finished products;
- assembly;
- finishing and quality control,

The ready goods are shipped from the site directly to the points of sale of the jewellers on all the national and international markets of interest.



The main environmental impacts along the supply chain of Fope take place in two phases that are very far removed from one another, i.e. the extraction of raw materials phase upstream of the value chain and that of transporting of the final products by couriers.

As a certified member of the *Responsible Jewellery Council*, Fope undertakes to report any misconduct by any actor of the goldsmith/jewellery sector that can lead to significant environmental risks. Especially considering the upstream part of the supply chain, the company reduces, as far as possible, the possibility of encouraging any irresponsible behaviour by buying almost all raw materials subject to the most authoritative transparency and sustainability certification in the sector. All the gold purchased is subject to the London Bullion Market Association (LBMA) certification and the suppliers of diamonds, in turn a certified RJC member, they ensure the origin from legitimate sources and not involved in financing conflicts in the countries of origin. The same suppliers ensure, moreover, that the diamonds are processed according to that established by the most authoritative international guidelines, by means of processes that do not harm the health of workers and avoiding any form of exploitation of child labour.

The main external couriers the company works with for transporting its final products throughout the world, namely FedEx Corporation, DHL and UPS, are in their turn extremely sensitive to environmental and social issues. In recent years, these companies have greatly reduced their CO_2 emissions, by buying more efficient vehicles and often electric or hybrid, and by using the latest generation software to optimise routes.

Electricity and natural gas

From an energy perspective, the activities carried out by Fope are mainly based on the consumption of the electricity that powers the melting plant for the production of gold alloys and other production facilities. The electricity used at the headquarters in Vicenza is supplied by Dolomiti Energia S.p.A. which supplies the company with energy derived exclusively from renewable sources, under contract.

The works to extend the headquarters, which were completed in March 2020, were conducted with the precise objective of achieving a state-of-the-art facility and a smaller environmental impact. In particular, the facility features the following elements:

- positioned in the highest performance band (Class A) in terms of the energy efficiency of buildings classification;
- air conditioning system with a heat pumps system and an electricity supply (non-methane gas);
- air circulation system that recovers heat from expelled air;
- lighting system that only uses energy-saving LED bulbs;
- installation of an 18.3 kW photovoltaic system, capable of producing on average about 20,000 kWh/year. The possibility of actively producing this electricity from renewable sources will allow Fope to further reduce its grid supply requirements.

Natural gas is only used to heat the premises of part of the headquarters in Vicenza. At the boutique in Piazza San Marco, the presence of heating systems based on heat pump systems makes the consumption of natural gas zero.

Direct energy consumption (TJ)	Vicenza			Venice			Total		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Electricity [3]	1.48	1.09	1.11	0.02	0.02	0.03	1.50	1.11	1.14
Natural Gas [4]	0.53	0.47	0.60	0	0	0	0.53	0.47	0.60
Total	**2.01**	**1.56**	**1.71**	**0.02**	**0.02**	**0.03**	**2.03**	**1.58**	**1.74**

Overall energy consumption was about 28% higher than in 2020. The reason for this increase is due to the gradual resumption of activities during 2021. as a result of the partial overcoming of the pandemic crisis by Covid-19, which in the period March-May 2020 had led to a temporary standstill in production activities.

Carbon footprint analysis

Continuing on the path taken in the three previous years, in 2021 Fope conducted a carbon footprint study aimed at mapping and quantifying the greenhouse gas emissions:

- under its direct control, i.e. a clear consequence of business activities (direct or Scope 1 emissions);
- resulting from generating electricity, heating, cooling and steam consumed by the company (indirect Scope 2 emissions);
- that, despite being generated by other actors in the supply chain, are related to the life cycle of its jewellery (indirect Scope 3 emissions).

[3] 1TJ (*terajoule*)= 1.000GJ (*Gigajoule*)= (1.000/0,0036) kWh (fonte: Department for Environment, Food & Rural Affairs – DEFRA, 2018).

[4] 1TJ= 1.000GJ= (1.000/0,0360) Smc (fonte: DEFRA, 2018).

The analysis was carried out according to a methodological approach structured and inspired by the 14040 series of ISO standards for conducting *life cycle assessment* (LCA) studies, by new standard ISO 14064-1:2019 for creating greenhouse gas emission inventories at organisation[5] level, and by the *Greenhouse Gas Protocol* (GHG Protocol).
The whole process of collecting and processing the data that enabled the update of Fope's carbon footprint calculation on 31 December 2021 was the subject of a special verification activity carried out by a third-party independent certification and authorised body. Given the successful outcome of the surveys carried out, this body has issued Fope with an official document for the third consecutive year that certifies the robustness of the calculation model adopted and the reliability of the results obtained through the study.

Considering the availability of data and the areas within which Fope can exercise control over the supply chain, the decision was also taken in 2021 to adopt a gate-to-gate approach and therefore include the following stages of the life cycle of jewellery in the scope:

- the supply of raw materials from direct suppliers (mainly banks, diamond suppliers and suppliers of other goods used in the production processes);
- the transformation and manufacture of jewellery processes carried out at the Vicenza site;
- the transport and distribution of final products stages to the flagship store in Venice and B2B customers, both Italian and international;
- the transport and distribution of products sold in the context of e-commerce;
- the transport and final disposal of the waste generated by the organisation and delivered to the appropriate recovery and treatment centres.

In 2021, the total greenhouse gas emissions related to the activities included in the scope of the analysis amounted to about 73.29 tonnes of CO_2 equivalent. Specifically, the main emission sources related to Fope's activities were:

- natural gas consumed at the Vicenza site (27.41 tonnes of CO_2 equivalent, approximately 37.40% of the total);
- the company's fleet of cars (13.97 tonnes of CO_2 equivalent, approximately 19.06% of the total);
- logistics operations related to the distribution of Fope jewellery throughout the world (11.08 tonnes of CO_2 equivalent, equal to about 15.12% of the total).

5 The greenhouse gas emission inventories developed by Fope in previous years were developed using the ISO 14064-1 standard version published in 2012.

It should be noted, however, that the choice adopted by Fope to meet the entire energy needs of the Vicenza site by buying electricity from renewable sources enabled the company to avoid emissions amounting to about 11.11 tonnes of CO_2 equivalent in 2021.

Emission sources	2021	
	tonnes CO_2 eq.	% contribution
Direct emissions - scope 1	**41.38**	**56.46%**
Emissions from natural gas consumption	27.41	37.40%
Emissions from the company's fleet of cars	13.97	19.06%
Emissions from consumption of F-GAS (not calculated in 2019 due to unavailability of accurate data)	0.00	0.00%
Indirect energy emissions - scope 2	**2.82**	**3.85%**
Indirect emissions from buying electricity (market-based approach[6])	2.82	3.85%
Other indirect emissions - scope 3	**29.09**	**39.69%**
Emissions from water consumption	0.19	0.26%
Emissions from the supply of raw materials (gold)	0.03	0.04%
Emissions from the supply of chemical products	0.03	0.04%
Emissions related to the distribution of jewellery	11.08	15.12%
Emissions related to transporting waste generated at treatment/disposal centres	0.01	0.01%
Emissions linked to the treatment /disposal of waste delivered	5.22	7.12%
Emissions related to staff air travel	5.92	8.08%
Emissions related to staff train travel	0.01	0.01%
Emissions related to staff car travel	4.89	6.67%
Emissions related to hire car trips	1.71	2.33%
GENERAL TOTAL (SCOPE 1+2+3)	**73.29**	**100.00%**

The results of these analyses are required to identify and plan appropriate strategies to reduce and offset emissions directly and indirectly related to Fope's activities.

[6] By adopting a location-based approach, i.e. not taking into account the net saving of emissions made possible by buying electricity from renewable sources for the headquarters in Vicenza and by using the electricity produced by the photovoltaic system present at the same plant (see also the section "Electricity and natural gas"), the indirect emissions of *scope 2* would be equal to 103.52 tonnes of CO_2 equivalent and the total emissions generated directly and indirectly by Fope's activities to 157.74 tonnes of CO_2 equivalent.

CO2 emissions offsetting project

In 2020, Fope started a project to offset the emissions caused from 2018 via the Treedom platform. The investments are intended to fund tree planting initiatives in various regions of the world, whose positive impact in terms of combating climate change is estimated by calculating the amount of carbon stored in each tree using authoritative approaches developed by the *Intergovernmental Panel for Climate Change* (IPCC) and by the *United Nations Framework Convention on Climate Change* (UNFCCC). Since each tree planted is geo-referenced and visually monitored by satellite images, the Treedom project is able to guarantee maximum transparency for the financing company and all stakeholders. In 2021, the company continued with this initiative by providing a similar project to offset emissions generated from its activities during 2020. The project planted 200 trees in Kenya, with a total of 60 tonnes/CO_2 offset.

As regards emissions related to business trips made by planes, since 2019 the company decided to sign up to offsetting schemes promoted by airlines, by systematically making voluntary donations offered when buying tickets.

Fope joined the DHL Go Green programme in 2019, which not only enables the CO_2 emissions generated by the shipments performed by the courier DHL to be calculated, but also offset them by financing forestry and environmental protection projects.

Water management

Water resources used at the headquarters in Vicenza are provided by the local company Viacqua S.p.A. and the volumes purchased annually by the company amount, on average, to about 1,100 m^3 of water. After use, wastewater undergoes a purification process within the drainage system equipped with special cleaning filters. The drainage system terminates in the municipal sewerage system and wastewater returned is subject to quality controls on an annual basis.

The Boutique in Venice has a negligible environmental impact from the point of view of water consumption, on average only purchasing 150 - 200 m^3 of water a year.

Water consumption	Vicenza		
	2021	2020	2019
m3 of water	1,059	1,081	1,100

Industrial waste produced and managed

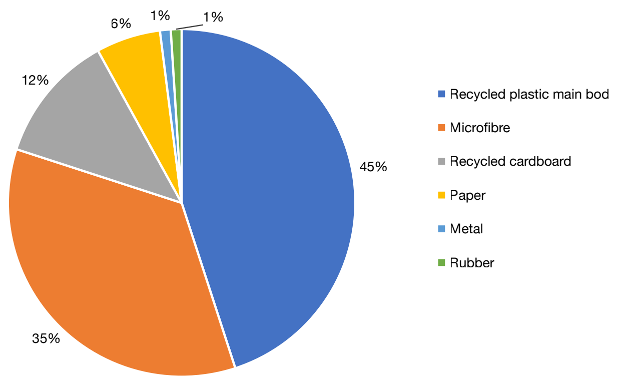
Fope deeply respects the legislation in force concerning waste production and management and, as far as possible, undertakes to limit accumulation along the production processes. The specific nature of the production process which leads to the production of jewellery must be remembered which is why there is no waste of the precious raw material; since offcuts and scraps from the process are melted and reused.
During the production processes, other types of industrial waste accumulate (see the table below, provided by using the values contained within the Environmental Declaration Form - MUD - published by Fope annually) that, with the sole exception of mineral oil waste, which is fully recovered by the company, must be transported to specialist facilities that handle final disposal. The company which is responsible for the industrial waste produced by Fope S.p.A. is Din.Eco S.r.l.
The amount of waste accumulated varies from year to year for some of the categories considered in the table due to the fact that some types of waste is only delivered to Din.Eco S.r.l. periodically and not continuously.

Industrial waste	Hazardous waste	Disposal/ recovery	Quantity produced in 2021 (kg)	Quantity produced in 2020 (kg)	Quantity produced in 2019 (kg)
Other organic solvents, washing liquids and mother liquors	x	Recovery	94	112	40
Print toner used not containing hazardous substances		Disposal	0	60	0
Pickling acids	x	Disposal	0	40	60
Pickling bases	x	Disposal	60	90	120
Waste containing other heavy metals	x	Recovery	0	480	0
Mineral oil waste for motors, gears and lubrication, non-chlorinated	x	Disposal	40	30	0
Other solvents and solvent mixes	x	Recovery	40	60	60
Waste aqueous solutions containing hazardous substances	x	Disposal	10	40	80
Used activated carbon		Disposal	40	170	260
Saturated or used ion exchange resins		Disposal	70	0	20
Washing aqueous solutions containing hazardous substances		Disposal	0	0	40
Organic waste other than that referred to in heading 16 03 05		Disposal	25	0	0
TOTAL			**379**	**1,082**	**680**

Packaging responsibilities

Sustainable packaging is packaging designed and produced with the ultimate aim of reducing its environmental impact and ecological footprint as much as possible. In pursuing these objectives, however, the company must not lose sight of the main functions of the packaging, i.e. protect the product contained therein.
The Fope product, i.e. jewellery made from gold, is delivered to the final customer inside a box that enhances the buying experience and is an important component in the communication of values strategy such as elegance and refinement. The Fope box is made in an exclusive shape and with refined materials that allow to offer the consumer to maximise the experience of owning the jewellery. The box is produced in different sizes to accommodate the pieces that make up the sets of collections, i.e. bracelets, necklaces, rings and earrings.
For Fope, therefore, it is important to distinguish generic, functional packaging for the safe and secure transport of jewellery, from boxes that, as anticipated, have an accessory function to the product that is different from the first category.
Fope's boxes are characterised by a proprietary design and by a careful selection of the materials they are made from. The production of the boxes is exclusively entrusted to the supplier *In The Box S.r.l.,* which guarantees high social responsibility, health and safety and environmental protection standards are met.
The different types of Fope boxes fall into 6 main categories, whose composition remains unchanged.

Composition by weight of Fope's boxes



The objective that Fope intends to pursue in the future is to further reduce the environmental impacts generated by the production of its boxes by focusing mainly on the following strategies:

- minimalistic use of the materials that comprise the box, in order to limit its weight and volume;
- use of innovative materials (e.g. biodegradable, recyclable, compostable), compatible with the aesthetic requirements that the box must maintain.

It also intends to pursue the same objective for the generic packaging categories used for product shipments.

Social sustainability

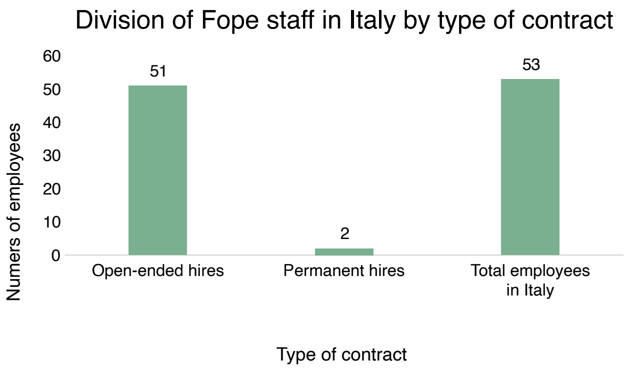
Respect for human rights along the value chain

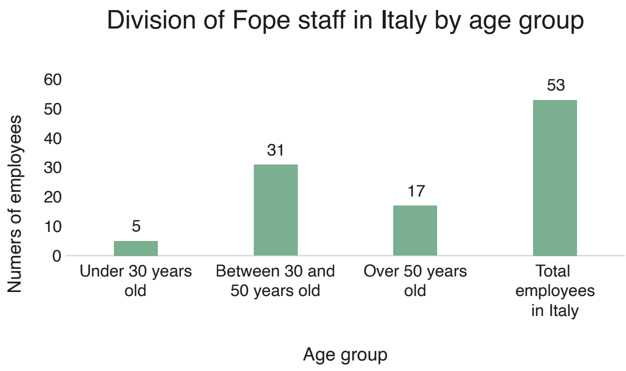
As a certified member of RJC, Fope actively promotes respect for fundamental human rights not only within the company, but also by actively encouraging all its trading partners to embrace the same ethical values. Buying almost exclusively LBMA AND RJC certified raw materials, the company actively promotes responsible and transparent commercial practices within the sector in which it operates.

Fope personnel

On 31 December 2021, the staff of the Group comprised 53 employees in Italy (49 in 2020), to which were added the 6 employees employed by Fope Jewellery Limited, 2 employees at Fope USA Inc. and 1 employee employed at Fope S.p.A. – DMCC Branch.
The company is aware that its success depends on people and undertakes to encourage the development of all employees on a personal and professional level and provides them with a stimulating work environment and that defends all forms of diversity.
The table below represents the workforce of Fope at 31 December 2021 and on the same date in the two previous years, subdividing employees by gender and type of use. In recent years, the staff have remained almost equally distributed between men and women, considering the main employment categories, showing a good level of gender diversity. Considering in particular employees and workers, the ratio between the number of male and female employees has gradually grown since 2018, settling during the last year.
The good performance recorded in 2021 by the incoming turnover rate (13.21%) is a further sign of a positive recovery from the slowdown in business activity imposed in 2020 by the onset of the pandemic and indicated the consequent need for the company to hire more staff in 2021. The low outgoing turnover rate (7.84%) also indicates a good employee retention capacity.

Workforce	31/12/2021		31/12/2020		31/12/2019	
	Men	Women	Men	Women	Men	Women
Executives	2	0	2	0	2	0
Middle managers	1	2	1	2	1	1
Clerical staff	11	10	11	8	14	8
Manual workers	13	14	13	14	11	12
Total	**27**	**26**	**27**	**24**	**28**	**21**





Staff selection and remuneration

The selection process is based on analysing needs and a careful evaluation of the profiles, not only referring to the technical skills and experience sought, but also taking into account the motivational and ethical values conveyed by candidates.

Recruitment is performed in collaboration with one of the leading global companies in the field of personnel selection, and new employees are guaranteed a salary that is on average 21.6% higher than the minimum local wage. In cases where recruitment required an initial temporary contract, they have been converted into permanent contracts.

Wages paid by the company to its employees are on average higher than the reference pay for the jewellery sector at national level. The ratio in percentage between the median salary within Fope and that of the employee receiving the highest pay is 31.91% (26.1% in 2020). Finally, the 0.81 gender pay gap recorded by the company indicates a good level of equity in the average basic pay of men and women.

Training

Correct corporate development must develop the role of all employees and define suitable career paths for individual employees. This concerns growth processes that are implemented over time and which, if carried out systematically and consistently, lead to the development of expertise and multidisciplinary skills within the company, enabling it to cope with changes in a constantly evolving sector.

Overall, Fope's staff could get 219 hours of training delivered by the company in 2021.

The main objective pursued by Fope was to consolidate the basic and specialist computer skills of its staff. In fact, all Fope employees took part in the "Business Intelligence Basics" and "Data Analysis to Support Decision-making" courses to enhance their knowledge and basic and advanced use of Microsoft Excel. Both modules were provided in collaboration with Interlingua Formazione, a European Social Fund (ESF) and the Veneto Region. As part of these training activities, each employee was able to benefit from 42 hours of training.

The training provided to staff covered three other main areas of learning: knowledge of foreign languages (10 employees involved, for a total of 103 hours of training provided), updating on themes of gemmology (through participation in a webinar) and health and safety protection.

In the field of training young people and graduates, Fope selected and awarded 2 students of the three-year course in Jewellery Design in collaboration with the European Institute of Design in Turin. In particular, a scholarship was granted for the student who presented the thesis project deemed most deserving and the possibility of a company internship experience has been offered to the second classified student and whose hiring was confirmed at the end of the internship, in the first few months of 2022.

A similar experience of an internship period for a student of the degree course in Computer Science at the University of Trento. Necessary and functional to the student's course of study in the area of information systems, concluded with a job contract.

Finally, in 2021, Fope was also a member and a supporter of the CUOA Business School Foundation in Vicenza, renewing its commitment to maintaining and supporting talent in its local area.

Health and safety

FOPE is attentive to protecting the health and safety of staff and it is reported that in 2021 there were no accidents in the workplace, continuing the trend that saw the occurrence of a single minor injury from 2005 to today. In line with that laid down in the current legislation, the company regularly organises training courses aimed at raising awareness among all employees about issues relating to safety in the workplace. In 2021, 30 hours of training were provided in the "General Safety Training" and "High-Risk Specific Safety Training" areas.

Initiatives in the field by Fope to cope with the onset of the Covid-19 pandemic in the spring of 2020 included an update of the DVR, the identification of ways in which to comply with social distancing inside the company, distribution of PPE to all staff, the implementation of the new protocol for managing the crisis and the internal dissemination of relevant information about the precautions to be taken by staff to safeguard their own health and that of their colleagues. All these interventions allowed us to ensure business continuity and the complete operation of the company in full safety in 2021.

Welfare initiatives

There is a widespread opinion within Fope that programmes aimed at improving the welfare and quality of life of the worker are an indispensable means to consolidate their sense of belonging and strengthen the trust placed in the company.

In 2020, Fope signed a contract with Noi!Welfare S.r.l., a consultancy company operating in the field of company welfare and owner of the portal welfare Easy Life. The same welfare project was also confirmed for 2021 and 2022. After a first stage of the design of the Welfare Plan, the project has seen the implementation of this platform and the allocation to each employee of an amount to be used within the portal. In particular, Fope employees have been able to determine how to use the amount by choosing between:

- different forms of reimbursements (education, health, to support family members who are not self-sufficient and for transport);
- purchase various direct payment services, such as shopping vouchers, gift cards, sports activities, travel and holidays, supplementary pension and healthcare schemes.

Economic responsibility

Economic value generated and distributed (relating to the parent company Fope S.p.A.)

The economic value generated and distributed represents a company's ability to create wealth and to distribute it among its stakeholders.

In 2021, the economic value generated by Fope S.p.A. amounted to EUR 39,241,575 (+47.3% compared with 2020). This positive result has been affected to a limited extent by the negative impacts caused by the Covid-19 pandemic on the global economy and on the company's business as already previously mentioned.

89.81% of the economic value produced by Fope has been distributed to stakeholders, both internal and external, while the remaining 10.19% has been retained within the company.

	31/12/2021	31/12/2020	31/12/2019
Economic value generated by Fope S.p.A.	**39,241,575**	**26,647,793**	**36,294,920**
Revenue	38,956,888	26,334,154	34,967,855
Changes in stocks of unfinished, semi-finished and finished products	(14,338)	(115,362)	361,351
Other revenue and income	299,025	429,001	965,174
Economic value distributed by Fope S.p.A.	**35,241,126**	**25,981,902**	**32,351,269**
Remuneration of Suppliers (operating costs)	26,626,495	21,517,397	26,161,481
Remuneration of Employees	3,955,075	3,133,767	3,597,654
Remuneration of Financial backers	131,711	152,637	145,550
Remuneration of Shareholders	2,429,824	794,111	2,382,332
Remuneration of the Public administration	2,088,021	373,990	47,252
External donations	10,000	10,000	17,000
Economic value retained by Fope S.p.A.	**4,000,449**	**665,891**	**3,943,651**

From the analysis of the economic value generated and distributed in 2021 by Fope it shows that:

- the largest share of the economic value generated (EUR 26.63 million, equal to about 67% of the total) is used to cover the operational costs of the remuneration of the company's suppliers;
- the proportion allocated to company employees amounted to EUR 3.96 million and accounted for approximately 10% of the total value generated;
- the amount distributed to the public administration amounted to EUR 2.1 million, as the sum of the taxes and duties for the period.

Digital transformation and protection of computer security

For public and private companies, the digital transformation involves a redesign of processes aimed at favouring the application of digital tools and technologies that facilitate carrying out various business activities and making them as efficient as possible. This transformation must be accompanied by a path that *change management* supports individual employees and the organisation as a whole to redesign processes, introduce appropriate automation solutions and develop new products and services enabled by digitisation.

FOPE has always witnessed technological development, including digital, as a strong point to be leveraged to support growth and development plans. In 2021, a decisive push in this direction and towards further efficiency and simplification of business processes was provided by the launch of the important project to review its information system and the choice to proceed to the implementation of the technology platform SAP S/4HANA to support all company departments, including the U.S. and English subsidiaries. The project, which involves a multi-step release of the platform's functionality, has already witnessed a successful first stage in January 2022 in the start-up programme and a plan for a final step by the end of 2022.

These innovations have been complemented by the launch of a complex internal review process of computer processes, with the aim of constantly improving cyber security protection and countering potential attacks on the company's information system.

In collaboration with the supplier Nemesi S.r.l. the necessary activities have been carried out for a complete alignment with the General Data Protection Regulation (GDPR) of 2016 in the field of personal data protection and with MOG 231 in the field of internal organisation. The main actions carried out included:

- the on-going update of the company's firewall and antivirus software installed on workstations, servers and mobile devices;
- updating operating systems and installing software to automate the updating of apps and programs installed on terminals;
- The creation of an in-house *Security Operations Centre* (SOC) to periodically monitor log files created by network monitoring software to detect abnormal activity;
- The activation of *Multi-Factor Autenticator* (MFA) aimed at guaranteeing access to the mailbox and domain of system administrators;
- the installation of a separate Wi-Fi network for guests with respect to the company network;
- The provision of regular training to staff in collaboration with the *Data Protection Officer* (DPO), so that new "fraud" systems and fraudulent access attempts can be recognised and avoided.

Consolidated Balance Sheet

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Balance sheet
Profit and loss account
Consolidated financial statement (indirect method)

Balance sheet Assets	31/12/2021	31/12/2020
A) Unpaid share capital		
called up share capital		
share capital to be called up		
Total receivables from shareholders for payments still due (A)		
B) Fixed assets		
I - Intangible fixed assets		
1) plant and expansion costs		102,778
2) development costs		
3) industrial patent and intellectual property rights	1,259,179	1,548,591
4) concessions, licenses, trademarks and other similar rights	35,451	37,844
5) goodwill	727,086	979,627
6) assets under development and payments on account	338,612	
7) others	747,585	911,468
Total intangible fixed assets	3,107,913	3,580,308
II - Tangible fixed assets		
lands and buildings	7,194,207	7,420,353
plant and machinery	1,213,974	1,071,170
industrial and commercial equipment	408,991	660,542
other assets	660,482	730,375
fixed assets under construction and payments on account	90,450	179,780
Total tangible fixed assets	9,568,104	10,062,220
III - Financial fixed assets		
Shareholdings/holdings in		
group subsidiaries	78,601	78,601
associated/affiliated companies		
parent companies		
companies subject to the control of parent companies		
other companies	9,470	10
Total investments	88,071	78,611
2) Receivables		
a) from group subsidiaries		
due within one year		
due after one year		
Total receivables from group subsidiaries		
b) from associates/affiliated companies		
due within one year		
due after one year		
Total receivables from associates/affiliated companies		

Balance sheet Assets	31/12/2021	31/12/2020
c) from parent companies		
due within one year		
due after one year		
Total receivables from parent companies		
d) from companies subject to the control of parent companies		
due within one year		
due after one year		
Total from companies subject to the control of parent companies		
d-bis) from others		
due within one year	40,470	27,387
due after one year		
Total receivables from third parties others	40,470	27,387
Total receivables	40,470	27,387
3) other securities		
4) financial derivative instrument assets		
Total financial fixed assets	128,541	105,998
Total fixed assets (B)	12,804,558	13,748,526
C) Current assets		
I - Inventory		
1) raw materials, supplies and consumables	7,800,395	6,064,321
2) unfinished products and semi-finished products	1,197,173	833,703
3) work in progress on order		
4) finished goods	1,311,241	1,528,358
5) payments on account (advances)		
Total inventories	10,308,809	8,426,382
Tangible fixed assets for sales		
II - Receivables		
1) trade receivables		
due within one year	9,324,585	5,592,008
due after one year		
Total trade receivables	9,324,585	5,592,008
2) from group subsidiaries		
due within one year		
due after one year		
Total receivables from group subsidiaries		
3) from associated/affiliated companies		
due within one year		
due after one year		
Total receivables from associated/affiliates companies		

Balance sheet Assets	31/12/2021	31/12/2020
4) from parent companies		
due within one year		
due after one year		
Total receivables from parent companies		
5) from companies subject to the control of parent companies		
due within one year		
due after one year		
Total reveivables from companies subject to the control of parent companies		
5-bis) tax receivables		
due within one year	50,314	346,502
due after one year		
Total tax receivables	50,314	346,502
5-ter) deferred tax assets		
due within one year	603,980	286,294
due after one year		
Total deferred tax assets	603,980	286,294
5-quater) from others		
due within one year	392,079	127,695
due after one year	151	
Total receivables from others	392,230	127,695
Total receivables	10,371,109	6,352,499
III - Financial assets other than fixed assets		
1) shareholdings in group subsidiaries		
2) shareholdings in associated/affiliates companies		
3) shareholdings in parent companies		
4) shareholdings in companies subject to the control of parent		
5) other shareholdings		
6) financial derivative instrument assets	794,993	419,932
other securities		
financial assets for centralised treasury management		
Total financial assets other than fixed assets	794,993	419,932
IV - Cash and cash equivalents		
1) bank and postal deposits	11,981,120	9,676,418
2) cheques		
3) cash and cash equivalents	6,322	8,502
Total cash and cash equivalents	11,987,442	9,684,920
Total current assets (C)	33,462,353	24,883,733
D) Prepayments and accrued income	214,651	155,897
Total assets	**46,481,562**	**38,788,156**

Balance sheet Liabilities	31/12/2021	31/12/2020
A) Shareholders' equity		
I - Capital	5,399,608	5,294,071
II - Share premium reserve	3,433,505	3,280,917
III - Revaluation reserves	1,469,295	1,469,295
IV - Legal reserve	919,406	825,162
V - Statutory reserves		
VI - Other reserves, separately indicated		
extraordinary reserve	8,836,829	7,980,344
reserve for derogation ex article 2423 of Italian Civil Code		
reserve for shares (stocks) of parent company		
non-distributable reserve for revaluation of shareholdings		
account payments for capital increase		
payments for future capital increase		
payments on capital account		
payments to cover losses		
reserve for reduction of share capital		
merger surplus reserve		
profits on unrealized exchange rates reserve	152,809	
current net profits offset		
consolidation reserve		(8,879)
currency exchange reserve	4,249	(24,234)
other various reserves	(1,222)	1,926
total other reserves	8,992,665	7,949,157
VII - Reserve for hedging operations of expected cash flow	556,610	50,334
VIII - Profit (loss) carried forward		
IX - Profit (loss) for the year	4,993,382	1,663,602
covering losses in this financial year		
X - Negative reserve for treasury shares		
Total group shareholders' equity	25,764,471	20,532,538
third party/minority shareholders equity		
third party/minority shareholders share capital & reserve	41,216	33,120
third party/minority shareholders profit (loss)	36,173	8,096
third party/minority shareholders total equity	77,389	41,216
Total consolidated equity	25,841,860	20,573,754
B) Provision for risks & charges		
1) provision for pensions and similar obligations	1,380,187	1,377,865
2) tax provision, including deferred tax liabilities	260,319	119,627
consolidation fund for future risks & charges		

Balance sheet Liabilities	31/12/2021	31/12/2020
3) financial derivative instrument liabilities	21,931	352,521
4) other provisions	87,455	51,455
total provisions for risks & charges	1,749,892	1,901,468
C) Employees' severance indemnity	1,006,788	953,534
D) Payables		
1) bonds		
due within one year		
due after one year		
Total bonds		
2) convertible bonds		
due within one year		206,400
due after one year		
Total convertible bonds		206,400
3) payables due to shareholders		
due within one year		
due after one year		
Total payables to shareholders for loans		
4) payables due to banks		
due within one year	5,109,695	4,535,654
due over one year	5,002,537	7,358,338
Total payables to banks	10,112,232	11,893,992
5) payables due to other financial investors		
due within one year		
due after one year		
Payables due to other financial investors		
6) payment in account		
due within one year	29,304	10,621
due after one year		
Total payment on account	29,304	10,621
7) trade payables		
due within one year	4,457,257	2,471,024
due after one year		
Total trade payables	4,457,257	2,471,024
8) payables represented by negotiable instruments		
due within one year		
due after one year		
Total payables in form of credit Instruments		

Balance sheet Liabilities	31/12/2021	31/12/2020
9) payables due to group subsidiaries		
due within one year	138,437	130,527
due after one year		
Total payables to subsidiary companies	138,437	130,527
10) payables due to associated/affiliates		
due within one year		
due one year		
Total payables to associated/affiliated companies		
11) payables due to parent companies		
due within one year		
due after one year		
Total payables to parent companies		
11-bis) payables due to companies subject to the control of parent companies		
due within one year		
due after one year		
Total payables due to companies subject to che control of parent companies		
12) taxes payable		
due within one year	2,431,652	229,863
due after one year		
Total tax payables	2,431,652	229,863
13) social security charges payable		
due within one year	229,485	165,967
due after one year		
Total social security charges payable	229,485	165,967
14) other payables		
due within one year	390,917	209,402
due after one year		
Total other payables	390,917	209,402
Total payables	17,789,284	15,317,796
E) Accrued expenses and deferred income	93,738	41,604
Total liabilities	**46,481,562**	**38,788,156**

Profit and loss account	**31/12/2021**	**31/12/2020**
A) Production Value		
1) revenues from sales and services	40,306,786	25,998,489
2) changes in stocks of unfinished, semi-finished and finished products	(445,662)	(34,228)
3) changes to work in progress on order		
4) capitalised internal work in progress		
5) other incomes and revenues		
operating contributions	17,176	51,955
others	384,437	413,804
Total other incomes and revenues	401,613	465,759
Total production value	40,262,737	26,430,020
B) Costs of production		
6) raw materials, consumables, supplies and goods	17,717,484	11,710,132
7) for services	11,242,107	9,446,744
8) for use of third party assets	480,831	493,533
9) for personnel		
a) salaries and wages	2,852,648	2,279,815
b) social security contributions	703,538	591,994
c) employees' severance indemnity	175,483	137,537
d) pensions and similar costs		
e) other costs	5,228	28,436
Total Personnel expences	3,736,897	3,037,782
10) amortisation, depreciation and write-downs		
a) depreciation of intangible fixed assets	776,195	507,077
b) depreciation of tangible fixed assets	1,130,520	1,101,078
c) other value adjustments	100,000	
d) write-downs of receivables included in current assets and cash available	71,778	76,808
Total depreciations and impairments	2,078,493	1,684,963
11) changes in raw materials, supplies,consumables and goods	(1,942,150)	(2,380,044)
12) provisions for risks		
13) other provisions		
14) sundry operating charges	168,580	99,645
Total production costs	33,482,242	24,092,755
Difference between Value and Costs (A - B)	6,780,495	2,337,265
C) Financial income and charges		
15) income from holdings		
from group subsidiaries		
from associated/affiliated companies		
from parent companies		
from companies subject to che control of parent companies		
others		13,071
Total revenues from shareholding		13,071

Profit and loss account	31/12/2021	31/12/2020
16) other financial income		
a) from receivables entered in fixed assets with a separate indication of that relating to subsidiares and associates		
from group subsidiaries		
from associated /affiliated companies		
from parent companies		
from companies subject to che control of parent companies		
others		
Total financial revenues from receivables entered as fixed assets		
b) from securities entered as fixed Assets that do not constitute holdings		
c) from securities entered as current assets that do not constitute holdings		
d) income other than above		
from group subsidiaries		
from associated/affiliated companies		
from parent companies		
from companies subject to the control of parent companies		
others	32,822	45,194
Total revenues other than the above	32,822	45,194
Total other financial revenues	32,822	45,194
17) interests and other Financial Charges		
to group subsidiaries		
to associated/affiliated companies		
to parent companies		
to companies subject to the control of parent companies		
others	131,711	152,694
Total interests and other financial charges	131,711	152,694
17-bis) exchange rate gains / (losses)	148,189	(165,754)
Net financial income / (charges) (15 + 16 + 17 +/- 17bis)	49,300	(260,183)
D) Adjustments to financial assets		
18) write-ups		
a) of shareholding		
b) of financial fixed assets that do not constitute holdings		
c) of securities entered in current assets that do not constitute holdings		
d) of financial derivates		
of financial operation for management treasury		
Total revaluations		
19) write-downs		
a) of shareholdings		
b) of financial fixed assets not held as shares		
c) of securities under current assets not held as shares		
d) of financial derivates		

Profit and loss account	31/12/2021	31/12/2020
financial operation for management of treasury		
Total impairments		
Total financial asset value adjustments (18 - 19)		
Pre - tax profit / (loss) (A - B +/- C +/- D)	6,829,795	2,077,082
20) current, deferred and advance income tax		
current taxes	2,201,689	451,389
taxes from previous financial year	(32,241)	
advance and deferred taxes	(369,208)	(46,005)
revenues (charges) from participation in tax consolidation or fiscal transparency Systems		
Total taxes on financial year's revenue, current, deferred assets and deferred liabilities	1,800,240	405,384
21) Net profit (loss) for the year	5,029,555	1,671,698
Net profit (loss) for the year	4,993,382	1,663,602
Net profit (loss) for the year to the minority/third party interests	36,173	8,096

Consolidated Financial statement, indirect method	31/12/2021	31/12/2020
A) Cash flow from current activities (indirect method)		
Profit (loss) of the year	5,029,555	1,671,698
Income tax	1,800,240	405,384
Payable (receivable) interest	98,889	107,500
(Dividends)		(13,071)
(Capital gains)/Capital losses from business conveyance		
1) Profit (Loss) for the year before income tax, interests, dividends, and capital gains/losses from conveyances	6,928,684	2,171,511
Adjustments to non monetary items that have not been offset in the Net Working Capital		
Allocations to fund reserves	312,709	332,906
Assets depreciation/amortisation	2,006,715	1,608,155
Write-downs for impairment losses		
Value adjustments to financial assets and financial liabilities of derivative financial instruments that do not involve		
Other adjusments to increase/(decrease) non-monetary items		
Total adjustments for non-monetary items that have not been offset in the Net Working Capital	2,319,424	1,941,061
2) Cash flow before changes in Net Working Capital	9,248,108	4,112,572
Changes to Net Working Capital		
Decrease/(Increase) in inventory	(1,882,426)	(2,224,342)
Decrease/(Increase) in payables to customers	(3,713,894)	2,705,899
Increase/(decrease) in trade payables	1,723,684	(2,713,195)
Increase/(decrease) from prepayments and accrued income	(58,754)	(9,358)
Increase/(Decrease) from accruals and deferred income	52,134	(35,564)
Other decreases/(increases) in Net Working Capital	480,545	553,825
Total changes to Net Working Capital	(3,398,711)	(1,722,735)
3) Cash flow after changes to Net Working Capital	5,849,397	2,389,837
Other adjustments		
Interest received/(paid)	(98,889)	(107,500)
(Income tax paid)	(48,913)	(344,753)
Dividend collected		13,071
Use of reserves)	33,349	(626,385)
Other collections/(payments)		
Total other adjustments	(114,453)	(1,065,567)
Cash flow from current activities (A)	5,734,944	1,324,270
B) Cash flow from investments		
Tangible fixed assets		
(Investment)	(636,404)	(1,093,843)
Divestment		

Consolidated Financial statement, indirect method	31/12/2021	31/12/2020
Intangible fixed assets		
(Investment)	(403,800)	(97,985)
(Divestments)		
Financial fixed assets		
(Investment)	(22,543)	(74,100)
Divestment		
Short-term financial assets		
(Investment)		
Divestment		
(Acquisition of branches of the company net of cash and cash equivalents)		
(Disposal of branches of the company net of cash and cash equivalents)		
Cash flow from investments (B)	(1,062,747)	(1,265,928)
C) Cash flow from financing activities		
Loan capital		
Increase/(Decrease) in short-term bank loans	3,215	(17,408)
New loans	2,000,000	4,900,000
(Loan repayments)	(3,784,980)	(2,205,064)
Equity		
Capital increase payments	206,200	
(Repayment of equity)		
Sale/(Purchase) of own shares		
(Dividend and advances on dividend paid)	(794,110)	(2,382,332)
Cash flow from financing activities (C)	(2,369,675)	295,196
Increase (Decrease) in cash (A ± B ± C)	2,302,522	353,538
Exchange rate effect on cash	(148,189)	165,754
Cash at the start of the period		
Bank and postal deposits	9,676,418	9,321,206
Cheques		50
Cash and valuables in hand	8,502	10,126
Total cash at the end of the start of the period	**9,684,920**	**9,331,382**
Of which not freely usable		
Cash at the end of the period		
Bank and postal deposits	11,981,120	9,676,418
Cheques		
Cash and valuables in hand	6,322	8,502
Total cash at the end of the period	**11,987,442**	**9,684,920**
Of which not freely usable		

Consolidated Financial statement, indirect method	31/12/2021	31/12/2020
acquisition or disposal of Subsidiaries		
Total fees paid or received		
part of fees consisting of cash and cash equivalents		
cash and cash equivalents acquired or disposed of with acquisition/disposal of Subsidiaries operations		
book value of the assets/liabilities acquired or disposed of		

Notes to the Consolidated Financial Statements as at 31 December 2021

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Notes to the Consolidated Financial Statements as at 31 December 2021

Group profile

Fope S.p.A., the parent company, and its subsidiaries operate both in Italy and abroad in the jewellery sector with particular regard to mid-high band jewellery.
Significant events occurring during the financial year are extensively reported in the Consolidated Report on Operations, to which reference is made.

Structure and content of the consolidated financial statements

The consolidated financial statements consisting of the balance sheet, income statement, cash flow statement and notes to the financial statements have been prepared in accordance with that laid down in art. 29 of Legislative Decree No. 127/91, as resulting from these notes, prepared pursuant to art. 38 of said Decree.

Preparation criteria

These financial statements have been prepared taking into account the legislative changes introduced by Legislative Decree No. 139/2015 applicable as from the financial year 2016 and the subsequent updating of the OIC accounting standards.
For each item in the Balance Sheet and the Income Statement, the corresponding values from the previous year are indicated.

Nel corso del 2016 sono entrati in vigore i nuovi principi contabili nazionali ("OIC") da adottare obbligatoriamente a partire dal 1° gennaio 2016. In data 29 dicembre 2017 l'Organismo Italiano di Contabilità ha pubblicato alcuni emendamenti ai principi contabili nazionali ("OIC"). Infine, In data 28 gennaio 2019 sono stati pubblicati alcuni Emendamenti OIC:

- OIC 28 Patrimonio netto
- OIC 32 Strumenti finanziari derivati
- l'abrogazione dell'OIC 7 certificati verdi

In 2016, the new National Accounting Standards (OIC) entered into force and must be adopted as from 1 January 2016. On 29 December 2017, the Italian accounting organisation published amendments to the National Accounting Standards (OIC). Finally, on 28 January 2019, a number of OIC amendments were published:

- OIC 28 Shareholders' equity
- OIC 32 Derivative financial Instruments
- the repeal of OIC 7 Green certificates

These amendments shall apply to financial statements for a financial year beginning on or after 1 January 2018.

On 25 March 2020, the Management Board of the OIC finally approved accounting standard OIC 33 "Transition to national accounting standards". The standard governs the way in which the first financial statements drawn up in accordance with the provisions of the Civil Code and the National Accounting Standards are drawn up by a company which previously drew up the financial statements in accordance with other rules.

The following table summarises the status of the National Accounting Standards, in view of the recent update:

Document	Update	Not updated	Repealed
OIC 2 Assets and financing allocated to a specific transaction		October 2005	
OIC 3 Information on financial instruments to be included in Explanatory Notes and the Management Report			X
OIC 4 Mergers and demergers		January 2007	
OIC 5 Liquidation financial statements		June 2008	
OIC 6 Debt restructuring and financial statements disclosure			X
OIC 7 Green certificates			X
OIC 8 Greenhouse gas emission allowances		February 2013	
OIC 9 Write-downs for impairment losses of tangible and intangible fixed assets	December 2016		
OIC 10 Cash flow statement	December 2016		
OIC 11 Financial statements, objectives and postulates	March 2018		
OIC 12 Composition and financial statements for the year	December 2017		
OIC 13 Inventories	December 2017		
OIC 14 Cash and cash equivalents	December 2016		
OIC 15 Receivables	December 2016		
OIC 16 Tangible fixed assets	December 2017		
OIC 17 Consolidated financial statements and equity method	December 2017		
OIC 18 Accruals and deferrals	December 2016		
OIC 19 Payables	December 2017		
OIC 20 Debt securities	December 2016		
OIC 21 Shareholdings	December 2017		
OIC 22 Memorandum accounts			X
OIC 23 Work in progress made-to-order	December 2016		
OIC 24 Intangible fixed assets	December 2017		
OIC 25 Income tax	December 2017		
OIC 26 Transactions, assets and liabilities in foreign currency	December 2016		
OIC 28 Shareholders' equity	January 2019		
OIC 29 Changes to accounting policies, accounting estimates, errors and events after the end of the financial year	December 2017		
OIC 30 Interim financial statements	April 2006		
OIC 31 Funds for risks and charges and Severance pay	December 2016		
OIC 32 Derivative financial instruments	January 2019		
OIC 33 Transition to national accounting standards	March 2020		
OIC 35 Accounting standard on ETS	February 2022		

The financial statements closed at 31 December 2021, of which these Explanatory Notes are an integral part in accordance with Art. 2423, first paragraph of the Civil Code, correspond to the information in the accounting records kept and have been drawn up in accordance with Arts. 2423 et seq. of the Civil Code. The financial statement values are represented in euro units by rounding off the amounts involved. Any differences from rounding have been indicated under "Reserve from rounding off euros" in the Shareholders' Equity item. Pursuant to Article 2423, paragraph 6 of the Civil Code, the Explanatory Notes have been drawn up in euro units.

The Explanatory Notes present the information of the items of the balance sheet and income statement according to the order in which items are indicated in the respective financial statements.

Scope and methods of consolidation

The consolidation scope, as envisaged by the regulatory provisions invoked, includes the financial statements for the period of the company FOPE S.P.A. and of foreign companies in which the parent company holds the controlling share of the capital.

The financial statements of the Companies included in the consolidation scope are assumed on a line-by-line basis.

These Companies are listed below:

Company name	Headquarters	% owned	% consolidated
Fope Usa Inc	USA - 19801, Wilmington (DE) 1201 Orange Street	100	integrale
Fope Jewellery Ltd	UK - B91 2AA Solihull 2nd Floor, Radcliffe House, Blenheim Court	75	integrale

It should be noted that there are cases of companies consolidated by the proportional method.

The company Fope Services Dmcc was put into liquidation in October, therefore it has not been included in the scope of the consolidation in 2020.

The company Milano 1919 S.r.l., owned by the Company with a minority share of 20% and in respect of which Fope S.p.A. does not exercise a dominant influence was not included in the consolidation.

Reference date

The draft consolidated financial statements of the individual Companies as at 31 December 2021, reclassified and adjusted to adapt them to the accounting standards and presentation criteria adopted by the Group were used for the consolidation.

Consolidation criteria

The main consolidation criteria adopted for preparing the consolidated financial statements were the following:

- The book value of the holdings in consolidated Companies is written off against the corresponding fraction of equity in regard to the assumption of the assets and liabilities, according to the global line-by-line basis;
- The differences resulting from the write-off are allocated to the individual financial statement items which justify them and, for the remainder:
  - if positive, the item in fixed assets called "Difference from consolidation;
  - if negative, to an item in equity called "Consolidation reserve";
- the financial and economic relationships between the Companies included in the consolidation scope have been completely derecognised;
- the conversion of the financial statements of foreign companies into the reporting currency (euros) was carried out by applying the spot exchange rate at the end of the financial year to the assets and liabilities and to the entries in the Income Statement the average exchange rate for the period. The net effect of the translation of the financial statements of the company owned into the reporting currency is found in "Translation differences reserve".

The rates indicated in the table below were applied for the conversion of financial statements expressed in foreign currency:

Currency	Exchange rate at 31/12/2021	Annual average exchange rate
US dollars	1.1326	1.1827
Pound Sterling	0.8403	0.8596

Measurement criteria

A. General criteria
Accounting standards and measurement criteria were applied in a uniform way to all the consolidated companies. The criteria used in the consolidation presentation are those used in the financial statements of the parent company Fope S.p.A. and comply with the laws in force. The criteria used in the financial year that has just closed are the same as those same used for processing data relating to the previous year. The financial statement items were measured in accordance with the general principles of prudence and accrual basis accounting, with a view to going concern assumptions. For the purposes of accounting entries, prevalence is mainly given to the economic substance of transactions rather than with their legal form.

B. Value adjustments and reinstatements
The value of tangible and intangible assets whose useful life is limited over time and adjusted downward by means of the depreciation instrument. The same assets and the other components of the asset are written down whenever a loss of value impairment is identified; the original value is restored when the reasons for the previous devaluation is deemed to no longer exist. The analytical depreciation and write-down methods adopted are described below in these notes to the financial statements.

C. Revaluations and exceptions
During the financial year no revaluations and exceptions were made to the measurement criteria laid down by the legislation on statutory and consolidated financial statements.

The most significant principles and criteria were as follows:

Fixed assets

Intangible

Intangible fixed assets consist of installation and expansion costs, goodwill, rights to use intellectual works, trademarks and other fixed assets represented by software and leasehold improvements.
These are recorded at the purchase price and entered net of depreciation made during the financial years and charged directly to the individual entries. The amortisation process, which starts from the moment in which the asset is ready for use, occurs in equal instalments based on the rates which are considered representative of the asset's estimated useful life.
The installation and expansion costs and goodwill costs with a useful life of more than one year were entered in the assets with the consent of the Board of Statutory Auditors and amortised within a period not exceeding, respectively, five years and ten years.
Industrial patents and rights to use intellectual property, licenses, concessions and trademarks are amortised over 5 years.
The other rates used are: 8.63% for leasehold improvements.

Tangible

These are entered at their purchase cost and adjusted by the corresponding depreciation. Account has been taken of ancillary charges in the carrying value. The depreciation amounts, entered in the income statement, have been calculated on the basis of economic-technical rates deemed suitable to distribute the carrying value of tangible fixed assets during their useful life. If the recoverable amount of an asset is less than its net book value, the fixed asset is entered in the financial statements at this lower value charging the difference in the income statement as an impairment loss. If the conditions for the write-down are no longer met in subsequent years, the original value is restored.
Ordinary maintenance costs are charged in full to the income statement. Maintenance costs of an incremental nature are attributed to the asset to which they relate and amortised according to the remaining possibility of use of the asset itself.
The depreciation rates, unchanged compared to the previous year, used are:

Buildings	3%
Plant and machinery	12.50%
Industrial and commercial equipment	35%
Purification systems	15%
Office furniture and machinery	12%
Mobile phones	20%
Goods less than EUR 516.46	100%
Vehicles	20%

In the year in which the asset is acquired, the depreciation is reduced to approximately half; the use of the reduced rate does not entail any significant value deviations with respect to the application of the full rate redistributed over the months of possession.
Fixed assets acquired free of charge are entered at the presumable market value plus the costs incurred or to be incurred to insert the assets in the production process in a lasting and useful way.

Financial fixed assets

Shareholdings not falling within the consolidation scope are recorded at purchase cost and represent a lasting investment by the Parent Company. In the case of impairment losses, a write-down is performed and in the year in which the conditions for the write-down no longer apply, it is restored to the pre-write-down value.

It should be noted that, in application of paragraph 2 of Legislative Decree No. 127/1991, the holding in the related company has been measured on a historical cost basis. Similarly, the other holdings are recorded at purchase cost possibly corrected for impairment losses. Financial fixed assets are not entered at a value higher than their fair value. Receivables entered in financial fixed assets are recorded at the presumed realisable value; considering the limited importance, the application of the amortised cost method would not produce appreciable differences in the measurement.

Warehouse stock

Inventories are measured at the lowest value between the purchase or manufacture cost and the presumed realisable value can be deduced from market trends. The cost is determined based on the following criteria:

- weighted average cost for fine gold stocks;
- average purchase cost, including additional charges (transport, customs costs and other directly attributable costs) for other raw and ancillary materials;
- production cost, determined with the criterion of average cost for finished and unfinished products.

The production cost includes all direct costs and indirect costs for the share reasonably attributable to the product relating to the production period and up to the moment from which the good can be marketed.
For the purposes of determining the presumed realisable value, account is be taken, where applicable, of the obsolescence rate and stock movement times.

Receivables

Receivables are recognised in the financial statements at amortised cost, taking account of the time factor and the presumed realisable value.
In the initial recognition of receivables at amortised cost, the time factor is respected by comparing the actual interest rate with market interest rates. If the actual interest rate is significantly different from the market interest rate, the latter is used for discounting future cash flows arising from the receivable in order to determine its initial book value.
At the close of the financial year, the value of the receivables measured at amortised cost is equal to the current value of future cash flows discounted at the effective interest rate. In the case where the contractual rate is a fixed rate, the effective interest rate determined on initial recognition is not recalculated. If, on the other hand, it is a variable rate and configured to market rates, then the future cash flows are restated periodically to reflect changes in market interest rates, by recalculating the effective interest rate.
The amortised cost criterion has not been applied, and the discounting of receivables has not been performed for receivables with a maturity of less than twelve months as the effects are irrelevant in order to give a true and accurate representation. Receivables with a maturity of less than twelve months, therefore, are recorded at the estimated realisable value.
The receivables are removed from the financial statements when the contractual rights to the cash flows arising from the receivable are extinguished or in the case in which all risks relating to the receivable subject to disposal are transferred.

Accruals and prepayments

They are calculated on an accrual basis.

Funds for risks and charges

Provisions for risks and charges are intended to cover liabilities whose existence is certain or likely, however, the amount of which and/or date of occurrence cannot be determined at the year-end.

In evaluating such provisions, general criteria of prudence and accruals were adhered to, and no provisions for generic risks that lack economic justification was made.
Potential liabilities have been recognised in the financial statements and entered in funds as deemed likely and the amount of the related charge can be reasonably estimated.

Severance pay fund

Severance pay covers sums due and reserves concerning commitments incurred up to the closing date of the financial year, to employees in the application of laws, work contracts and any business agreements in force.

Payables

These are recognised at amortised cost, taking account of the time factor. In the initial recognition of payables at amortised cost, the time factor is respected by comparing the actual interest rate with market interest rates.
At the close of the financial year, the value of the payables measured at amortised cost is equal to the current value of future cash flows discounted at the effective interest rate. As provided for in art. 12, paragraph 2 of Legislative Decree No. 139/2015, the amortised cost criterion was not applied to payables entered in the financial statements prior to the financial year commencing on 1 January 2016.
The amortised cost criterion, moreover, has not been applied to short-term payables (duration of less than twelve months) and to payables with irrelevant transaction costs with respect to the par value as the effects are irrelevant for the purpose of providing a true and accurate representation. In these cases, payables are recorded at par value.
The item "Advances" includes advances received from customers concerning supplies of goods and services not yet carried out.
"Payables to suppliers" all with a maturity of less than 12 months, are entered at par value net of trade discounts; cash discounts are reported at the time of payment.
The par value of these payables has been adjusted, on the occasion of returns or discounts (invoice adjustments), to the extent corresponding to the amount defined by the counter party.

Financial derivatives

The parent company of the Group uses financial derivatives with the sole intention of managing and hedging its exposure to the price fluctuations risk of strategic raw materials, interest rates and exchange rates of currencies other than the euro. Financial derivatives, even if incorporated in other financial instruments, have been initially recognised when the company acquired the rights and obligations; they have been measured at fair value either on the initial recognition date or on each closing date of the financial statements.
Derivatives are only classified as hedging instruments when, at the start of the hedge, there is a close and documented correlation between the characteristics of the hedged item and those of the hedging instrument and the hedging relationship is formally documented and the effectiveness of the hedge is high and is regularly checked.
Financial derivatives with a positive fair value have been entered in current assets based on their financial derivative nature to hedge a highly likely transaction. Financial derivatives with a negative fair value have been entered in the financial statements in Funds for risks and charges.
Changes in the fair value of the effective component of cash flow hedging financial derivatives have been entered in the reserve for expected cash flow hedging transactions, net of deferred tax effects.

Commitments, Guarantees and Contingent liabilities

Commitments, not resulting from the balance sheet, represent obligations undertaken by the company in respect of third parties that originate from legal transactions with certain mandatory effects but not yet carried out by either party. The amount of the commitments is the par value determined from the documentation.

Revenue

Revenue from the sales of products is recognised at the time of the transfer of the risks and benefits, which is normally identified with the delivery or shipment of the goods. Revenue of a financial nature and that deriving from service provisions is recognised on an accrual basis. Revenue and income, costs and charges related to foreign currency transactions are calculated at the rate ruling on the date the related transaction took place.

Costs

Costs are recognised on an accrual basis. The costs for purchasing goods are recognised in the Income Statement on an accrual basis when the significant risks and benefits related to ownership of the goods are transferred to the buyer. The costs for purchasing goods are recorded in the Consolidated Income Statement net of returns, rebates, trade discounts and premiums relating to the quantity. Costs for services are recognised on an accrual basis when received. The item Staff costs includes the entire expenditure for employees including merit-based pay increases, category transfers, cost of living increases, cost of holiday not taken and legal provisions and those of collective agreements.
With regard to depreciation, it is specified that it has been calculated based on the useful life of the asset and its use in the production phase. The write-down of receivables included in current assets has been calculated on the basis of criteria of prudence and according to estimates of the recoverability of the receivables.

INCOME TAX

Taxes are set aside according to the matching principle; therefore they represent:

A. the provisions for taxes paid or to be paid during the year, calculated according to the current rates and legislation;
B. the amount of deferred taxes or paid in advance counted based on the rates in force when the temporary differences are reversed.

Deferred taxes for the year are directly recognised in the Income Statement, with the exception of those relating to items directly recognised in shareholders' equity, in which case the related deferred taxes are also recorded at the same time, without being recognised in the Income Statement.

Finance leases

At 31 December 2021 the Company did not have any finance leases. The normal value of assets related to contracts concluded in the previous years is entered in tangible fixed assets. This value is systematically amortised, in accordance with the rates set out in the tangible fixed assets section.

Employment data

The average number subdivided by category of employees of the companies included in the consolidation is reported separately on a line-by-line basis.

Category	Average number
Executives	7
Managers	3
Clerical staff	24
Manual workers	27
Other employees	1
Total employees	62

Analysis of items in the financial statement

Intangible fixed assets

The table below describes the composition of the item in detail.

	Installation and expansion costs	Development costs	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Goodwill	Intangible fixed assets under construction and payments on account	Other intangible fixed assets	Total intangible fixed assets
Value at the start of the year								
Cost	102,778		1,548,591	37,844	979,627		911,468	3,580,308
Revaluations								
Depreciation (Depreciation fund)								
Write-downs								
Book value	102,778		1,548,591	37,844	979,627		911,468	3,580,308
Changes over the year								
Increases for acquisitions			37,103	15,301		338,612		391,016
Reclassifications (of the book value)								
Decreases for disposals and disinvestments (of the book value)								
Revaluations carried out over the year								
Depreciation for the year	102,778		326,515	17,694	152,541		176,667	776,195
Write-downs carried out over the year					100,000			100,000
Other changes							12,784	12,784
Total changes	(102,778)		(289,412)	(2,393)	(252,541)	338,612	(163,883)	(472,395)
Value at the end of the year								
Cost			1,259,179	35,451	727,086	338,612	747,585	3,107,913
Revaluations								
Depreciation (Depreciation fund)								
Write-downs								
Book value			**1,259,179**	**35,451**	**727,086**	**338,612**	**747,585**	**3,107,913**

“Installation and expansion costs” relate to charges incurred by the parent company of the Group for the listing operation on the AIM Italia market (now Euronext Growth Milan) in November 30th 2016. The costs entered are reasonably related to a usefulness spanning several years, and are systematically depreciated in relation to their remaining possibility of use.

Goodwill relates to the purchase, by the company Vesco e Sambo di Anita Vesco and C. S.a.s., of the branch of the company that was previously leased. Goodwill is amortised, within the 10-year limit provided by OIC 24 and by art. 2426, paragraph 1, no. 6 of the Civil Code based on its estimated useful life.
In accordance with OIC Accounting Standard 9, the Group assessed the recoverability of the value of the asset at the balance sheet date. The Company decided to write down goodwill amounting to EUR 100,000 in view of the still almost total absence of international tourism and, more generally, the continued economic effects of the Covid-19 pandemic.

Industrial patents and rights to use intellectual property, licences, concessions and trade marks are amortised at an annual rate of 20%.

The Company makes use of the right laid down in art. 110 of Law 126/2020 to revalue the patent that distinguishes the elastic “Flex’it” mesh. The value was determined by the expertise appraisal prepared by an independent expert and does not exceed the maximum value attributable to the patent.
The revaluation was determined following completion of the depreciation of for the year and was entirely accounted with an increase in the book value of the patent.
The equity reserve called “Revaluation reserve Law 126/2020” was entered to offset this.
The revaluation will be fiscally recognised by paying the withholding tax of 3%, the amount of which was accounted with a reduction of the reserve.
It is confirmed that the net value of the revalued assets resulting from the financial statements does not exceed their recoverable value.

The item “Intangible fixed assets under construction and payments on account” relates to the costs incurred for the implementation of the new SAP S/4HANA Information System amounting to EUR 338,612. This asset has not been amortised in the current period since it is not yet available and ready for use.

The item "Other intangible fixed assets" records leasehold improvements relating to the restructuring of the flagship store in Venice. These costs are amortised based on the term of the lease on the property, a term that is in any case less than the future usefulness of such costs.
The costs incurred for the design and furnishing of the flagship store in London at 1 Old Bond Street, which opened in collaboration with our commercial partner The Watches of Switzerland, also flowed to the same account and the costs borne by the subsidiary Fope Jewellery Ltd for the registered office in Solihull, Radcliffe House, Blenheim Court.

Tangible fixed assets

Changes in tangible fixed assets

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Othe tangible fixed assets	Tangible fixed assets under construction and payments on account	Total tangible fixed assets
Value at the start of the year						
Cost	9,533,135	4,414,396	3,099,633	1,488,784	179,780	18,715,728
Revaluations						
Depreciation (Depreciation fund)	2,112,782	3,343,226	2,439,091	758,409		8,653,508
Write-downs						
Book value	**7,420,353**	**1,071,170**	**660,542**	**730,375**	**179,780**	**10,062,220**
Changes over the year						
Increases for acquisitions	29,450	401,897	207,421	93,804	115,377	847,949
Reclassifications (of the book value)				(5,621)	(204,707)	(210,328)
Decreases for disposals and disinvestments (of the book value)		1,446		3,796		5,242
Revaluations carried out over the year						
Depreciation for the year	255,596	259,093	458,972	156,859		1,130,520
Write-downs carried out over the year						
Other changes		1,446		2,579		4,025
Total changes	(226,146)	142,804	(251,551)	(69,893)	(89,330)	(494,116)
Value at the end of the year						
Cost	9,562,585	4,814,847	3,307,054	1,576,523	90,450	19,351,459
Revaluations						
Depreciation (Depreciation fund)	2,368,378	3,600,873	2,898,063	916,041		9,783,355
Write-downs						
Book value	**7,194,207**	**1,213,974**	**408,991**	**660,482**	**90,450**	**9,568,104**

The item "Land and buildings" comprises the building that houses the parent company's headquarters. The value attributed to the land on which the building stands, amounting to EUR 1,027,985, has been identified on the reference date of 31 December 2005 based on a flat-rate criterion estimate up to 30% of the original cost of the property net of capitalised incremental cost and any revaluations applied.
Consequently, as of the financial year ended 31 December 2006, the appropriation of the depreciation amounts relating to the value of the above-mentioned land no longer applies, as it is considered, based on the updated estimates, a company asset not subject to degradation and having an unlimited useful life. These criteria were applied to determine the value of the land also for the portion of the building purchased in 2012.
As regards the increase, it is pointed out that in recent years the building has been the subject of an important extension project. This construction project was completed in the financial year in question.

The amount recorded in the item "Tangible fixed assets under construction and payments on account" amounting to EUR 90,450, refers to the advances paid to the manufacturers of the machinery that will be delivered in 2022.

Financial fixed assets

Holdings

Name	City if in Italy, or foreign state	Tax code (only Italian Companies)	Share capital in euros	Net profit (loss) for the year in Euro	Shareholders' equity in euros	Investment in euros	Investment in %	Carrying amount or corresponding receivable
Fope Services Dmcc	UAE - Dubai		12,210	13,461	164,828	164,828	100	78,601
Total								**78,601**

The holding in the company, a company under UAE law, is entered in the financial statements for the value of the increased constitution of the payments to the capital account. The amounts, originally in legal tender in the United Arab Emirates, were converted at the exchange rates in force on the date of the corresponding payments.
The draft financial statements at 31 December 2020 of the UAE company showed a profit of AED 56,464 (amounting to EUR 13,461) and equity of AED 742,798 (amounting to EUR 164,828).
The company Fope Services Dmcc was put into liquidation in October 2020.

Name	City if in Italy, or foreign state	Tax code (Italian companies only)	Quota capital in Euro	Net profit (loss) for the year in Euro	Net equity in euro	Investment in euro	Investment in %	Carrying amount or corresponding	Production value
Milano 1919 s.r.l.	Milano	06412160969	137,500	(463,699)	(114,576)	27,500	20		1,193,877

The item "Shareholdings in associated/affiliates companies" refers to the holding in the company Milano 1919 S.r.l., 20% of whose share capital is owned by Fope spa.

The purchase of the shareholding followed agreements signed with Borromeo Vialiano, a key shareholder of Milano 1919 and owner of the Antonini brand, a historical high-quality jewellery production brand founded and present in Milan. The 2020 financial statements of Milano 1919 S.r.l. show a production value of EUR 1,193,877 and equity of EUR 114,576. The holding was entirely written down in 2019.

The other holdings entered in financial assets relate to the meagre shares which the companies of the Group hold in national consortia.

Long-term receivables

Long-term receivables from others are as follows:

Description	Book value
Lloyds credit cards guarantee deposit	28,562.00
Security deposit - alarm system	236.00
Security deposit - Crystal Inverstors	11,672.00
Total	**40,470.00**

Long-term receivables consist of security deposits.

At 31 December 2021, there were no receivables related to operations involving the requirement that a purchaser repurchases on expiry.

Current assets

Inventories

The analysis of inventories is summarized in the following table:

	Value at the start of the year	Change over the year	Value at the end of the year
Raw materials, supplies and consumables	6,064,321	1,736,074	7,800,395
Unfinished products and semi-finished products	833,703	363,470	1,197,173
Finished products and goods	1,528,358	(217,117)	1,311,241
Total Inventory	**8,426,382**	**1,882,427**	**10,308,809**

Inventories are measured at the lowest value between the purchase or manufacture cost and the presumed realisable value can be deduced from market trends. The cost is determined based on the following criteria:

- weighted average cost for gold stocks;
- average purchase cost, including additional charges (transport, customs costs and other directly attributable costs) for other raw and ancillary materials;
- production cost, determined with the criterion of average cost for finished and unfinished products.

The production cost includes all direct costs and indirect costs for the share reasonably attributable to the product relating to the production period and up to the moment from which the good can be marketed.

The value of inventories of precious stones and pearls is reduced by the warehouse obsolescence fund for the purposes of correct representation.

Receivables

The balances of the consolidated receivables, after removing intra-group values, are divided in accordance with maturities:

	Value at the start of the year	Change over the year	Value at the end of the year	Portion due within the year	Portion due after the year
Receivable recognized under current assets					
Trade receivables	5,592,008	3,732,577	9,324,585	9,324,585	
Receivables from group subsidiaries					
Receivables from associated/ affiliated companies					
Receivables from parents companies					
Receivables from companies subject to the control of parent companies					
Tax receivables	346,502	(296,188)	50,314	50,314	
Deferred tax assets	286,294	317,686	603,980	603,980	
Receivables from others	127,695	264,535	392,230	392,079	151
Total receivables entered in current assets	**6,352,499**	**4,018,610**	**10,371,109**	**10,370,958**	**151**

Receivables entered in current assets have been recognised in the balance sheet at amortised cost, as defined by art. 2426, paragraph 2 of the Italian Civil Code, taking account of the time factor and the presumed realisable value. The adjustment to the presumed realisable value was performed by the establishment of a provision for bad debts.
For receivables for which the irrelevance of the application of the amortised cost and/or discounting method has been checked, for the purposes of needing to provide a true and fair representation of the company's financial and economic situation, entering according to the presumed realisable value has been maintained.
The receivables are removed from the financial statements when the contractual rights to the cash flows arising from the receivable are extinguished or in the case in which all risks relating to the receivable subject to disposal are transferred.

The item "Receivables from customer entered in current assets" is recorded net of the related write-down fund.

The item tax credits, amounting to EUR 50,314 mainly includes the receivable from the Treasury for R&S, investments in assets and for direct taxes of previous years of the American subsidiary.

The deferred tax receivable amounts to EUR 603,980. Deferred tax receivables were only recognised in so far as there is a reasonable certainty of taxable income in future periods which permit reabsorption.

The item “Receivables from others” refers mainly to advances paid to suppliers.
It should be noted that there are no receivables maturing after five years, nor receivables relating to transactions with a repurchase on expiry obligation.

The percentage distribution of receivables by geographical area is shown below:

Receivables from customers	
Customers Italy	20.87%
Customers EU Area	15.10%
Customers outside of the EU Area	64.03%

The table shows the movements in the period to the receivables write-down fund:

Description	Provision for bad debts pursuant to art. 2426 of the Civil Code	Provision for bad debts pursuant to art. 106 of Presidential Decree 917/1986	Total
Balance at 31/12/2020	262,276	34,865	297,141
Profit over the year	(40,106)		(40,106)
Accrual of the year	144,304		144,304
Balance at 31/12/2021	**366,474**	**34,865**	**401,339**

Changes to the item "Deferred tax receivables" are described in the table below:

	Value at 31/12/2020	Allocation over the year	Profit over the year	Value at 31/12/2021
Prepaid tax receivables	189,690	66,246	30,964	224,972
Tax effect derived from hedging	95,639	5,264	95,639	5,264
Deferred taxes asset Fope Inc	964		964	
Deferred (prepaid) taxes from consolidated adjustments		373,743		373,743
Rounding	1			1
Total prepaid tax receivables	**286,294**	**445,253**	**127,567**	**603,980**

Financial assets other than fixed assets

	Fair Value at 31/12/2020	Change	Fair Value at 31/12/2021
Non-fixed asset derivative financial instruments	419,932	375,061	794,993
Total financial assets that are not fixed assets	**419,932**	**375,061**	**794,993**

At 31 December 2021, the Group's Companies do not hold any investments which are not intended to be used on a lasting basis and as such intended for trading.
Financial derivatives, even if incorporated in other financial instruments, have been initially recognised when the Companies acquired the rights and obligations; they have been measured at fair value either on the initial recognition date or on each closing date of the financial statements.
The parent company of the Group uses financial derivatives with the sole intention of managing and hedging its exposure to the price fluctuations risk of strategic raw materials, interest rates and exchange rates of currencies other than the euro.
Derivatives are only classified as hedging instruments when, at the start of the hedge, there is a close and documented correlation between the characteristics of the hedged item and those of the hedging instrument and the hedging relationship is formally documented and the effectiveness of the hedge is high and is regularly checked.
Financial derivatives with a positive fair value have been entered in current assets based on their financial derivative nature to hedge a highly likely planned transaction.
Financial derivatives with a negative fair value have been entered in the financial statements in Funds for risks and charges.
Changes in the fair value of the effective component of cash flow hedging financial derivatives have been entered in the reserve for expected cash flow hedging transactions, net of deferred tax effects.

Cash and cash equivalents

The item "Bank and postal deposits" primarily includes bank overdrafts that the Companies hold with national and foreign credit institutions.

The criteria used for valuing and converting the values expressed in foreign currency are indicated in the first part of these notes to the financial statements.

	Value at the start of the year	Change over the year	Value at the end of the year
Bank and postal deposits	9,676,418	2,304,702	11,981,120
Allowances			
Cash and other cash values	8,502	(2,180)	6,322
Total cash and cash equivalents	**9,684,920**	**2,302,522**	**11,987,442**

The year-end value reflects the companies' operational requirements that they need to hold adequate stocks in bank accounts to settle payments due at the start of the following financial year. It should be noted that the value has been affected by the provision of loans required for financing.
The operation is accurately described in the Consolidated Report on Operations which can be consulted.

Pre-paid expenses and Accrued income

	Value at the start of the period	Change over the period	Value at the end of the period
Accrued liabilities	22,633	133,265	155,897
Deferred liabilities	19,733	(78,486)	(58,754)
Total accrued and deferred income	**2,900**	**211,751**	**214,651**

These captions include income and costs for the year but which will be earned/paid in subsequent years. They are common to two or more years and can be allocated over time.

The item is broken down as detailed.

Description	Amount
Insurances	95,893
Services related to listing on the Euronext Growth Milan market	56,667
User licences, technical support and software	23,555
Services related to Fope Branch	13,686
DPO mandate	8,708
Other	16,142
Total	**214,651**

The item “Other” includes advertising costs and interest payable for future financial years. In addition, there are pre-paid expenses and accrued income of more than five years.

Equity

The following table highlights a summary of the differences between the financial statements of the Parent Company and the consolidated financial statements with respect to items that have an impact on the profit for the year and on equity:

	Shareholders' equity	Profit
Shareholders equity and operating profit as reported in the Parent Company's financial statements	20,431,017	5,661,857
Corrections made in application to the accounting standards		
Elimination of the carrying value of consolidated holdings:		
a) difference between the carrying value and the pro rata value of shareholders equity	325,439	
b) pro rata profit made by holdings		295,040
c) gains/losses allocated on the date of acquisition of the shareholdings		
d) consolidation difference		
Other consolidation entries		(999,688)
Elimination of the effects of transations among Subsidiaries	50,806	
Shareholders equity and profit over the year pertaing to the Group	20,807,262	4,957,209
Shareholders equity and profit over the year pertaing to third parties	41,216	36,173
Assets and net consolidated profit	**20,848,478**	**4,993,382**

Statement of Change in the Group's Consolidated shareholders' equity:

	Value at the start of the year	Allocation of dividends	Other allocations	Increases	Decreases	Reclassified	Operating profit	Value at the end of the year
Capital	5,294,071			105,537			0	5,399,608
Reserve from share overprice	3,280,917			152,588			0	3,433,505
Revaluation reserves	1,469,295						0	1,469,295
Legal reserve	825,162		94,244				0	919,406
Statutory reserves							0	
Other reserves							0	
Extraordinary reserve	7,980,344		775,247	81,238			0	8,836,829
Profits on unrealized exchange rates reserve				152,809			0	152,809
Current profit adjustment reserve	(8,879)			8,879			0	
Various other reserves	1,926				3,148		0	(1,222)
Various other reserves-Translation difference reserve	(24,234)			28,483			0	4,249
Total other reserves	7,949,157		775.247	271,409	3,148		0	8,992,665
Reserve for hedging operations of expected cash flow	50,334			556,610	50,334		0	556,610
Profit (or loss) carried forward							0	
Profit (loss) for the year	1,663,602	(794,111)	(869,491)				4,993,382	4,993,382
Loss covered over the year							0	
Negative reserve for treasury shares							0	
Capital and Third-party reserves	33,120		8,096				0	41,216
Third-party profit (loss)	8,096		(8,096)				36,173	36,173
Total consolidated equity	**20,573,754**	**(794,111)**		**1,086,144**	**53,482**		**5,029,555**	**25,841,860**

The increase in the Parent Company's assets, amounting to EUR 5,568,617, is due to the issue of new shares connected to the completion of the stock grant plan for employees of the Parent Company (EUR 51,925) and the conversion of the bond loan. During the third and last Conversion period, requests for conversion were received for 2,062 bonds for a total equivalent par value of EUR 206,200 and 53,612 Conversion Shares were assigned, with the same characteristics as those in circulation at the issue date. The capital consists entirely of ordinary shares without the indication of par value with regular dividend rights.

Changes to the reserve for hedging operations of expected cash flows

The reserve is changed by accounting for future cash flows arising from derivatives that are intended as "cash flow hedging instruments" and is shown net of the tax effect.

Funds for risks and charges

The item is broken down as reported.

	Fund for pensions and similar obligations	Fund for tax, including deferred tax liabilities	Financial derivative liabilities	Other funds	Total funds for risks and charges
Value at the start of the year	1,377,865	119,627	352,521	51,455	1,901,468
Changes over the year					
Provisions for the year	65,447	260,152		66,000	391,599
Profit over the year	63,125	119,460	330,590	30,000	543,175
Other changes					
Total changes	2,322	140,692	(330,590)	36,000	(151,576)
Value at the end of the year	**1,380,187**	**260,319**	**21,931**	**87,455**	**1,749,892**

The pension fund refers to the supplementary customer indemnity fund for agents constituted by the Parent Company.

As regards Italian agents, the provisions for the year have been determined in accordance with the Economic Agreements in the sector of the industry (A.E.C.) and are commensurate with services actually delivered by the agent. It should be noted that, compared to the previous year, the fund's amount has been adequately increased to take account of the merit-based allowance that from 1 April 2017, must also be recognised in agency contracts concluded before 1 January 2004 (art. 11 of the A.E.C.). For foreign agents, considering the different reference legislation, the value of the provision is estimated taking account of the presumed charge that the Company could incur if it chose to terminate the relationship.

Derivative instrument liabilities relate to the mark-to-market valuation communicated by the reference banks of hedging derivative contracts on exchange rates and commodities opened at the end of the period.

The item "Other funds", amounting to EUR 87,455 includes the "product guarantee" fund for EUR 21,455 and the variable directors fee for EUR 66,000. The tax fund concerns deferred tax allocated to temporary differences between statutory values and tax values.

The table below describes changes to the deferred tax fund:

	31/12/2020	Allocation over the year	Profit over the year	31/12/2021
Fund for deferred taxes	5,787	38,436	5,787	38,436
Effect derived from hedging	112,716	221,716	112,715	221,717
Deferred taxes leasing	1,124		957	167
Rounding			1	(1)
Total deferred taxes fund	**119,627**	**260,152**	**119,460**	**260,319**

Employee's severance pay

The following table shows the changes in the period.

	Employee's severance pay
Value at the start of the year	953,534
Changes over the year	
Provisions for the year	127,648
Profit over the year	73,429
Other changes	(965)
Total changes	53,254
Value at the end of the year	**1,006,788**

This concerns a payable related to employees of the Parent Company and represents the payable actually due to employees pursuant to law and current labour agreements in Italy, taking into account any type of remuneration paid on a continuous basis.

The provision is the total of the individual entitlements accrued by employees at the balance sheet date, net of advances paid, and is equal to the amount that would be due to employees should their employment relationship cease on such date.

Payables

The breakdown of payables based on maturity is as follows:

	Value at the start of the year	Change over the year	Value at the end of the year	Portion due within the year	Portion due after the year
Bonds					
Convertible bonds	206,400	(206,400)			
Payables to shareholders for loans					
Payables to banks	11,893,992	(1,781,760)	10,112,232	5,109,695	5,002,537
Payables to other lenders					
Advances	10,621	18,683	29,304	29,304	
Payables to suppliers	2,471,024	1,986,233	4,457,257	4,457,257	
Accounts payable represented by negotiable instruments					
Payables to subsidiaries	130,527	7,910	138,437	138,437	
Payables to affiliated companies					
Payables to parent companies					
Payables from companies subject to the control of parent companies					
Taxes payable	229,863	2,201,789	2,431,652	2,431,652	
Social security charges payable	165,967	63,518	229,485	229,485	
Other payables	209,402	181,515	390,917	390,917	
Total Payables	**15,317,796**	**2,471,488**	**17,789,284**	**12,786,747**	**5,002,537**

The distribution of payables by geographical area is insignificant.

The item "Convertible bonds" refers to the convertible bond loan signed on 30 November 2016, fully extinguished in November 2021.

The balance of the total payable to banks at 31 December 2021, amounting to Euro 10,112,232 breaks down as follows:

	Value
Payable current accounts	750,000
Medium-term borrowings	9,359,017
Other payables to banks	3,215
Total	**10,112,232**

With regard to existing borrowings with banks, the following table summarises the main aspects, while, for a more thorough analysis of the debt ratio with credit institutions, refer to that highlighted in the Consolidated Report on Operations.

Credit institution	Original Amount	Maturity	Residual Amount at	Portion within 12 months	Portion after 12 months
Simest spa	400,000.00	31/12/2025	320,000.00	80,000.00	240,000.00
Simest spa	1,300,000.00	16/04/2024	812,500.00	325,000.00	487,500.00
Unicredit spa	2,000,000.00	30/11/2024	2,000,000.00	665,622.00	1,334,378.00
Unicredit spa	2,000,000.00	31/05/2023	569,298.00	401,886.00	167,412.00
Unicredit spa	1,000,000.00	30/06/2022	166,667.00	166,667.00	
Banco di Desio e della Brianza spa	2,000,000.00	07/10/2022	505,632.00	505,632.00	
Credem spa	1,500,000.00	10/07/2022	378,659.00	378,659.00	
Intesa SanPaolo spa	2,000,000.00	15/06/2023	800,000.00	400,000.00	400,000.00
Intesa SanPaolo spa	1,500,000.00	31/12/2022	500,000.00	500,000.00	
Intesa SanPaolo spa	4,000,000.00	28/05/2025	3,306,261.00	933,014.00	2,373,247.00
Total			**9,359,017.00**	**4,356,480.00**	**5,002,537.00**

It should be noted that these loans do not provide for covenants and are not supported by collateral on Group assets.
For the analysis of the debt to the credit institutions referred to in the table above, refer to that highlighted in the Report on Operations.

The item "Advances" includes advances received from customers concerning supplies of goods and services not yet carried out.

"Payables to suppliers" all with a maturity of less than 12 months, are entered at par value net of trade discounts; cash discounts are reported at the time of payment.
The par value of these payables has been adjusted, on the occasion of returns or discounts (invoice adjustments), to the extent corresponding to the amount defined by the counter party.

Payables to subsidiaries refer to ordinary commercial transactions with the company Fope Services Dmcc.

The item “Tax payables” mainly includes the payables that the Parent company owes to the National Treasury.
These payables relate to tax deductions on employment or self-employment totalling EUR 112,070, a IRES per euro 1,446,275 e ad IRAP per euro 249,553. The item also includes the payable relating to the settlement in the month of December amounting to EUR 451,082 and the revaluation withholding tax Legislative Decree 104/20 amounting to EUR 29,769 The amount of EUR 142,903 relates to payable that the foreign companies have accrued in respect of the Treasury.
The distribution of payables by geographical area is insignificant.

Accrued expenses and deferred income

	Value at the start of the year	Change over the year	Value at the end of the year
Accrued liabilities	33,577	37,119	70,696
Deferred liabilities	8,028	15,014	23,042
Total accrued and deferred income	**41,604**	**52,134**	**93,738**

The item is broken down as follows.

Description	
Insurances	50,388
Commissions and bank interest	27,748
Tax credits pursuant to Law 160/19	15,014
Others of irrelevant amount	588
Total	**93,738**

This concerns the combining of insurance costs, interest and commission on gold on loan for the year.

A) Production value

The item is broken down as detailed.

Description	31/12/2021	31/12/2020	Changes
Revenues from sales and services	40,306,786	25,998,489	14,308,297
Changes in stocks of unfinished, semi-finished and finished products	(445,662)	(34,228)	(411,434)
Total other incomes and revenues	401,613	465,759	(64,146)
Total	**40,262,737**	**26,430,020**	**13,832,717**

The percentage distribution of revenue by geographical area is detailed as follows:

Revenue by area	%
Customers Italy	10.18%
Customers EU Area	63.18%
Customers outside Europe	26.64%

Revenue from the sales of products is recognised at the time of the transfer of the risks and benefits, which is normally identified with the delivery or shipment of the goods.
Revenue of a financial nature and that deriving from service provisions is recognised on an accrual basis.
Revenue and income, costs and charges related to foreign currency transactions are calculated at the rate ruling on the date the related transaction took place.
The allocation of revenue by category is insignificant.

For the detailed description of the increase in the production value as well as the subsequent section referring to Production costs, refer to that highlighted in the Consolidated Report on Operations.

B) Production costs

The item is broken down as follows.

Description	Consolidation	31/12/2020	Consolidation	31/12/2021	Change during the year
raw materials, consumables, supplies and goods	(1,527,034)	11,710,132	(13,030,914)	17,717,484	6,007,352
changes in raw materials, supplies,consumables and goods	397,156	(2,380,044)	908,257	(1,942,150)	437,894
for services	(960,131)	9,446,744	(23,450)	11,242,107	1,795,363
for use of third party assets		493,533		480,831	(12,702)
salaries and wages		2,279,815		2,852,648	572,833
social security contributions		591,994		703,538	111,544
employees' severance indemnity		137,537		175,483	37,946
other costs		28,436		5,228	(23,208)
depreciation of intangible fixed assets		507,077		776,195	269,118
depreciation of tangible fixed assets	3,145	1,101,078	(355)	1,130,520	29,442
other value adjustments				100,000	100,000
write-downs of receivables included in current assets and cash available		76,808		71,778	(5,030)
provisions for risks					
other provisions					
sundry operating charges		99,645		168,580	68,935
Total	**(2,484,020)**	**24,092,755**	**(12,146,462)**	**33,482,242**	**9,389,487**

The increase in the costs for raw materials, supplies, consumables and goods and the costs for services are closely related to that set out in the Consolidated Report on Operations and the developments of point A (Production value) of the Income Statement.
The item “Use of third-party assets” includes the rent for flagship stores and showrooms. The item “Staff costs” includes the entire expenditure for employees including merit-based pay increases, category transfers, cost of living increases, cost of holiday not taken and legal provisions and those of collective agreements.
With regard to depreciation, it is specified that it has been calculated based on the useful life of the asset and its use in the production phase. The write-down of loans included in current assets amounted to EUR 71,778, and has been calculated based on the criteria of prudence.
The item “Other fixed asset write-downs” includes the write down of the goodwill of the shop in Venice.

Financial income and charges

The tables below illustrate the nature and amount of financial income and charges recognized over the year.

	Financial income
From holdings in subsidiaries	
From holdings in other companies	
Income other than the previous income	32,822
Total	**32,822**

The income that differs from the previous income is related to interest income.

	Interest and other financial charges
From bonds	8,256
From payables to banks	123,393
From others	62
Total	**131,711**

Profit and losses on exchange

	Profit on Exchange	Loss on Exchange	Net balance
Realised component	370,832	375,451	(4,619)
Unrealised component	160,150	7,342	152,808
Totals	**530,982**	**382,793**	**148,189**

Income tax for the year

Taxes	Balance at 31/12/2021	Balance at 31/12/2020	Changes
Current taxes:	2,201,690	451,388	1,750,302
IRES (corporation tax)	1,761,899	348,560	1,413,339
IRAP (regional income tax)	360,996	69,727	291,269
Leasing taxes	167	1,124	(957)
Current taxes Fope Usa inc	34,378	16,256	18,122
Current taxes Fope Jewellery ltd	44,250	15,721	28,529
Taxes referred previous years	(32,241)		(32,241)
Deferred (prepaid) taxes	(369,208)	(46,005)	(323,203)
IRES (corporation tax)	3,754	(42,071)	45,825
IRAP (regional income tax)	(6,387)	(2,226)	(4,161)
Total (prepaid) deferred taxes	7,168	(1,708)	8,876
Total (prepaid) cosolidated taxes	(373,743)		(373,743)
Total	**1,800,241**	**405,383**	**1,394,858**

Taxes are set aside on an accruals basis; they therefore represent:

- Accruals for taxes paid or outstanding for the year, determined in accordance with the rates and regulations in force;
- The amount of deferred or prepaid taxes calculated based on the rates in force at the time in which the temporary differences are transferred.

Deferred tax asset and liability rates for the year are directly recognised in the Income Statement, with the exception of those relating to items directly recognised in shareholders' equity, in which case, the related deferred taxes are also recorded at the same time, without being recognised in the Income Statement.

Deferred/pre-paid taxes

In order to better highlight the reconciliation between the theoretical tax burden and the actual tax burden recognised in the financial statements, represented below is the reconciliation of the theoretical tax rate consolidated with the actual rate for the year compared with that on 31 December 2020.

	31/12/2021		31/12/2020	
	taxable	**taxes**	**taxable**	**taxes**
Pre-tax profit for the year (parent company)	7,749,878		2,258,872	
IRES - Theoretical tax burden (rate 24%)		(1,859,971)		(542,129)
IRAP - Theoretical tax burden (rate 3,9% on EBIT)		(302,887)		(98,611)
Total taxes		(2,162,858)		(640,740)
Theoretical tax rate		27.91%		28.37%
IRES differencies				
Changes permanently increasing	189,962	(45,591)	95,772	(22,985)
Changes increasing that feed deferred tax assets	248,076	(59,538)	238,745	(57,299)
Changes increasing that adjust deferred taxes	24,112	(5,787)	36,879	(8,851)
Total increases	462,150	(110,916)	371,396	(89,135)
Changes permanently decreasing	(582,953)	139,909	(547,609)	131,426
Changes decreasing for "Patent box"			(530,000)	127,200
Changes decreasing that adjust deferred tax assets	(127,679)	30,643	(76,216)	18,292
Changes decreasing that feed deferred taxes	(160,150)	38,436	(24,112)	5,787
Total decreases	(870,782)	208,988	(1,177,937)	282,705
IRAP differences				
Staff cost	321,093	(12,523)	144,313	(5,628)
Provision and write-down credits			76,808	(2,996)
Other changes permanently increasing	1,142,025	(44,539)	799,407	(31,177)
Total changes increasing that feed deferred assets	72,012	(2,808)	72,012	(2,808)
Total changes increasing	1,535,130	(59,870)	1,092,540	(42,609)
Changes decreasing for "Patent box"			(530,000)	20,670
Changes permanently decreasing	(36,942)	1,441	(102,999)	4,017
Changes decreasing that adjust deferred tax assets	(8,225)	321	(8,225)	321
Total changes decreasing	(45,167)	1,762	(641,224)	25,008
Total current IRES taxes		(1,761,899)		(348,559)
Total current IRAP taxes		(360,995)		(116,212)
Relief ex art. 24 DL 34/2020				46,485
Taxes from previous financial year		32,241		
Taxes payable by foreign subsidiaries		(78,627)		(31,977)
Tax effect leasing accounting		(168)		(1,124)
Deferred (prepaid) taxes parent companies		2,633		44,297
Deferred tax assets foreign subsidieries		(7,168)		1,708
Deferred (prepaid) taxes from consolidated adjustments		373,743		
Total taxes for the year		(1,800,240)		(405,382)
Actual tax rate		**23.23%**		**17.95%**

Regarding the calculation and measurement methods of deferred/pre-paid taxes, refer to that described in the introductory part of these notes to the financial statements.

Comment on the Indirect Statement of Cash Flows

The financial statements as at 31 December 2021 have been drawn up in accordance with the indirect method as provided by OIC 10, by adjusting the operating profit reported in the Income Statement.
During the financial year 2021 cash flows were produced totalling EUR 2,302,522. The cash and cash equivalents went from EUR 9,684,920 at the previous year-end to EUR 11,987,442 at 31 December 2021.

A. Cash flows arising from operating activities

The company closed the year 2020 with a net profit for the year amounting to EUR 5,029,555 (EUR 1,671,698 at 31 December 2019, -66%). Taxes for the year amounted to EUR 1,800,240, please refer to the specific commentary section of the notes to the financial statements.
The cash flow resulting from operating activities, which highlights the liquidity that the Group's operating activities generated or absorbed (consisting of a normal operating process), is positive at EUR 5,734,944, an increase compared to the close of the previous financial year when it amounted to EUR 1,324,270.
Among the adjustments for non-monetary items that have not had a counterpart in net working capital, the following are highlighted:

- Provision for funds amounting to EUR 312,709, refer to the provisions in the customer indemnity fund, the deferred tax fund and other funds.
- Depreciation of fixed assets, amounting to EUR 2,006,715, an increase with respect to the previous year-end.

Changes to net working capital amounted to a total of EUR (3,398,711) and in particular an increase was noted of trade receivables, a greater increase than the proportional increase of payables to suppliers.
The other corrections are negative and equal to 114,453 EUR , mainly relating to income tax paid and use of the funds.

B. Cash flows arising from investment activities

Cash flows arising from investing activities, which highlight the liquidity that activities inherent to investment generated or absorbed (i.e. new acquisitions or divestments) are negative and amount to EUR 1,062,747.
The negative result is mainly due to investments made by the company in plant and industrial and commercial equipment.

C. Cash flows arising from financial activities

Cash flows arising from financial activities, which highlight the liquidity that activities inherent to loans generated or absorbed (i.e. the use of new loans or the repayment of payables and loans) is negative and amounts to EUR 2,369,675.
With reference to third-party funds, it is reported that new loans amounting to EUR 2,000,000 were taken out and principals were repaid amounting to EUR 3,784,980.
In detail, during the financial year 2021, the Parent Company took out a new loan amounting to EUR 2,000,000 with UniCredit S.p.A. mainly to support the investment activities described above.

With reference to the flows arising from own funds, which denote an overall generation of liquidity, it should be noted that in the financial year dividends were distributed amounting to EUR 794,111 and the remaining profit was carried over to equity reserves.

INFORMATION ON THE FAIR VALUE OF FINANCIAL DERIVATIVES

In compliance with the provisions of art. 2427 bis of the Civil Code, the following information is provided.

Derivative	Purpose	Underlying risk	Fair Value at 31/12/2021	Fair Value at 31/12/2020	Change
Commodity swap	Hedging derivative	Precious metals	792,748	23,040	769,708
Currency option	Hedging derivative	USD/EUR forex	2,245	110,822	(108,577)
Interest Rate Swap	Hedging derivative	Interest rate	(21,931)	(66,451)	44,520

The Company performs forward hedging on currency risks arising from its commercial activities, in order to protect the industrial operating profit from unfavourable fluctuations in exchange rates and prices of strategic raw materials.
The Company therefore uses derivatives within the scope of its "risk management" activities while derivatives or the like are not used and held for the mere purpose of negotiation.

Commodity price risk

The objective of this type of hedge is to minimise the change to cash flows generated by the purchase of the raw materials used in the production process. In order to stabilise the purchase price, the Company fixes the price once the metal has been removed with financial hedging operations. The operations, which do not last more than 24 months, are carried out in rotation for a share of the requirement calculated based on the Company's budget.

Exchange rate risk

The Company, operating at international level, is exposed to the exchange rate risk associated with different currencies, including primarily the US dollar and the British pound. The exchange rate risk arises from commercial transactions linked to normal operations and stems from exchange rate fluctuations between the moment in which the commercial relationship is established and the moment of collection.

Interest rate risk

In order to manage the interest rate risk associated with medium-/long-term borrowing, at 31 December 2020, the Company has some Interest Rate Swap operations, that allow the financing to be transformed from a variable rate to a fixed rate. This instrument provides notional values and maturities aligned with those of the underlying financing hedged.

Other information

Information relating to fees payable to the Statutory Auditor

	Value
Legally-required audit	38,412
Other verification services	11,674
Tax advisory services	
Other services	1,864
Services other than audit services	3,154
Total fees due to the statutory auditor or audit firm	**55,104**

The assignment for the statutory audit of the consolidated accounts has been entrusted to the auditing company BDO ITALIA S.p.a.. Other services other than auditing refer to cost certification and other consulting activities.

Information relating to the fees payable to directors and statutory auditors

Pursuant to the law, the total fees payable to Directors and members of the Board of Statutory Auditors of the parent company, including those for the carrying out such functions also in other companies included in the consolidation, are highlighted.

	Directors	Auditors
Fees	902,801	35,000

It should be noted that there are no advances, loans and guarantees in respect of Directors and Statutory Auditors.

Information relating to financial fixed assets entered at a value higher than the fair value

Financial fixed assets are not entered in the financial statements at a value higher than their fair value.

Information on transactions with related parties

No significant transactions took place between Group companies and related parties.

Exceptional income or expense items

In accordance with that provided for by number 13, paragraph 1, of art. 2427, it is noted that the Income Statement does not include income or expense items that impact on the profit for the year, they are not repeatable over time.

Off-balance sheet arrangements, guarantees and contingent liabilities not resulting from the balance sheet

Group companies do not have any agreements that do not appear in the Balance Sheet. Commitments made by the parent company to third parties are related to the value of gold on loan for use amounting to EUR 9,153,468.

Information on significant events occurring after the financial year-end

According to Art. 2427 no. 22 *quater* of the Civil Code, the following are the significant events that occurred after the end of the financial year.

Fope Deutschland GmbH formed

In February, the Board of Directors of the Parent Company decided to set up a new company, 100% owned by Fope S.p.A., known as Fope Deutschland GmbH, based in Germany.
The establishment of the new company is an action that refers to the strategy pursued in recent years by the Group to have a direct commercial presence in the main markets and has already had very positive feedback with the experiences of the American and English subsidiaries.
The German market as a result of the volumes of sales developed and the size of the concession-holders network has reached the maturity necessary to have a Fope office that follows and supports in the territory the consolidation of partnerships with customers and marks a new development and growth phase.
The project to open the new branch foresees the review of the commercial organisational structure present with the insertion of new figures and fully operation for Fope Deutschland before the end of the first half of the year.

Russia-Ukraine conflict

On 24 February 2022, the Russia-Ukraine conflict broke out, leading to a series of sanctions against Russia. Such sanctions will inevitably have effects on the global economy. At present, the Group’s business is not suffering the direct effects of these sanctions because the company does not operate on the Russian market, has no Russian, Belarusian or Ukrainian customers, nor are there any Russian, Belarusian or Ukrainian suppliers in its supply chain. Furthermore, it should be noted that in the shareholding structure of Fope S.p.A. and its subsidiaries there are no direct links with Russian, Belarusian or Ukrainian companies or even with natural persons who have nationality and/or residence in Russia, Belarus or Ukraine.
The Group does not operate with the Russian and Ukrainian markets, therefore, estimates for the financial year 2022 do not include sales assumptions in these markets. While not being able to resolve all the reservations with respect to a potential indirect negative effect on the Group's business, caused by a general deterioration of the economy in the Eurozone, due to the deepening and continuation of the conflict, there are no direct phenomena at the moment that could influence a positive development of the Group's activities and of business for the current year.
It should be noted that according to OIC 29 this event has been treated as a subsequent event which does not alter the financial statements.

These consolidated Financial Statements, comprising the Balance Sheet, the Income Statement and the notes to the financial statements, represent a true and accurate representation of the assets and liabilities and financial situation as well as the economic performance and correspond with the findings in the regularly kept accounting records of the parent company and the information provided by the companies included in the consolidation.

Diego Nardin
CEO Fope S.p.A.

FOPE S.p.A.

Independent auditor's report
pursuant to article 14 of
Legislative Decree n. 39/'10

Consolidated Financial Statements as at December 31st, 2021

This report has been translated into English from the original, which was prepared in Italian and represents the only authentic copy, solely for the convenience of international readers.

Tel: +39 045 4750019
www.bdo.it

Via Roveggia, 126
37136 Verona

Independent auditor's report

pursuant to article 14 of Legislative Decree n. 39/'10

To Shareholders of
FOPE S.p.A.

Report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of FOPE Group (the "Group"), which comprise the statement of financial position as at December 31st, 2021, the consolidated statement of comprehensive income and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of FOPE Group as at December 31st, 2021, and of the result of its operations and its cash flows for the year then ended in accordance with the Italian regulations and accounting principles governing financial statements.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of this report.

We are independent of the Company in accordance with ethical requirements and standards applicable in Italy that are relevant to the audit of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and of the Board of the Statutory Auditors for the consolidated financial statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the Italian regulations and accounting principles governing financial statements and, within the limits of the law, for such internal control as the Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Parent Company FOPE S.p.A. or to cease operations, or has no realistic alternative but to do so.

The Board of Statutory Auditors is responsible for overseeing the Group's financial reporting process.

Bari, Bologna, Brescia, Cagliari, Firenze, Genova, Milano, Napoli, Padova, Palermo, Roma, Torino, Verona

BDO Italia S.p.A. - Sede Legale: Viale Abruzzi, 94 - 20131 Milano - Capitale Sociale Euro 1.000.000 i.v.
Codice Fiscale, Partita IVA e Registro Imprese di Milano n. 07722780967 - R.E.A. Milano 1977842
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Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of the audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

We communicate with Those Charged with Governance, identified at the appropriate level as required by the ISA Italia, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Judgment pursuant to art. 14, paragraph 2, letter e), of Legislative Decree 39/'10

The Directors of FOPE S.p.A. are responsible for preparing the report on operations of FOPE Group as at December 31st, 2021, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures indicated in the auditing standard (SA Italia) no. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of the Group as at December 31st, 2021, and on its compliance with the law, as well as to issue a declaration on any significant errors.

In our opinion, the report on operations is consistent with the consolidated financial statements of FOPE Group as of December 31, 2021 and is drawn up in compliance with the law.

With reference to the declaration referred to in art. 14, co. 2, letter e), of Legislative Decree 39/'10, issued on the basis of the knowledge and understanding of the company and its context acquired during the audit, we have nothing to report.

Verona, April 7th, 2022

BDO Italia S.p.A.

Signed by:
Carlo Boyancé
Partner

This report has been translated into English from the original, which was prepared in Italian and represents the only authentic copy, solely for the convenience of international readers.

Annex: TABLE OF GRI - GLOBAL REPORTING INITIATIVE INDICATORS

GRI Standard Title	GRI disclosure number	GRI Disclosure Title	Page number/ comments
GRI 102: General Disclosures 2021 – Organizational profile	102-1	Name of the organization	Title page
	102-2	Activities, brands, products and services	4, 6
	102-3	Location of headquarters	4, 14
	102-4	Location of operations	4, 14
	102-5	Ownership and legal form	8
	102-6	Markets served	4, 6
	102-7	Scale of the organization	4, 10-12, 35-36, 39
	102-8	Information on employees and other workers	35, 36
	102-9	Supply chain	7, 29, 35
	102-13	Membership of associations	7
GRI 102: General Disclosures 2021 – Strategy	102-14	Statement from senior decision-maker	3
GRI 102: General Disclosures 2021 – Ethics and integrity	102-16	Values, principles, standards, and norms of behavior	6-8
GRI 102: General Disclosures 2021 – Governance	102-18	Governance structure	8-15
GRI 102: General Disclosures 2021 – Reporting practice	102-50	Reporting period	27
	102-54	Claims of reporting in accordance with the GRI Standards	27
	102-55	GRI content index	94-95
GRI 103: General Disclosures 2021 – Management approach	103-2	The management approach and its components	6-8, 29-37, 39
GRI 201: Economic performance 2021	201-1	Direct economic value generated and distributed	38
GRI 202: Market presence 2021	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	38
GRI 205: Anti-corruption 2021	205-3	Confirmed incidents of corruption and actions taken	N/A
GRI 302: Energy 2021	302-1	Energy consumption within the organization	30
	302-4	Reduction of energy consumption	30
GRI 303: Water 2021	303-2	Water sources significantly affected by withdrawal of water	N/A

GRI 305: Emissions 2021	305-1	Direct (Scope 1) GHG emissions	32
	305-2	Energy indirect (Scope 2) GHG emissions	32
	305-3	Other indirect (Scope 3) GHG emissions	32
GRI 306: Effluents and waste 2021	306-2	Waste by type and disposal method	34
GRI 307: Environmental compliance 2021	307-1	Non-compliance with environmental laws and regulations	N/A
GRI 403: Occupational health and safety 2021	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	37
GRI 404: Training and education 2021	404-1	Average hours of training per year per employee	36-37
	404-2	Programs for upgrading employee skills and transition assistance program	36-37
GRI 405: Diversity and equal opportunity 2021	405-1	Diversity of governance bodies and employees	38, 35-36
GRI 406: Non-discrimination 2021	406-1	Incidents of discrimination and corrective actions taken	N/A
GRI 408: Child labor 2021	408-1	Operations and suppliers at significant risk for incidents of child labor	N/A
GRI 409: Forced or compulsory labor 2021	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	N/A
GRI 417: Marketing and labelling 2021	417-3	Incidents of non-compliance concerning marketing communications	N/A
GRI 418: Customer privacy 2021	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	N/A
GRI 419: Socioeconomic compliance 2021	419-1	Non-compliance with laws and regulations in the social and economic area	N/A

FABBRICA OREFICERIA PREZIOSI ESPORTAZIONE

FOPE S.P.A. VIA ZAMPIERI, 31, 36100 VICENZA, ITALIA
FOPE.COM