

GOLDEN GOOSE S.P.A.
FINANCIAL RESULTS FOR NINE MONTHS ENDED SEPTEMBER 30, 2023

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1 PRESENTATION OF FINANCIAL INFORMATION

The financial information included in this report (the “Report”) is that of the Issuer and its consolidated subsidiaries (the “Group”). In particular, this Report includes and presents unaudited consolidated financial statements of the Group prepared in accordance with International Financial Reporting Standards (IFRS), which comprise consolidated profit and loss for the first nine months of 2023, the consolidated balance sheet as at September 30, 2023, and the consolidated statements of cash flows for the first nine months of 2023.

1.1 NON-IFRS FINANCIAL MEASURES

This Report contains non-IFRS measures and ratios, including EBITDA, EBITDA margin, Adjusted EBITDA, Adjusted EBITDA margin, Pre-IFRS 16 Adjusted EBITDA, Pre-IFRS 16 Adjusted EBITDA margin, Operating Cash Flow, Adjusted Operating Cash Flow, Cash Conversion and Adjusted Cash Conversion that are not required by, or presented in accordance with, IFRS. Our non-IFRS measures are defined by us as follows:

- EBITDA consists of net result for the year before income taxes, financial expenses, financial income and depreciation and amortization;
- EBITDA margin consists of EBITDA divided by net turnover;
- Adjusted EBITDA is defined as EBITDA adjusted to reflect the net effect of non-recurring expenses and income;
- Adjusted EBIT is defined as Operating Result (EBIT) less the net effect of non-recurring expenses and income;
- Trade Working Capital consists of Inventories + Receivables - Trade Payables (as represented in the Balance Sheet);
- Adjusted Trade Working Capital consists of Inventories + Receivables - Trade Payables (as represented in the Balance Sheet) - Trade Payables (reclassified under Current Financial Liabilities);
- Operating Cash Flow comprises the sum of cash flow generated (absorbed) by operations and cash flow generated (absorbed) by investment activities, less interest collected/(paid) and (income tax paid) for the period;
- Cash Conversion is measured as Operating Cash Flow divided by Adjusted EBITDA

We present non-IFRS measures because we believe that they are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-IFRS measures may not be comparable to other similarly titled measures of other companies and should not be considered in isolation or be used as a substitute for an analysis of our operating results as reported under IFRS. Non-IFRS measures and ratios are not measurements of our performance or liquidity under IFRS and should not be considered as alternatives to consolidated profit/(loss) for the year or any other performance measures derived in accordance with IFRS or any other generally accepted accounting principles or as alternatives to cash flow from operating, investing or financing activities. The non-IFRS measures have limitations as analytical tools. Some of these limitations are:

- they do not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, our trade working capital needs;
- they do not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments, on our debts;

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often need to be replaced in the future and certain of these non-IFRS measures do not reflect any cash requirements that would be required for such replacements; and
- some of the exceptional items that we eliminate in calculating Adjusted EBITDA reflect cash payments that were made or will in the future be made.

EBITDA, Adjusted EBITDA, Pre-IFRS 16 Adjusted EBITDA as used in this Report are not calculated in the same manner as “Consolidated EBITDA” is calculated pursuant to the Indenture governing the Notes, as described under “*Description of the Notes*” or for purposes of any of our other indebtedness.

1.2 NON-FINANCIAL OPERATING DATA

Certain key performance indicators and other non-financial operating data included in this Report are derived from management estimates, are not part of our financial statements or financial accounting records and have not been audited or otherwise reviewed by outside auditors, consultants or experts. Our use or computation of these terms may not be comparable to the use or computation of similarly titled measures reported by other companies. Any or all of these terms should not be considered in isolation or as an alternative measure of performance under IFRS.

1.3 ROUNDING

Certain numerical figures set out in this Report, including financial information presented in millions or thousands and percentages, have been subject to rounding adjustments and, as a result, the totals of the data in this Report may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other information are calculated using the numerical data in each of the Consolidated Financial Statements or the tabular presentation of other information (subject to rounding) contained in this Report, as applicable, and not using the numerical data in the narrative description thereof. With respect to financial information set out in this Report, a dash (“—”) signifies that the relevant figure is not available, while a zero (“0.0”) signifies that the relevant figure is available but is or has been rounded to zero.

2 DEFINITIONS

Unless otherwise specified or the context requires otherwise in this Report:

- “Acquisition” means the acquisition of the entire share capital of Sneakers Maker by Astrum 3 (both of which were subsequently merged into the Issuer on August 5, 2020 upon completion of the Reverse Merger) pursuant to the Acquisition Agreement, which was consummated on September 16, 2020;
- “Acquisition Agreement” or “SPA” means the sale and purchase agreement dated February 11, 2020, between Astrum 3 as buyer and the sellers named therein for the sale and purchase of the entire share capital of Sneakers Maker;
- “Americas” means our regional sales market comprised of North America and South America;
- “APAC” means our regional sales market comprised of Asia-Pacific countries;
- “Astrum 3” means Astrum 3 S.p.A., a joint stock company (*società per azioni*) incorporated under the laws of Italy, which was merged into the Issuer upon completion of the Reverse Merger;
- “Bridge Facility” means the €470 million bridge facility made available under the Bridge Facility Agreement;
- “Bridge Facility Agreement” means the bridge facility agreement dated September 8, 2020, among, inter alios, the Issuer (formerly Astrum 3), as borrower, and Credit Suisse AG, Milan Branch, Goldman Sachs

International Bank, Banca IMI S.p.A. (now merged into Intesa Sanpaolo S.p.A.), Bank of America Merrill Lynch International Designated Activity Company and Barclays Bank Ireland PLC, as arrangers;

- “EMEA” means our regional sales market comprised of Europe, the Middle East and Africa;
- “EU” means the European Union;
- “EU Member State” means each member state of the European Union;
- “euro,” “EUR” or “€” means the lawful currency of the EU Member States participating in the European Monetary Union;
- “Group,” “we,” “us” or “our” refer, collectively, to the Issuer and its subsidiaries;
- “IFRS” means the International Financial Reporting Standards, as adopted by the European Union;
- “Indenture” means, the indenture dated May 14, 2021 governing the Notes by and among, inter alios the Issuer and the Trustee;
- “Issuer” means Golden Goose S.p.A., a joint stock company (*società per azioni*) incorporated under the laws of Italy, with its registered office in Milan, Italy, at Via Privata Ercole Marelli no. 10, and registered under number 08347090964 with the Companies Register of Milan-Monza-Brianza-Lodi;
- “Italian Civil Code” means the Italian civil code (*codice civile*) approved by the Royal Decree No. 262 of March 16, 1942, as subsequently amended and restated;
- “Notes” means the Floating Rate Senior Secured Notes denominated in euro due 2027 amounting to €480 million and issued pursuant to the offering memorandum dated May 7, 2021;
- “Offering Memorandum” means the offering memorandum dated May 7, 2021 in relation to the Notes;
- “Refinancing” means the refinancing described in “*Summary—The Transactions—The Refinancing*” of the Offering Memorandum;
- “Reverse Merger” means the merger of Astrum 3, the former indirect parent of the Issuer, and Sneakers Maker, former direct parent of the Issuer, into the Issuer, in accordance with Article 2501-bis (et seq.) of the Italian Civil Code, which was consummated on August 5, 2020;
- “Revolving Credit Facility” means the multi-currency revolving credit facility of €75 million made available under the Revolving Credit Facility Agreement;
- “Revolving Credit Facility Agreement” means the revolving credit facility agreement dated September 8, 2020, among, inter alios, the Issuer (formerly Astrum 3), as borrower, and Credit Suisse AG, Milan Branch, Goldman Sachs International Bank, Banca IMI S.p.A. (now merged into Intesa Sanpaolo S.p.A.), Bank of America Merrill Lynch International Designated Activity Company and Barclays Bank Ireland PLC, as arrangers;
- “Trustee” means Wilmington Trust, National Association, in its capacity as trustee, legal representative (*mandatario con rappresentanza*) under the terms of the Indenture, any successor trustee under the Indenture and common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code; and
- “United States” or “U.S.” means the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia.

3 CONSOLIDATED FINANCIAL INFORMATION

3.1 RESULTS SUMMARY

The Group, a global luxury fashion brand specialized in the sourcing, design and distribution of a “total look” product offering, primarily consisting of footwear and, in particular, sneakers, generated €421.0 million of revenues in the first nine months of 2023, recording a 19% increase over the prior year’s figure of €352.8 million.

DTC channel reached €291.4 million, increasing by 22% as compared to first nine months of 2022, while wholesale channel generated €116.8 million, in line with prior year period.

The Group posted an Adjusted EBITDA of €146.3 million, +22% as compared to €120.3 million reported in the first nine months of 2022, driven by strong topline growth observed in the first nine months. The Adjusted EBITDA margin was 34.8% for the first nine months of 2023, +67 bps vs the prior year’s figure.

Group cash and cash equivalents stood at €136.2 million as of September 30, 2023.

Key Financial and Operating Data

	9M23	9M22	Change %	LTM 9M23	FY22
Revenues	421.0	352.8	19.3%	569.1	500.9
Net Margin	302.0	250.9	20.4%	407.2	356.1
<i>Net Margin %</i>	<i>71.7%</i>	<i>71.1%</i>		<i>71.6%</i>	<i>71.1%</i>
Adjusted Ebitda	146.3	120.3	21.7%	193.5	167.5
<i>Adjusted Ebitda %</i>	<i>34.8%</i>	<i>34.1%</i>		<i>34.0%</i>	<i>33.4%</i>
Pre-IFRS 16 Adjusted Ebitda	121.5	99.8	21.7%	159.7	138.1
<i>Pre-IFRS 16 Adjusted Ebitda %</i>	<i>28.9%</i>	<i>28.3%</i>		<i>28.1%</i>	<i>27.6%</i>
Adj. Operating Cash Flow (before IFT Consolidation) ^(*)	116.6	93.5	24.7%	162.1	139.0
<i>Cash conversion %</i>	<i>79.7%</i>	<i>77.7%</i>		<i>83.8%</i>	<i>83.0%</i>

** Excluding one-off impact on working capital (+ €19.9m) emerging from the consolidation of IFT*

3.2 SUBSEQUENT EVENTS

In line with our strategy to integrate our supply chain, in November 2023 Golden Goose reached an agreement with one of its suppliers of luxury footwear, Sirio, for the acquisition of the remaining 70%. The accounting effect will start from January 2024. In 2022, Golden Goose had already acquired a minority stake of 30% of Sirio.

No other events occurred between October 1, 2023, and November 20, 2023, that would require adjustments to the amounts recognized in the consolidated financial statements or would need to be disclosed under this heading.

3.3 UNAUDITED CONSOLIDATED INCOME STATEMENT

€ millions	9M23	9M22	Change	Change %
Net Turnover	421.0	352.8	68.1	19%
Cost of Good sold	(119.0)	(101.9)	(17.0)	17%
Net Margin	302.0	250.9	51.1	20%
<i>Net Margin (%)</i>	<i>71.7%</i>	<i>71.1%</i>		
Selling and distribution expenses	(119.1)	(103.3)	(15.8)	15%
General and Administration expenses	(56.4)	(48.4)	(8.0)	16%
Marketing and Advertising	(26.8)	(21.8)	(5.0)	23%
Operating Result (EBIT)	99.6	77.3	22.3	29%
Financial Income	15.5	15.0	0.4	3%
Financial Expenses	(55.5)	(32.5)	(23.0)	71%
Profit before tax	59.5	59.8	(0.2)	(0%)
Income taxes	(13.7)	(9.2)	(4.5)	49%
Net result	45.9	50.6	(4.7)	(9%)
Minority result of the period	-	-	-	-
Results for the year	45.9	50.6	(4.7)	(9%)
Depreciations and devaluations	45.7	41.3	4.4	11%
IFRS EBITDA Reported	145.3	118.6	26.7	23%
Non recurring items	1.1	1.7	(0.7)	(38%)
IFRS EBITDA Adjusted	146.3	120.3	26.0	22%
<i>IFRS EBITDA Adjusted %</i>	<i>34.8%</i>	<i>34.1%</i>		
IFRS EBIT Adjusted	100.7	79.0	21.7	27%
<i>IFRS EBIT Adjusted %</i>	<i>23.9%</i>	<i>22.4%</i>		

3.5 UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€ millions	30-09-2023	31-12-2022	Change	Change %
ASSETS				
Intangible assets	1,433.1	1,416.7	16.4	1%
Tangible assets	76.7	66.1	10.6	16%
Right of use	134.6	131.5	3.2	2%
Deferred tax asset	64.0	54.8	9.2	17%
Non-current financial assets	17.7	17.3	0.3	2%
Other non-current assets	6.0	8.8	(2.8)	(32%)
Non-current assets	1,732.1	1,695.2	36.9	2%
Inventories	117.5	98.6	18.9	19%
Accounts receivable	29.1	34.6	(5.6)	(16%)
Accounts Receivables Intercompany	0.0	-	0.0	n.m.
Current Tax assets	-	-	-	n.m.
Other current non-financial assets	24.9	33.5	(8.6)	(26%)
Current financial assets	4.8	38.8	(34.0)	(88%)
Cash and cash equivalents	136.2	115.4	20.8	18%
Current assets	312.5	321.0	(8.5)	(3%)
Total Assets	2,044.5	2,016.2	28.4	1%
LIABILITIES AND SHAREHOLDERS' EQUITY				
Share capital	1.0	1.0	-	-
Share premium	182.6	182.6	-	-
Other reserves	815.4	768.8	46.6	6%
Results for the year	45.9	47.7	(1.8)	(4%)
Shareholders' equity	1,044.9	1,000.1	44.8	4%
Minority reserves	-	-	-	n.m.
Minority result of the period	-	-	-	n.m.
Minority's equity	-	-	-	n.m.
Total Equity	1,044.9	1,000.1	44.8	4%
Provisions for severance indemnities	4.1	2.6	1.5	56%
Deferred tax liabilities	201.5	198.2	3.3	2%
Non current Provisions for risks and charges	3.9	3.8	0.1	3%
Non-current financial debt	605.0	588.8	16.2	3%
Other non-current debt	-	-	-	n.m.
Non-current liabilities	814.5	793.4	21.1	3%
Trade payables	84.6	111.0	(26.4)	(24%)
Other current non-financial liabilities	29.8	31.4	(1.6)	(5%)
Current Tax liabilities	12.7	17.0	(4.3)	(26%)
Current provisions for risks and charges	15.8	14.3	1.6	11%
Current financial liabilities	42.2	49.0	(6.8)	(14%)
Current liabilities	185.1	222.6	(37.5)	(17%)
Total liabilities and shareholders' equity	2,044.5	2,016.2	28.4	1%

3.6 UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

€ millions	9M23	9M22	Change	Change %
A. Cash flow generated (absorbed) by operations				
Profit (loss) for the year	45.9	50.6	(4.7)	(9%)
Income taxes	13.7	9.2	4.5	49%
Interest expense (interest income)	40.0	17.5	22.5	129%
Accruals to provision	5.3	6.9	(1.6)	(23%)
Depreciation of fixed assets	45.7	41.2	4.5	11%
Write-downs for impairment losses	-	0.1	(0.1)	(100%)
Other adjustments for non-monetary items	(0.1)	4.7	(4.8)	(103%)
Change in net working capital	(32.5)	(22.0)	(10.5)	48%
Interest collected / (paid)	(35.3)	(26.3)	(9.0)	34%
(Income tax paid)	(22.5)	(15.5)	(7.0)	45%
(Use of provision)	(1.8)	1.7	(3.6)	(207%)
CASH FLOW GENERATED (ABSORBED) BY OPERATIONS (A)	58.3	68.1	(9.7)	(14%)
B. Cash flow from investing activities				
Tangible assets	(17.6)	(15.9)	(1.7)	11%
Intangible assets	(4.2)	0.8		
Non-current financial assets	0.0	(9.0)	9.0	(100%)
Merger / Acquisitions / Cessation of subsidiaries or business units net of cash and cash equivalents	4.4	-	4.4	n.m.
CASH FLOW GENERATED (ABSORBED) BY INVESTMENT ACTIVITIES (B)	(17.4)	(24.1)	6.7	(28%)
C. Cash flow from financing activities				
Debt				
Repayment of borrowings	(22.0)	(16.7)	(5.3)	32%
CASH FLOW GENERATED (ABSORBED) BY FINANCIAL ACTIVITIES (C)	(22.0)	(16.7)	(5.3)	32%
INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS (A + B + C)	18.9	27.2	(8.3)	(30%)
Exchange Effect	1.9	4.9	(3.0)	(62%)
Cash and cash equivalent at the beginning of the year	115.5	99.8	15.7	16%
Cash and cash equivalent at the end of the period	136.2	131.9	4.3	3%

4 MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

4.2 RESULTS OF OPERATIONS

€ millions	9M23	9M22	Change	Change %
Net Turnover	421.0	352.8	68.1	19%
Cost of Good sold	(119.0)	(101.9)	(17.0)	17%
Net Margin	302.0	250.9	51.1	20%
<i>Net Margin (%)</i>	<i>71.7%</i>	<i>71.1%</i>		
Selling and distribution expenses	(119.1)	(103.3)	(15.8)	15%
General and Administration expenses	(56.4)	(48.4)	(8.0)	16%
Marketing and Advertising	(26.8)	(21.8)	(5.0)	23%
Operating Result (EBIT)	99.6	77.3	22.3	29%
Financial Income	15.5	15.0	0.4	3%
Financial Expenses	(55.5)	(32.5)	(23.0)	71%
Profit before tax	59.5	59.8	(0.2)	(0%)
Income taxes	(13.7)	(9.2)	(4.5)	49%
Net result	45.9	50.6	(4.7)	(9%)
Minority result of the period	-	-	-	-
Results for the year	45.9	50.6	(4.7)	(9%)
Depreciations and devaluations	45.7	41.3	4.4	11%
IFRS EBITDA Reported	145.3	118.6	26.7	23%
Non recurring items	1.1	1.7	(0.7)	(38%)
IFRS EBITDA Adjusted	146.3	120.3	26.0	22%
<i>IFRS EBITDA Adjusted %</i>	<i>34.8%</i>	<i>34.1%</i>		
IFRS EBIT Adjusted	100.7	79.0	21.7	27%
<i>IFRS EBIT Adjusted %</i>	<i>23.9%</i>	<i>22.4%</i>		

4.2.1 Net Turnover

Net Turnover by distribution channel

€ millions	9M23	9M22	Change	Change %
Retail	226.7	171.0	55.7	33%
Digital	64.7	67.1	(2.4)	(4%)
Wholesale	116.8	117.0	(0.1)	(0%)
Other	12.7	(2.2)	14.9	n.m.
Total Net Turnover	421.0	352.8	68.1	19%

Net Turnover by geography

€ millions	9M23	9M22	Change	Change %
Amer	165.4	154.6	10.8	7%
Emea	175.5	138.5	37.0	27%
o/w Italy	58.5	49.4	9.0	18%
Apac	67.3	61.9	5.5	9%
Other	12.7	(2.2)	14.9	n.m.
Total Net Turnover	421.0	352.8	68.1	19%

Our revenues increased by €68.1 million, or 19%, from €352.8 million for the nine months ended September 30, 2022 to €421.0 million for the nine months ended September 30, 2023.

Revenue growth is mainly driven by the solid topline growth across Retail channel, which grew by 33% as compared to prior year period, generating €226.7 million in the first nine months of 2023, with a positive performance in all geographies led by the overperformance of Emea.

Digital channel generated €64.7 million in the first nine months of 2023, -4% as compared to the first nine months of 2022. The deceleration in digital channel growth is primarily due to American market.

Wholesale business generated €116.8 million in the first nine months of 2023, in line with the first nine months of 2022, consistently with our strategy of converting key wholesale customers to DTC and focusing on distribution quality.

In terms of geographic mix, the Group posted a positive performance in all geographies.

Americas generated a net turnover of €165.4 million for the period ended September 30, 2023 compared to a net turnover of €154.6 million for prior year period (an increase of 7%), driven by the strong growth in retail channel.

EMEA generated a net turnover of €175.5 million in the first nine months of 2023 compared to €138.5 million in the first nine months of prior year (an increase of 27%), mainly driven by the solid performance of DTC channels.

Sales in APAC generated a net turnover of €67.3 million in the first nine months of 2023 compared to €61.9 million in the prior year period (an increase of 9%).

4.2.2 Cost of goods sold

Cost of goods sold increased by €17.0 million, or 17%, reaching €119.0 million for the period ended September 30, 2023 from a cost of goods sold of 101.9 million for the prior year period, driven by the growth in sales volumes observed in the first nine months of 2023 as compared to the first nine months of 2022. Incidence on net turnover equals to 28.3% for the period ended September 30, 2023, lower than 9M-2022 (28.9%).

4.2.3 Selling and distribution costs

Selling and distribution expenses increased by €15.8 million, or 15%, to €119.1 million for the period ended September 30, 2023 from selling and distribution expenses of €103.3 million for the period ended September 30, 2022. This increase was mainly due to: (i) store network expansion (+€14.7m due to higher depreciation on stores, increased store personnel and operating expenses), (ii) higher variable commissions (+€1.1m due to growth of DTC business). Incidence on net turnover equals to 28.3%, lower than 9M-2022 (29.3%).

4.2.4 General and Administrative expenses

General and administration expenses, increased by €8.0 million, or 16%, to €56.4 million for the period ended September 30, 2023 from general and administration expenses of €48.4 million for the period ended September 30, 2022, driven by continued investment in central functions aimed at supporting topline growth. Incidence on net turnover equal to 13.4%, lower than 9M-2022 (13.7%)

4.2.5 Marketing and advertising

Marketing and advertising expenses increased by €5.0 million, or 23%. We are continuing to invest in brand and client engagement across all touchpoints and reinforcing marketing team to support brand growth.

4.2.6 Adjusted Operating result (EBIT)

Adjusted Operating result (EBIT) increased by €21.7 million, or 27%, to a total value of €100.7 million for the period ended September 30, 2023 from an Adjusted Operating result (EBIT) of €79.0 million for the period ended September 30, 2022, due to operating leverage effect whilst we are continuing to invest in organization, store network expansion, marketing and IT&Digital to create a solid platform for future growth.

4.2.7 Financial income

Our financial income increased by €0.4 million, to a total amount of €15.5 million for the period ended September 30, 2023 from a financial income of €15.0 million for the period ended September 30, 2022, mainly due to increased foreign exchange gains.

4.2.8 Financial expenses

Financial expenses increased by €23.0 million, to an amount of €55.5 million for the period ended September 30, 2023 from €32.5 million for the period ended September 30, 2022. This increase was primarily due to higher foreign exchange losses and increased financial interests on senior notes.

4.2.9 Income taxes

Income taxes increased by €4.5 million to a total income taxes for the first nine months of 2023 amounting to -€13.7 million.

4.2.10 Net result

Net result for the period decreased to €45.9 million for the period ended September 30, 2023 from a net result of €50.6 million for the period ended September 30, 2022.

4.2.11 Adjusted EBITDA

Adjusted EBITDA increased by €26.0 million, or 22%, to a total value of €146.3 million for the period ended September 30, 2023 from an Adjusted EBITDA of €120.3 million for the period ended September 30, 2022.

4.3 LIQUIDITY AND CAPITAL RESOURCES

4.3.1 Consolidated cash flows

Cash flow generated (absorbed) by operations

Cash flow generated (absorbed) by operations comprises our operating profit before interest, tax, profit/(loss) on disposals, depreciation, amortization and impairment charges, net of the movement in net trade working capital and less tax, exceptional costs paid, net interest and debt issuance costs paid.

Our cash flow generated (absorbed) by operations for the period ended September 30, 2023 was €58.3 million, a decrease of €9.7 million, compared to €68.1 million in the period ended September 30, 2022. This decrease is mainly impacted by the one-off effect resulting from the consolidation of Italian Fashion Team, which caused an absorption of €19.9 million. Excluding this effect, the cash flow generated by operations for the period ended September 30, 2023 would be €78.2 million.

Cash flow generated (absorbed) by investment activities

Cash flow generated (absorbed) by investment activities consists of expenditure on property, plant and equipment and intangibles and amounts paid for acquisitions, less proceeds from disposals and the portion of any capital expenditure funded through finance leases.

Our cash flow generated (absorbed) by investment activities for the period ended September 30, 2023 amounted to an outflow of €17.4 million, a decrease of €6.7 million, compared to an outflow of €24.1 million in the period ended September 30, 2022. The amount includes i) the consolidation of cash position held in Italian Fashion Team, equal to €4.4 million and ii) the cash outflows related to investment in Clarosa (industrial warehouse), equal to €1.4 million. Excluding these effects, the cash flow absorbed by investment activities would be €20.5 million.

Cash flow generated (absorbed) by financial activities

Cash flow generated (absorbed) by financial activities consists of the drawdown and repayment of bank loans, finance leases and shareholder debt.

Our Cash flow generated (absorbed) by financial activities for the period ended September 30, 2023 amounted to an outflow of €22.0 million mainly related to repayment of lease liabilities, an increase of €5.3 million, compared to an outflow of €16.7 million in the period ended September 30, 2022.

4.3.2 Trade working capital

€ millions	30-09-2023	30-09-2022	Change	Change %
Inventories	117.5	91.4	26.1	29%
Accounts receivable	29.1	29.8	(0.7)	(2%)
Trade payables	(84.6)	(86.6)	2.0	(2%)
Trade Working Capital	61.9	34.5	27.4	79%
Trade Payables reclass. under NFP (*)	(8.9)	(19.2)	10.4	(54%)
Adjusted Trade Working Capital	53.0	15.3	37.7	247%
One-off TWC effect IFT consolidation	(19.9)	-	(19.9)	-
Adjusted Trade Working Capital (before IFT consolidation)	33.1	15.3	17.8	117%

* According to IFRS accounting principles, reclassified under the net Financial Position, but considered as Trade Payables in Cash Flow Statement

Our Adjusted Trade Working Capital for the period ended September 30, 2023 amounted to €53.0 million, an increase of €37.7 million, compared to €15.3 million in the period ended September 30, 2022. The change has been impacted by one-off effect from consolidation of IFT amounting to €19.9 million, with a reduction of our days payable outstanding (“DPO”).

4.3.3 Capital expenditures

€ millions	9M23	9M22	Change	Change %
HQ	5.4	0.8	4.7	592%
Retail	12.7	10.6	2.0	19%
IT & Digital	2.4	3.8	(1.4)	(36%)
Capital Expenditure	20.5	15.1	5.3	35%

We categorize our capital expenditures as retail capital expenditures, HQ facilities capital expenditures or other capital expenditures. Our retail capital expenditures primarily consist of costs to open new directly-operated stores and refurbish existing stores. Our HQ facilities capital expenditures consist of projects related to the expansion and refurbishment of our headquarter key to sustain the development of our growing business. Other capital expenditures are mainly attributable to information technology and digital.

Our capital expenditures during the period ended September 30, 2023 were €20.5 million compared to €15.1 million during the period ended September 30, 2022, with an increase of €5.3 million mainly due the store network expansion and higher investment in HQ.

4.3.4 Financial indebtedness

€ millions	30-09-2023	31-12-2022
Notes	(480.0)	(480.0)
Other financial liabilities	(3.4)	-
RCF	-	-
Consolidated Senior Secured Debt	(483.4)	(480.0)
Cash and cash equivalents	136.2	115.4
Net Consolidated Senior Secured Debt	(347.1)	(364.6)
Lease liabilities	(150.7)	(144.4)
Net Debt (including lease liabilities)	(497.9)	(508.9)
LTM Adjusted IFRS Ebitda	193.5	167.5
Leverage Ratio (incl. Lease liabilities)	2.6x	3.0x

5 RISK FACTORS

For a detailed list of the risks and uncertainties which we face we refer to the Offering Memorandum. The risks and uncertainties we describe in the Offering Memorandum are not the only ones we face. Additional risks and uncertainties of which we are not aware or that we currently believe are immaterial may also adversely affect our business, financial condition and results of operations. If any of the possible events described in our Offering Memorandum were to occur, our business, results of operations and financial condition could be materially and adversely affected. If that happens, the trading prices of the Notes could decline, we may not be able to pay interest or principal on the Notes when due and you could lose all or part of your investment.

We are exposed to numerous potential risks. In order to achieve targets and maximize value, management's role is to continually identify these risks and minimize potential exposure to these risks. Group's management continuously reviews both internal and external risks in all business areas and subsidiaries, evaluates them with respect to exposure and probability of occurrence and ensures, where appropriate, that amounts are reflected in the financial statements to cover such exposure.

6 GENERAL INFORMATION

These Interim Consolidated Financial Statements should be read in conjunction with the Group's financial information included in the Offering Memorandum and Group's last Annual Consolidated Financial Statements for the financial year ended December 31, 2022. They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance during the period ended September 30, 2023.

This Interim Consolidated Financial Statements were authorized for issue by the Group's management board on November 20, 2023.