ITALIAN DESIGN BRANDS S.p.A.
Milan Office (MI) – Corso Venezia, 29
Share Capital Euro 20,216,740 Administrative and Economic Index of Milan No. 2062252
Tax code and registration number at the Milan Business and Trade Registry no.: 09008930969

REPORT ON OPERATIONS
CONSOLIDATED FINANCIAL STATEMENTS AS AT 31/12/2021 PURSUANT TO ARTICLE 40 OF LEGISLATIVE DECREE 127/1991.

Dear Shareholders,

This report on operation, accompanying the consolidated financial statements as at 31 December 2021, reports the analysis of the seventh year of the Italian Design Brands Group (hereinafter also "IDB"), established in 2015 following the first company acquisition, which saw involved the company Gervasoni and, through the latter, Ifa S.r.l. Subsequently, the IDB Group continued its growth by external lines through the completion of further corporate acquisitions: Meridiani S.r.l. (in 2016), Cenacchi International S.r.l. (in 2017), Davide Groppi S.r.l. and Saba Italia S.r.l. (in 2018), Modar S.p.A. (in 2019), Flexalighting S.r.l. (in 2020) and a minority share of Axolight S.r.l. (in 2021). The aforementioned business combination operations are part of the IDB Group's project to create an Italian high-quality furniture and lighting hub.

The shareholders of Italian Design Brands at the end of the year are Investindesign S.p.A. for 67.8%, Elpi S.r.l. 14.5%, Fourleaf S.r.l. 14.5%, Mr Giorgio Gobbi with 1.3% and Ms Amelia Pegorin with the remaining 1.9%.

With reference to the minority acquisition operation for 2021, the following is specified: on 30 November 2021, the company purchased 20% of the shares of Axolight S.r.l., a company located in Scorzè (VE), which operates in the lighting, with the Call option to acquire an additional stake to reach the majority under predefined conditions. Based on the international accounting principles, Axolight S.r.l. will not be consolidated and the equity investment will be valued using the equity method.

It should also be noted that, on 3 November 2021, with the deed of notary Margherita Gottardo di Udine, the merger by incorporation of the subsidiary

Industria Friulana Arredamenti S.r.l. (IFA S.r.l.) into the parent company S.p.A. took place. The merger was approved by both companies participating in the transaction with resolutions of the respective shareholders' meetings held on 16 June 2021.

The measures adopted to deal with Covid from a health point of view are fully described in the Notes to the Financial Statements.

The consolidated financial statements of the Group as at 31 December 2021 were prepared in accordance with international accounting standards (hereinafter "IFRS") on the basis of the option allowed by the provisions of Legislative Decree 9/4/1991 no. 127, as modified by the changes introduced by Legislative Decree No. 6 dated 17 January 2003, containing the "reform of company law" and those contained in Legislative Decree No. 32 dated 2 February and in Legislative Decree No. 173 dated 03 November 2008.

Group Operating Performance

From an economic point of view, the financial statements show a value of revenues equal to Euro 144,171 thousand and an operating result equal to Euro 14,649 thousand, after depreciation and write-downs of tangible fixed assets and receivables for a total of Euro 8,178 thousand, and an operating result positive of Euro 11,402 thousand, to the determination of which the positive net financial component for a total of Euro 124 thousand and the negative net fiscal component for a total of Euro 3,370 thousand.

To this result, has to be added Euro 167 thousand consequent to the adjustment at the end of the year of the value of the financial instruments in place having the requisites to be considered as hedges and the adjustment of the translation reserve relating to the conversion of foreign financial statements in currencies other than the Euro, net of specific taxes and decreased by Euro 186 thousand due to the actuarial valuation of the severance indemnity fund net of taxes.

The result of the comprehensive income statement is therefore equal to Euro 11,384 thousand.

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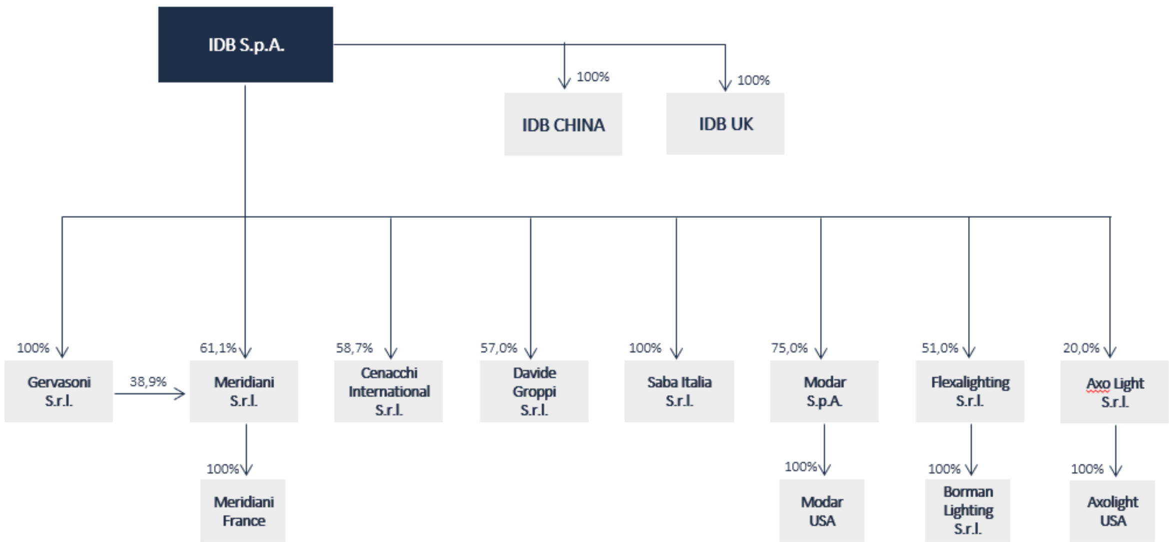
Operating conditions and business development

IDB S.p.A. holds the entire available capital of Gervasoni S.p.A. (30% are treasury shares), of Meridiani S.r.l., which in turn controls Meridiani France entirely, 61% of Cenacchi International S.r.l., 57% of Davide Groppi S.r.l., the entire capital of Saba Italia S.r.l., 75% of Modar S.p.A., 51% of Flexalighting S.r.l., which in turn fully controls Borman Lighting S.r.l.; 100% of IDB UK and IDB China, 20% of Axolight S.r.l. (Cenacchi International, Davide Groppi, Modar and Flexalighting were consolidated at 100% due to the put options exercisable by the minority shareholders, with the consequent obligation to exchange the shares held under predefined conditions).



The companies of the group belong to the furniture and lighting sector and, graphically, the structure of the Group at 31 December 2021 is as follows:

After the 9.1%[1] contraction recorded by the Italian wood-furniture sector in 2020 over 2019, the first preliminary data for 2021 show, for most sectors, a decidedly positive year. The figure indicates, for the composite universe of the Supply Chain, a + 25.7% growth in turnover compared to 2020. It would therefore not be just a rebound, but a real recovery that involved, to varying degrees, many sectors of the Furniture and also of Wood: +14.1% change compared to pre-Covid 2019. The results, for now provisional, appear on the one hand penalized by the difficulties in finding raw materials

[1] Source: Feder-Legno data

and, on the other, amplified by the increases suffered by all materials but also by energy and logistics. Companies have had to cope with the strong increases with ongoing increases in their price lists, almost always accompanied by a reduction in their margins but also by the search for new suppliers, possibly closer and by the replacement of materials. In the first instance, it can be said that, after the decline in 2020 - less heavy than that which affected many other sectors of Italian manufacturing and also than what was feared at the beginning of the pandemic -, 2021 recovers and fills the 2020 gap caused by Covid, even if in many sectors - starting from that linked to trade fairs - the effects of the health emergency continue to worry operators.

Also, at the level of the Supply Chain, according to preliminary data, sales on the national market grow in value by + 28.9% over 2020 (+18.5% compared to 2019), supported by the effectiveness of tax breaks and, more generally, from the centrality of the role of the house in the life of Italians. As regards incentives, according to the latest report by the Chamber of Deputies on the recovery and energy requalification of the building stock, the expenditure for incentivised investments would be estimated, for 2021, over Euro 51.2 billion (out of an overall estimate of 75 billion: 25 billion beyond 2020 and 21 billion beyond 2019). Also in 2021 the trend continued by Italians to purchase a new home more responsive to the new needs that emerged with the onset of the pandemic (from the need for a larger surface area to carry out the smart working and distance learning to that of an outdoor space, be it a terrace or a garden) even at the cost of moving away from the city towards the province in order to economically support the change or meet one's needs. According to the latest data from the Revenue Agency relating to residential sales, in the first nine months of the year, exchanges increased by 43% compared to the same period in 2020 and by 23% compared to the corresponding period in 2019. For the whole of 2021, the Agency assumes that, with a fourth quarter in line with 2019, residential sales can overall close above 700,000 units. To return to the same values, we have to go back in time to 2007. Partial recovery also for the non-residential sectors (offices, commercial furnishings, hospitality) although the return to normality is still far away.

As for lighting, after the heavy fall of 2020, the lighting system, whose performance is strongly linked to the dynamics of foreign markets, starts to grow again in 2021 (preliminary data: +17%) without recovering the 2019 levels (-1.4%). The recovery is slowed down by the export trend (+ 15%), which recovers over 2020 but, unlike Italian sales, without reaching the 2019 values (-2.6%). In value, however, national sales return to pre-pandemic levels (+ 2.8%): +23.8% change on 2020. Imports also increased (+20%), in line with 2019 (-0.4%). Internal consumption is also stable in value compared to 2019 (+0.8%), registering +21.3% on 2020.

With specific reference to the companies of the IDB Group, it should be noted that:

Gervasoni, in 2021, increased sales compared to last year by about 25%; the reference markets are the Italian markets for 23%, the EU market for 46% and the non-EU market for 31%.

Meridiani reported an increase in sales of about 30% in the year compared to last year; the reference markets are the Italian markets for 38%, the EU market for 18% and the non-EU market for 44%.

The company Cenacchi International recorded an increase in the value of production of about 5% in the year compared to what was achieved last year. Due to Covid, several customer projects were temporarily suspended until the last few months of the year and then restarted. Sales are mainly aimed at contract customers, the reference markets are the EU market for 6% and the non-EU market for 94%.

The company Davide Groppi increased its turnover by about 45% during the year, the reference markets are the Italian market for 53%, the EU market for 25% and the non-EU market for 22%.

The company Saba Italia increased its turnover in the year by about 52%, the reference markets are the Italian market for 49%, the EU market for 22% and the non-EU market for 29%.

The company Modar increased revenues in the year by about 34% on an annual basis; the reference markets are the Italian market for 11%, the EU market for 24% and the non-EU market for 65%.

The company Flexalighting increased its turnover in the year by about 30%, the reference markets are the Italian market for 45%, the EU market for 34% and the non-EU market for 21%.

values are expressed in €/1000	Revenue	EBITDA	EBIT	Profit	Shareholders' Equity	Bank PFN
IDB S.p.A.	625	-2,895	-3,029	-1,775	26,504	8,284
Gervasoni S.p.A.	34,704	8,017	7,105	5,659	25,359	-4,786
Meridiani S.r.l.	25,223	4,365	3,552	2,456	11,688	-936
Cenacchi Int. S.r.l.	12,613	2,101	1,815	1,350	22,231	462
Davide Groppi S.r.l.	15,609	3,742	3,476	2,432	10,258	-2,611
Saba Italia S.r.l.	24,899	4,409	3,956	2,667	8,162	-306
Modar S.p.A.	28,055	958	200	-92	9,219	473
Flexalighting S.r.l.	5,746	1,899	1,739	-439	2,653	429
Other companies (*)	1,946	9	-396	-416	-195	-485

* Other companies: Meridiani Fr. Sarl, IDB UK Limited, Borman Lighting, IDB China, Modar USA

The summary data of the companies of the Group are shown, specifying that the data reported here do not take into account intra-group eliminations, which are otherwise contained, especially with reference to revenues and consequently to intra-group margins.

ECONOMIC - BALANCE SHEET AND FINANCIAL SITUATION OF THE GROUP

For the purpose of a better understanding of the Group's situation and the performance of the operating result, a brief analysis of the consolidated financial statements consisting of the reclassified income statement, the reclassified balance sheet and a series of financial statement indices is presented in the following tables.

The income statement is reclassified in scaled form to highlight the gross operating margin (EBITDA) achieved by the Group, or the difference between revenues and costs associated with the purchase - transformation - sale cycle, regardless of depreciation and write-downs of fixed assets and receivables, from financing methods adopted and the level of taxation.
As already reported, Italian Design Brands S.p.A. draws up the consolidated financial statements for 2021 (and 2020) applying the IAS/IFRS International Accounting Standards. The same acknowledges the data of the direct subsidiaries Gervasoni S.p.A., Meridiani S.r.l., Cenacchi International S.r.l., Davide Groppi S.r.l., Saba Italia S.r.l., Modar S.p.A.,

Flexalighting S.r.l. and IDB China, as well as its indirect subsidiaries Meridiani France, Meridiani UK and Borman Lighting S.r.l.

Reclassified Income Statement	**2020**		**2021**		**Change**	
	value	**%**	**value**	**%**	**value**	**%**
Revenues	110,188	100.0%	144,171	100.0%	33,983	30.8%
Other revenues and income	1,698	1.5%	3,527	2.4%	1,830	107.8%
Total revenues	**111,885**	**101.5%**	**147,698**	**102.4%**	**35,813**	**32.0%**
External operating expenses (*)	(77,264)	-70.1%	(101,332)	-70.3%	(24,068)	31.2%
Value added	**34,621**	**31.4%**	**46,366**	**32.2%**	**11,745**	**33.9%**
Staff costs	(19,619)	-17.8%	(23,662)	-16.4%	(4,043)	20.6%
Gross operating margin (EBITDA) (**)	**15,002**	**13.6%**	**22,705**	**15.7%**	**7,702**	**51.3%**
Amortisation, depreciation and write downs	(8,090)	-7.3%	(8,056)	-5.6%	34	-0.4%
Operating earnings (EBIT)	**6,912**	**6.3%**	**14,649**	**10.2%**	**7,736**	**111.9%**
Result of the financial area	(1,646)	-1.5%	124	0.1%	1,770	-107.5%
Result before taxes	**5,266**	**4.8%**	**14,773**	**10.2%**	**9,506**	**180.5%**
Income taxes	3,553	3.2%	(3,370)	-2.3%	(6,923)	-194.9%
Group consolidated net result	**8,819**	**8.0%**	**11,402**	**7.9%**	**2,583**	**29.3%**

(*) includes the income statement items: consumption of materials, costs for services, use of third-party assets and bad debts;
(**) EBITDA is an interim result, determined gross of depreciation and write-downs of tangible and intangible assets, financial charges and income taxes. Since the reference accounting standards provide no rules for the calculation of EBITDA, the method used by the Group for its calculation may be different from that used by other companies and therefore may not be comparable.

Revenues in 2021 are in strong recovery compared to 2020 marked by COVID, and amounted to Euro 147.7 million, up from Euro 111.9 million in the previous year.

The Group's revenues by type of activity and by geographic area in 2021 and in the previous year are broken down as follows:

SBU	2021 revenues	2020 revenues
Furniture	82,135	63,380
Lighting	21,355	14,932
Luxury contract	40,668	31,833
Other	13	42
Total	144,171	110,187

	2021 revenues	2020 revenues
Italy	38,144	28,528
EU	45,995	36,995
Non-EU	60,032	44,664
Total	144,171	110,187

EBITDA, as defined by the Group and primary indicator of economic performance, in 2021, was approximately Euro 22.7 million compared to approximately Euro 15 million in 2020, with an increase of approximately 51 percent.

EBIT went from Euro 6.9 million to approximately Euro 14.7 million with an increase of Euro 7.7 million.

There was a decrease in financial management expenses compared to the previous year, essentially deriving from the remeasurement of the value of the put options due to the minority shareholders of the fully consolidated companies.
Income taxes show a total tax burden of Euro 3.4 million compared to the positive one of Euro 3.5 million in the previous year, where the Group had benefited from the positive effects on deferred taxes deriving from the decision of some Group companies to realign the tax values of some intangible assets to the higher values recorded in the financial statements, subject to the payment of a substitute tax equal to 3% of the realigned value (positive net effect on the income statement of Euro 5.0 million calculated net of the substitute tax).
Lastly, the net profit of Euro 11.4 million increased by approximately Euro 2.6 million from the previous value of Euro 8.8 million.

Considering the relevance of some non-recurring economic components on the results for the period and the peculiarity with which the IDB Group was established, with numerous acquisitions over time, the Group's management also intended to highlight the following economic figures:

1. Adjusted EBITDA;
2. Adjusted EBIT;
3. Adjusted net profit.

Specifically, adjusted EBITDA is that determined without considering non-recurring costs/revenues. The costs of the share-based incentive plans of directors were considered as such, recorded under the costs for services. These amount, respectively, to Euro 621 thousand in 2021 and to Euro 274 thousand in 2020.
Adjusted EBIT was calculated gross of both non-recurring costs and the depreciation of intangible assets with a finite useful life (models and customer relations) recognized in the PPA (Purchase price allocation) and destined to cease to exist at the end of the related depreciation process. This depreciation amounts to Euro 4,186 thousand in both years.
Lastly, the adjusted net profit is that which would have been obtained in the absence of non-recurring charges/revenues, of the aforementioned depreciation on some intangible assets with a finite useful life, as well as

without considering the positive and negative economic effects deriving from the remeasurement of put and call options and the earn-outs due to minority shareholders, as well as the related tax effects. Specifically, the economic effects deriving from the remeasurement of the put and call options and the earn outs due to the minority shareholders, recorded under financial income / charges, are respectively equal to Euro + 1,604 thousand in 2021 and to Euro + 501 thousand in the previous year.

The tax effect of the elimination of all the aforementioned components would have resulted in a higher tax burden of respectively Euro 1,321 thousand in 2021 and Euro 1,244 in 2020.

Briefly, the reclassified income statement compared to actual and adjusted figures in the two years would be as follows:

Reclassified Income Statement	2020		2021		% Adj figures	
	Actual figures	Adj figures	Actual figures	Adj figures	2020	2021
Revenues	110,188	110,188	144,171	144,171	100.0%	100.0%
Other revenues and income	1,698	1,698	3,527	3,527	1.5%	2.4%
Total revenues	**111,885**	**111,885**	**147,698**	**147,698**	**101.5%**	**102.4%**
External operating expenses (*)	(77,264)	(76,990)	(101,332)	(100,721)	-69.9%	-69.9%
Value added	**34,621**	**34,895**	**46,366**	**46,977**	**31.7%**	**32.6%**
Staff costs	(19,619)	(19,619)	(23,662)	(23,662)	-17.8%	-16.4%
Gross operating margin (EBITDA) (**)	**15,002**	**15,276**	**22,705**	**23,316**	**13.9%**	**16.2%**
Amortisation, depreciation and write downs	(3,904)	(3,904)	(3,870)	(3,870)	-3.5%	-2.7%
Amortisation, depreciation and write downs related to the PPA process	(4,186)	-	(4,186)	-	0.0%	0.0%
Operating earnings (EBIT)	**6,912**	**11,372**	**14,649**	**19,446**	**10.3%**	**13.5%**
Result of the financial area	(1,646)	(2,147)	124	(1,480)	-1.9%	-1.0%
Result before taxes	**5,266**	**9,225**	**14,773**	**17,966**	**8.4%**	**12.5%**
Income taxes	3,553	2,309	(3,370)	(4,709)	2.1%	-3.3%
Group consolidated net result	**8,819**	**11,534**	**11,402**	**13,257**	**10.5%**	**9.2%**

The balance sheet is reclassified with the aim of highlighting the structure of investments and the composition of the sources of financing.

Reclassified Balance Sheet	**2020**		**2021**	
	value	**%**	**value**	**%**
Intangible fixed assets	132,885	110.6%	126,940	121.6%
Tangible assets	5,053	4.2%	5,621	5.4%
Equity investments and other non-current assets	4,486	3.7%	5,624	5.4%
Non-Current Assets (A)	**142,424**	**118.6%**	**138,185**	**132.3%**
Inventories	13,866	11.5%	16,862	16.1%
Trade receivables	15,774	13.1%	18,756	18.0%
Other current assets	2,985	2.5%	3,298	3.2%
Current assets (B)	**32,625**	**27.2%**	**38,916**	**37.3%**
Trade payables	(21,515)	-17.9%	(28,434)	-27.2%
Other current liabilities	(15,439)	-12.9%	(26,681)	-25.5%
Current liabilities (C)	**(36,953)**	**-30.8%**	**(55,115)**	**-52.8%**

Net working capital (D = B – C)	**(4,328)**	**-3.6%**	**(16,199)**	**-15.5%**
Provisions for risks and severance indemnity	(7,658)	-6.4%	(8,216)	-7.9%
Other non-current liabilities	(10,331)	-8.6%	(9,341)	-8.9%
Medium-/Long-term assets (liabilities) (E)	**(17,989)**	**-15.0%**	**(17,558)**	**-16.8%**
Net invested capital (A + D + E)	**120,107**	**100.0%**	**104,429**	**100.0%**
Shareholders' Equity	**52,711**	**43.9%**	**64,095**	**61.4%**
Net financial position of banks	15,522	12.9%	524	0.5%
Other net financial position	51,873	43.2%	39,809	38.1%
Net financial position	**67,395**	**56.1%**	**40,334**	**38.6%**
Shareholders' equity and net financial position	**120,107**	**100.0%**	**104,429**	**100.0%**

The net invested capital is mostly made up of intangible assets (ornamental models, brands, customer relations and goodwill) deriving from corporate acquisitions completed since the company was established.

During the year, net invested capital fell by Euro 15,678 thousand, essentially resulting from a reduction in intangible assets (Euro 5,945 thousand) and a significant reduction in net working capital (Euro - 11,871 thousand). The latter is also linked to the increase in advances obtained from customers (Euro 8,986 thousand) and trade payables (Euro 6,919 thousand), only partially absorbed by the increase in inventories and trade receivables (Euro + 5,978 thousand).

The sources of financing consist of 61% of equity and 39% of net financial debts (1% banking system and 38% other subjects), and during the year show a significant contraction of the net financial position, equal overall to Euro 27,061 thousand.

Net financial position

The details of the net financial position, as defined and monitored by the management of the Company and the Group, are as follows:

Net financial position			
values are expressed in €/1000	**Balance as at 31 December 2020**	**Balance as at 31 December 2021**	**Changes**
Current payables to banks	11,326	9,430	-1,896
Non-current payables to banks	46,217	24,421	-21,796
Cash and cash equivalents	-42,021	-33,327	8,694
Bank Net Financial Position	**15,522**	**524**	**-14,998**
Non-current related party vendor loan	1,500	1,500	0
Current related party vendor loan	31	82	51
Current Earn Out Debt	4,951	441	-4,510

Non-current Earn Out Debt	434	1,527	1,093
Payable for the purchase of minority shares through the exercise of a current put option	4,870	15,675	10,805
Payable for the purchase of minority shares through the exercise of a non-current put option	23,006	4,424	-18,582
Current financial payables to lessors	1,984	2,007	23
Non-current financial payables to lessors	15,096	14,152	-944
Other Net Financial Position	**51,872**	**39,808**	**-12,064**
Total Net Financial Position	**67,394**	**40,332**	**-27,062**

Total NFP (net financial position) is made up of 3 components: Bank NFP, net of cash and cash equivalents, Euro 0.5 million, payables for the purchase of non-controlling interests, earn out and related parties Euro 23.6 million, payable to lessors (IFRS 16 application) Euro 16.2 millions. Financial payables mainly result from:

1. Due to banks of the following types:
   - bank payables linked to the acquisition operations for a residual amount of Euro 15.5 million;
   - funding to tackle the Covid-19 pandemic crisis, so-called Liquidity Decree contracts by the companies Gervasoni, Meridiani, Modar and Flexalighting for a total amount of Euro 9.3 million;
   - ordinary loans contracted by the companies Gervasoni, Meridiani, Saba, Davide Groppi and Modar of Euro 9 million.
2. The payables for the purchase of the minority stakes of Cenacchi, Davide Groppi, Modar and Flexalighting through the exercise of put/call options and the Phantom Stock Option for the benefit of the directors amount in total to Euro 20.1 million and constitute the best possible estimate. The value was determined as required by the Put & Call agreements on the basis of the average of the prospective EBITDA of the two years prior to the exercise of the options themselves, multiplied by a multiple, less the estimate of the NFP at the date of exercise of the options. The exercise of the options is expected with different deadlines (Euro 15.7 million in 2022 and Euro 4.4 million in 2023). The first, consistent with the agreements reached, represents the earliest date between the Notice of the IDB Listing and a fixed date for the exercise of each put and call.
3. Payables for earnout or price adjustment accrued or represented with the best possible estimate amount to Euro 2 million, of which Euro 0.4

million to be settled in 2022.

4. The value of payables to lessors of Euro 16.2 million is given by the present value of future lease payments until the expiry of the contracts (real estate contracts normally have a term of 6 + 6 years).
5. Other bank loans for Euro 6.7 million.

Moratoriums, requested by the group in 2020 to tackle the Covid 19 pandemic crisis, have ended and the companies have resumed the regular repayments provided for in the plans and repaid voluntarily and in advance Euro 14 million during 2021.

The individual bank loans held by the subsidiaries deriving from the acquisitions are guaranteed by a pledge on the shares or quotas of the subsidiaries to which they were disbursed; the so-called Liquidity Decree loans are backed by a public guarantee; the loan of Euro 2.2 million to the parent company IDB S.p.A. it is not backed by guarantees as well as the residual ordinary loans held by the subsidiaries.

The amortisation plan of the loans and the economic conditions at the best levels of the market are adequate for the future cash flows of the Group.

As usual, the debt assumed for the acquisitions of Gervasoni, Meridiani, Cenacchi, Davide Groppi, Saba Italia, Modar and Flexalighting, as well as the loan held by the parent company, contractually provides for compliance with certain economic and financial parameters (covenants) from be determined on the data of the financial statements and/or consolidated financial statements thereof (typically NFP/EBITDA and NFP/EQUITY). It should be noted that, on the basis of the information obtained from the subsidiaries and the results of the consolidated financial statements, at the date of preparation of these financial statements, the covenants were observed for all the companies.

As regards the NFP, it should be noted that ESMA (the European Security and Markets Authority) published on 4 March 2021 the guidelines on disclosure requirements pursuant to EU Regulation 2017/1129 (i.e., "Regulation on Prospectus "), which apply from 5 May 2021. These guidelines provide for a new prospectus on the subject of financial debt (no longer speaking of "net financial position", but of "Total financial debt") to be drawn up in accordance with the indications contained in paragraphs 175 and following of the aforementioned ESMA Guidelines.

With the "Call for Attention No. 5/21" dated 29 April 2021, Consob declared its intention to conform its supervisory practices to the aforementioned ESMA guidelines. Specifically, Consob has declared that the prospectuses approved by it, as of 5 May 2021, must comply with the aforementioned ESMA Guidelines.

The total financial debt of the IDB Group according to the scheme adopted by Consob is as follows:

values are expressed in €/1000	**Balance as at 31 December 2020**	**Balance as at 31/12/2021**	**Changes**
A Cash and cash equivalents	42,021	33,327	(8,694)
B Cash equivalents	-	-	-
C Other current financial assets	-	-	-
D Liquidity (A + B + C)	**42,021**	**33,327**	**(8,694)**
E Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	(1,786)	(1,060)	726
F Current portion of non-current financial debt	(21,375)	(26,575)	(5,200)
G Current financial debt (E + F)	**(23,161)**	**(27,635)**	**(4,474)**
H Net current financial debt (G - D)	**18,861**	**5,692**	**(13,169)**
I Non-current financial debt (excluding the current portion and debt instruments)	(86,256)	(46,024)	40,232
J Debt instruments	-		-
K Trade and other non-current payables	-		-
L Non-current financial debt (I + J + K)	**(86,256)**	**(46,024)**	**40,232**
M Total financial debt (H + L)	**(67,395)**	**(40,332)**	**27,063**

In this regard, attention should be paid to the following aspects:

a) the item "Other current financial assets" includes financial assets (for example, securities held for trading) that are not (i) cash, (ii) means equivalent to cash or (iii) derivative instruments used for hedging purposes;

b) "financial debt" includes remunerated debt (i.e., interest-bearing debt) which includes, *inter alia*, financial liabilities relating to short and/or long-term lease contracts, indicated separately;
c) the item "Trade payables and other non-current payables" possibly includes unpaid payables, which have a significant implicit or explicit financing component (for example trade payables with a maturity of more than 12 months), and any other non-interest bearing loans.

The total value of financial debt according to ESMA guidelines and that adopted by the IDB Group is equal to Euro 40.3 million.

Main economic and financial indicators

The profitability and financial ratios deriving from the reclassified equity structure and the reclassified income statement presented above are as follows:

		31/12/2020		31/12/2021	
ROE	Net result of financial year / shareholders' equity	8,819 / 52,711	16.73%	11,402 / 64,095	17.79%
ROI	Operating Earnings (EBIT) / Net invested capital	6,912 / 120,106	5.75%	14,649 / 104,429	14.03%
ROS	Operating Earnings (EBIT) / Sales revenue	6,912 / 110,188	6.27%	14,649 / 144,171	10.16%
EBITDA/Revenues	EBITDA / Sales revenue	15,002 / 110,188	13.62%	22,705 / 144,171	15.75%
Debt coverage	Net financial debt / EBITDA	67,395 / 15,002	4.49	40,334 / 22,705	1.78
Bank debt coverage	Net bank debt / EBITDA	15,522 / 15,002	1.03	524 / 22,705	0.02
Availability ratio	Current assets / Current liabilities	32,625 / 36,953	0.88	38,916 / 55,115	0.71
Financial indebtedness quotient	Net financial debt / shareholders' equity	67,395 / 52,711	1.28	40,334 / 64,095	0.63

The income indices in particular ROI and ROS show a clear recovery compared to the previous year, returning to pre-pandemic levels, while the ROE grows by about 1 percentage point and remains around 18%, with respect to which the economic impact on the 2020 of the tax realignment carried out by the Group companies.
The ratio between the exposure of the total financial debt and the EBITDA is around 1.77, a strong improvement compared to the previous year, whilst the financial debt to equity ratio is around 0.63 (1.28 in the previous year).

Investments

As regards the investments made in 2021, it is emphasised that in the year the investments of intangible assets concern the Right of Use assets for the new lease contracts stipulated for Euro 0.9 million. The tangible investments made by the subsidiaries, the amount of which is approximately Euro 1.8 million, concern improvements to third party buildings and the purchase of durable goods of various kinds.

Operating performance of the Parent Company IDB S.p.A.

The situation of the parent company IDB S.p.A., drawn up according to the Italian OIC accounting principles, is shown in the tables below:

Reclassified Income Statement	2020	2021
	value	value
Revenues	547	958
Other revenues and income	-	-
Total revenues	547	958
External operating expenses (*)	(1,721)	(3,153)
Value added	(1,174)	(2,195)
Staff costs	(480)	(655)
Gross operating margin (EBITDA) (**)	(1,654)	(2,850)
Amortisation, depreciation and write downs	(8)	(978)
Operating earnings (EBIT)	(1,662)	(3,828)
Result of the financial area	885	4,779
Result before taxes	(777)	951
Income taxes	393	843
Group consolidated net result	(384)	1,794

It should be noted that the parent company received dividends for a total of Euro 5.1 million in the year 2021 and made write-downs on equity investments for Euro 951 thousand.

Reclassified Balance Sheet	2020	2021
	value	value
Intangible fixed assets	7	96
Tangible assets	42	98
Equity investments and other non-current assets	30,567	35,704
Non-Current Assets (A)	30,616	35,898
Inventories	-	-
Trade receivables	16	2
Other current assets	594	841
Current assets (B)	610	843
Trade payables	(55)	(137)
Other current liabilities	(159)	(484)
Current liabilities (C)	(214)	(621)
Net working capital (D = B – C)	396	222
Provisions for risks and severance indemnity	(307)	(1,141)
Other non-current liabilities	-	-
Medium-/Long-term assets (liabilities) (E)	(307)	(1,141)
Net invested capital (A + D + E)	30,705	34,979
Shareholders' Equity	24,902	26,695
Net financial position of banks	(749)	(3,045)
Other net financial position	6,553	11,328
Net financial position	5,804	8,283
Shareholders' equity and net financial position	30,706	34,978

Within the equity investments, the main increases of the period are related with the exercise of the earn out and put options and the acquisition of 20% of Axolight S.r.l. The net financial position towards others is represented by cash pooling payables to Group companies.

Information on the Group's main risks and uncertainties

<u>Financial risks</u>

Exchange rate risk: limited. The Group operates mainly in Euro; as regards the balance of the foreign exchange trade balance in dollars, since the receipts and payments in foreign currency are partially offset, the currency risk is not excessive and it was therefore not deemed necessary to operate exchange hedges. For the sensitivity analysis on exchange rate risk and the related effects at the level of net income before tax and effects on net equity before tax, please refer to the paragraph on financial risk management in the notes to the financial statements.

Interest rate risk: the Group made use of derivative financial instruments. The payable to financial institutions is covered by the interest rate risk for Euro 8,623 thousand with the instrument called CAP (the company pays a spot premium and acquires the right to receive the differential between the

Euribor and a strike level, but only in in which the Euribor is higher than said strike) which limits the increase in the base rate to a maximum value of 1% and with the instrument called IRS (the company pays a fixed rate and is entitled to receive a variable rate parameterised at Euribor).

The derivative contracts entered into have an overall negative value - Mark to market - as at 31 December 2021 of approximately Euro 88 thousand, the change of which, net of the tax effect, compared to the previous year was recognised under the other components of the profit total for Euro 120 thousand, net of the tax effect.

For the sensitivity analysis on interest rate risk and the related effects at the level of net income before taxes, please refer to the paragraph on financial risk management in the notes to the financial statements.

Price risk: limited. The price lists normally last one year, the sale lists incorporate and tend to neutralize the increases on purchases. Even in the presence of an inflationary scenario in the last months of the year, the impact of the increase in the prices of raw materials remains limited, also due to the ability of the Group companies to adjust the sales lists in this sense and keep the marginality.

Credit risk: limited. In most cases, customers are divided, the exposure per single position is usually limited; in addition, customers are monitored systematically, each customer is associated with a credit line and a maximum overdraft not exceeding that indicated in the reports provided by the commercial information companies. For many customers, especially outside the EU, the companies of the Group require advance payment or guarantees. In some cases, credit insurance was used.

Cenacchi International S.r.l. operates on the world market with renowned customers; however, the strong concentration of customers in relation to various subjects attributable to a single economic entity with which the Company's relations have been consolidated over the years should be noted.

Liquidity risk: limited. It is believed that the cash and cash equivalents, approximately Euro 33 million, and the commercial credit lines currently available of approximately Euro 15 million, in addition to those that will be generated by the operating activity, will be suitable to meet the needs deriving from the investment activity, management of working capital and repayment of debts at their natural maturity.

Non-financial risks

It is believed that there are currently no significant internal risks of an industrial, commercial nature and, more generally, related to the typical business of the Group. A more than reasonable expectation of business continuity is therefore confirmed.

Information on the environment and staff

The Group maintains a management system for constant monitoring and, where possible with a view to continuous improvement, the reduction of environmental impacts.

The Group maintains a management system implemented to safeguard health and safety in the workplace with the aim of both complying with legal requirements and monitoring and, where possible, preventing all kinds of problems relating to the health and safety of its employees.

The number of employees at the end of 2021 is 410 units (397 in the previous year), the workforce is made up of 8 managers, 242 middle managers and employees, 159 blue-collar workers, 1 other. During 2021, the use of social safety nets was minimal.

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Treasury shares and parent company shares

The company does not own, nor has it ever owned, be it directly or indirectly, treasury shares. It holds 70% of the shares of Gervasoni S.p.A. whilst the remaining 30% is held by the same as treasury shares.

Business Outlook

It should be noted that, in the first few months of 2022, the activity of the Group companies remains at high levels of growth and the sales of the first quarter of 2022 are higher than the quarter of the previous year. As regards the conflict in Ukraine which began on 24 February, whilst uncertainty remains very high about the evolution of the situation and the possible repercussions at the global macroeconomic level, no significant consequences are currently expected on the results of 2022.

There were no subsequent events affecting the financial position of the Group as at 31 December 2021. It should be noted that the Group is pursuing its growth strategy by external lines and during the first months of 2022 negotiations have been started which, with reasonable possibility, will materialise in the following months.

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Milan, 29 April 2022

on behalf of the BOARD OF DIRECTORS

The President

Andrea Sasso

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Consolidated statement of assets and financial position

(Amounts in €/000)	*Notes*	31-Dec-21	31-Dec-20
NON-CURRENT ASSETS			
Intangible fixed assets	1	126,940	132,885
Goodwill		*57,119*	*57,119*
Trademarks		*26,220*	*26,221*
Models		*5,472*	*6,317*
Customer relations		*20,883*	*24,199*
Other intangible activities		*1,078*	*1,534*
Right of use		*16,167*	*17,494*
Property, plant and equipment	2	5,621	5,053
Pre-paid tax assets	16	2,482	2,175
Equity investments	3	1,234	423
Other non-current assets	4	1,908	1,889
Total non-current assets		138,185	142,424
CURRENT ASSETS			
Inventories	5	14,959	12,769
Assets resulting from contracts	6	1,903	1,097
Trade receivables	7	18,756	15,774
Income tax receivables	8	298	1,317
Other current assets	9	3,000	1,669
Cash and cash equivalents	10	33,327	42,021
Total current assets		72,243	74,647
TOTAL ASSETS		210,428	217,070

(Amounts in €/000)		31-Dec-21	31-Dec-20
SHAREHOLDERS' EQUITY			
Share capital	11	20,217	20,217
Other reserves and retained earnings, including the result for the year	11	43,878	32,495
Total net equity of the Group		64,095	52,711
Third-party shareholders' equity		-	-
Total shareholders' equity		64,095	52,711
NON-CURRENT LIABILITIES			
Benefits subsequent to the termination of the employment contract	12	5,575	4,988
Provisions for liabilities and charges	13	2,641	2,670
Medium-/long-term loans from banks	14	24,421	46,219
Other non-current financial liabilities	15, 17	5,955	23,440
Other medium-/long-term financial loans	15	1,500	1,500
Non-current financial payables to lessors	15	14,152	15,096
Deferred taxes	16	9,341	10,331
Total non-current liabilities		63,585	104,245
CURRENT LIABILITIES			

Short-term loans from banks	14	9,430	11,324
Other current financial liabilities	15, 17	16,113	9,818
Other short-term loans	15	82	34
Current financial payables to lessors	15	2,007	1,984
Trade payables	18	28,434	21,515
income tax payables	19	2,107	1,259
Other current liabilities	20	24,575	14,180
- Payables to staff and social security institutions		*5,916*	*4,063*
- Liabilities resulting from contracts		*11,145*	*4,721*
- Other payables		*7,514*	*5,396*
Total current liabilities		82,748	60,114
TOTAL LIABILITIES		146,333	164,359
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		210,428	217,070

Consolidated income statement

(Amounts in €/000)		2021	2020
Sales revenues for goods and services	21	144,171	110,188
Other revenues	22	3,527	1,698
Total revenues		**147,698**	**111,885**
Procurement of raw materials	23	(55,082)	(37,841)
Changes in inventories		1,405	132
Staff costs	24	(23,662)	(19,619)
Costs for services and use of third-party assets	25	(47,083)	(38,908)
Other operating costs	26	(450)	(495)
Provisions and Depreciation	27	(122)	(152)
Amortization and write-downs of fixed assets	28	(8,056)	(8,090)
Operating profit/(loss)		**14,649**	**6,912**
Financial income		8,723	5,077
Financial charges		(8,599)	(6,723)
Net financial income/(charges)	**29**	**124**	**(1,646)**
Profit before tax resulting from operations		**14,773**	**5,266**
Income tax	30	(3,370)	3,553
Imposte correnti PL		-4,852	-3,517
Imposte anticipate PL		856	267
Imposte differite PL		626	6,803
Net result from ongoing operations		**11,402**	**8,819**
Net result from discontinued operations		-	-
Net income		**11,402**	**8,819**
Attributable to:			
Result pertaining to the Group		11,402	8,819
Result pertaining to third parties		-	-

Consolidated cash flow statement

(Amounts in €/000)		2021	2020
A. Cash flows deriving from operating activities (indirect method)			
Profit (loss) for the year		11,402	8,819
Income tax		3,370	(3,553)
Interest expense/interest income		1,846	1,682
Other proceeds and non-monetary costs		(1,638)	(66)
(Dividends)		0	0
(capital gains) / capital losses from transfer of assets		0	0
1. Profit (loss) before income taxes, interest, dividends and capital gains/losses from transfer		**14,981**	**6,882**
Adjustments for non-cash items with no counterpart in the net working capital			
Severance Indemnity Provision		587	(193)
Provisions		63	199
Amortization of fixed assets		8,056	8,085
Write-downs for impairment losses		0	0
Other adjustments for non-monetary elements		(33)	43
2. Cash flow before changes in net working capital		**23,654**	**15,017**
Decrease/ (increase) in inventories		(2,189)	1,003
	0	(806)	(620)
Decrease / (increase) in loans to customers		(3,070)	8,630
Increase/ (decrease) in trade payables		6,919	(4,342)
	0	6,425	1,682
Other changes in net working capital		1,517	3,009
Interest received/(paid)		(1,361)	(1,683)
(Income tax paid)		(2,656)	(2,496)
Severance indemnity payouts and other provisions		(29)	144
4. Cash flow after other adjustments		**4,750**	**5,326**
Cash flow from operating activities (A)		**28,404**	**20,343**
B. Cash flows deriving from investment activities			
Investments of intangible fixed assets		(968)	(2,498)
Investments of fixed assets		(1,711)	(783)
Investments of financial fixed assets		(800)	0
Acquisition or sale of subsidiaries or business units, net of cash equivalents		0	0
Business combinations and exercise of earnout options		(9,926)	(5,229)
Investments in financial assets		0	0
Cash flow from investing activities (B)		**(13,406)**	**(8,510)**
C. Financial flows deriving from financing activities			
Loan capital			
Increase/ (decrease) in short-term payables due to banks		(2,210)	24
Financing expenses		2,666	17,108
Loan repayment		(24,148)	(10,418)
Change in other financial liabilities		0	0
Equity			
Increase in net capital		0	0
(Dividends and advances on dividends paid)		0	0
Cash flow from financing activities (C)		**(23,692)**	**6,714**
Increase/ (decrease) in cash equivalents (A ± B ± C)		(8,694)	18,547
Cash and cash equivalents as at 1 January		42,021	23,474
Cash Equivalents 31		33,327	42,021
Change in cash and cash equivalents		**(8,694)**	**18,547**

Comprehensive consolidated income statement

(Amounts in €/000)		2021	2020
Operating profit	Notes	11,402	8,819
Profit / (loss) from cash flow hedge		166	(18)
Tax effects		(46)	5
Total profit/loss) from cash flow hedge, net of taxes		120	(13,128)
Translation differences of foreign statements		47	(80)
Total components of the Statement of Comprehensive Income that will be subsequently reclassified to the profit/(loss) for the year:	32	**167**	**(932)**
Actuarial profit /(loss)		(244)	181
Tax effects		59	(43)
Total actuarial profit (loss), net of taxes	32	(186)	137
Components of the Statement of Comprehensive Income that will be subsequently reclassified to the profit/(loss) for the year:		**(186)**	**137**
Total other income statement items net of taxes		(19)	44
Total comprehensive net profit for the period		11,384	8,863
Attributable to:			
Shareholders of the parent company		11,384	8,863
Minority shareholders		-	-

Consolidated statement of changes in shareholder's equity

(Amounts in €/000)	Share Capital	Share premium reserve	Cash flow hedge reserve	Actuarial profit /(loss)	Other reserves	Earnings carried forward	Result for the financial year	Total Group Shareholders' Equity	Third-Party capital and reserves	Third-party profits	Third-party equity	Total Shareholders' equity
Balance as at 01 January 2020	20,217	3,563	(174)	(183)	(45)	13,095	7,375	43,848	-	-	-	43,848
allocation of profits for the period						7,375	(7,375)	-	-	-	-	-
Share capital increase								-	-	-	-	-
Other items of the income statement			(13)	137	(80)			44	-	-	-	44
Business combinations								-				-
Operating profit							8,819	8,819	-	-	-	8,819
Balance as at 31 December 2020	20,217	3,563	(187)	(45)	(125)	20,470	8,819	52,711	-	-	-	52,711
allocation of profits for the period						8,819	(8,819)	-	-	-	-	-
Share capital increase								-	-	-	-	-
Other items of the income statement			120	(186)	47			(19)	-	-	-	(19)
Business combinations								-				-
Operating profit							11,402	11,402	-	-	-	11,402
Balance as at 31 December 2021	20,217	3,563	(67)	(231)	(78)	29,289	11,402	64,095	-	-	-	64,095

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ITALIAN DESIGN BRANDS S.p.A.

Milan Office (MI) – Corso Venezia, 29

Share Capital Euro 20,216,740

Administrative and Economic Index of Milan No. 2062252

Tax code and registration number at the Milan Business and Trade Registry no.:

09008930969

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2021

Summary

Overview

The Group

Italian Design Brands S.p.A. (hereinafter also "IDB"), controlled by Investindesign S.p.A., is based in Milan and was established on 10 March 2015 with the aim of promoting a pole of Italian design in the furniture, furnishing and lighting sector of high quality, capable of creating dimensional, organizational, managerial, strategic and distribution synergies, which are difficult to achieve by individual operators. With these synergies, IDB aims to compete internationally, in a sector where Italy has a competitive advantage and excellent creative and product skills, currently not sufficiently exploited due to the excessive fragmentation and limited size of the operators.

On 1 April 2015, Fingerva S.p.A. was established, a company wholly owned by IDB, which, in turn, on 6 May 2015 acquired a stake equal to 100% of the available shares of Gervasoni S.p.A., equal to 70% of the shares constituting the share capital, as the remaining 30% consists of treasury shares owned by Gervasoni S.p.A.

On 30 July 2015, the respective shareholders' meetings of Gervasoni and Fingerva approved the reverse merger of Fingerva into Gervasoni, the effects of which, in accordance with the provisions of Article 2504-bis, third paragraph, as well as for tax and accounting purposes, take effect from 1 January 2015; the merger took place on 6 October 2015.

Furthermore, on 2 April 2015, Gervasoni acquired the remaining 80% of the investment in Ifa, thus acquiring full control of the company.

On 4 April 2016, Finmeridiani S.r.l. was established, a company controlled by IDB at 61.11% and the remaining 38.89% by the subsidiary Gervasoni S.p.A., which in turn, on 9 June 2016, acquired the entire capital of Meridiani S.r.l.

On 7 October 2016, the respective meetings of Meridiani and Finmeridiani approved the reverse merger of Finmeridiani into Meridiani the effects of which, in accordance with the provisions of Article 2504-bis, third paragraph, as well as for tax and accounting purposes, take effect from 1 January 2016; the merger took place on 18 November 2016.

On 29 September 2016, the subsidiary Meridiani S.r.l. set up the Meridiani France company, of which it holds the entire share capital. On 11 September 2018, the company Meridiani UK (now IDB UK Ltd.) was established, of which it held the entire share capital, now fully owned by the parent company IDB S.p.A.

On 27 June 2017, the company Fincenacchi S.r.l. was established, on 14 September 2017 the company in question 51% controlled by IDB acquired the entire share capital of Cenacchi S.r.l. On 30 October 2017, the respective shareholders' meetings of Cenacchi and Fincenacchi approved the reverse merger of Fincenacchi into Cenacchi the effects of which, in accordance with the provisions of Article 2504-bis, third paragraph, as well as for tax and accounting purposes, take effect from 1 January 2017; the merger took place on 4 December 2017.

On 11 December 2017, the company Indaco S.r.l. was established. 57% owned by IDB S.p.A., which acquired on 9 March 2018 the entire capital of the company Fingroppi S.r.l. established on 18 December 2017. On 3 July 2018, the respective shareholders' meetings of Davide Groppi and Fingroppi approved the reverse merger of Fingroppi into Davide Groppi, the effects of which, in accordance with the provisions of Article 2504-bis, third paragraph, as well as for tax and accounting purposes, take effect from 1 January 2018; the merger took place on 11 September 2018.

On 11 July 2018, the company Finsaba S.r.l. was established, wholly owned by IDB S.p.A .; as of 24 October 2018, the company in question acquired the entire share capital of Saba Italia S.r.l. On 19 November 2018, the respective meetings of Saba Italia and Finsaba approved the reverse merger of Finsaba into Saba Italia, the effects of which, in accordance with the provisions of Article 2504-bis, third paragraph, as well as for tax and accounting purposes, take effect from 1 January 2018; the merger took place on 22 December 2018.

On 12 March 2019, the company Finmodar S.p.A. was established, 65% owned by IDB S.p.A .; as of June 6, 2019, the company in question acquired the entire share capital of Modar S.p.A. On 23 October 2019, the respective shareholders' meetings of Modar S.p.A. and Finmodar S.p.A. approved the reverse merger of Finmodar into Modar, the effects of which, in accordance with the provisions of Article 2504-bis, third paragraph, as well as for tax and accounting purposes, take effect from 1 Januar y 2019; the merger took place on 30 December 2019.

On 21 November 2019, the reverse merger of Indaco S.r.l. was approved. into Davide Groppi S.r.l., the merger took place on 27 December 2019 and registered on 31 December 2019.

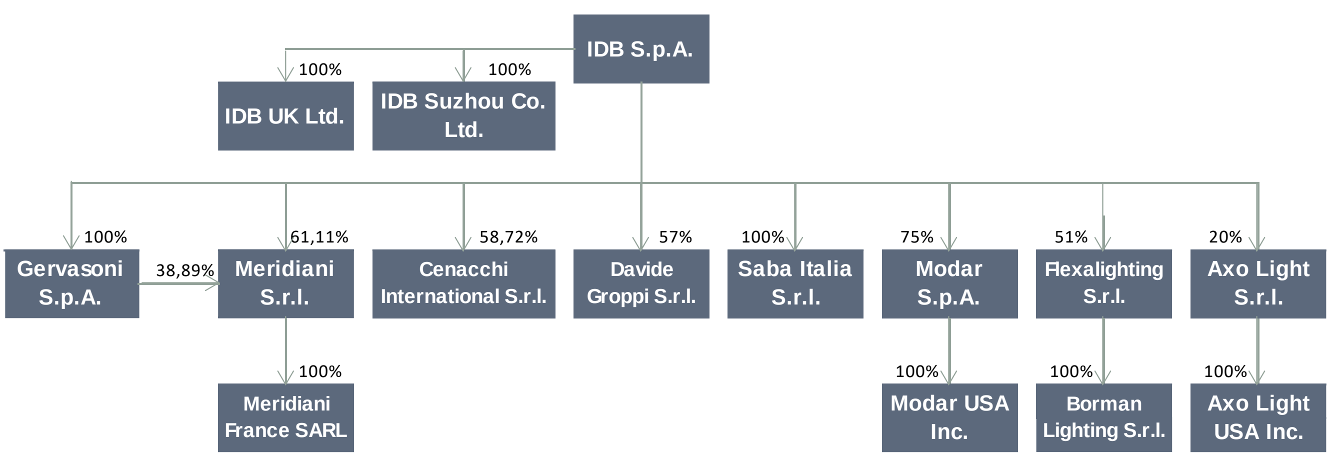
On 23 July 2019, the company Finflexa S.r.l. was established, 51% owned by IDB; as of February 13, 2020, the company in question acquired the entire share capital of Flexalighting S.r.l.

On 12 October 2020, the respective shareholders' meetings of Flexalighting and Finflexa approved the reverse merger of Finflexa into Flexalighting, the effects of which, in accordance with the provisions of Article 2504-bis, third paragraph, as well as for tax and accounting purposes, take effect from 1 January 2020; the merger took place on 18 November 2020 and registered on 27 November 2020.

On 25 November 2019, IDB Suzhou Co. Ltd. wholly owned by IDB S.p.A., the company became operational in 2020.

During 2021, Gervasoni S.p.A. merged by incorporation the subsidiary IFA S.r.l. and Meridiani UK was transferred under the control of IDB S.p.A., changing its corporate name to IDB UK Ltd.

The structure of the IDB S.p.A. Group as at 31/12/2021 is shown below:



The Covid-19 pandemic

The Group promptly and, in a timely manner, adopted and kept under constant monitoring the application and compliance with the measures required of employers for the safety of workers, the contrast and containment of the spread of the Covid virus in the workplace in application of primary legislation. and secondary, both nationally and locally, issued for the health emergency as well as shared regulatory protocols. Also in consideration of the location of the production, commercial and administrative offices of the Companies classified according to the Health Emergency Regulations, all the company functions responsible for the implementation and management of the applicable provisions of the Health Emergency Regulations and the Protocols have scrupulously worked for full application and compliance with the measures relating to: information to all workers and whomever enters the company, on the provisions of the Health Emergency Regulations and Protocols; access to the workplace; hygiene in the company; common areas and travel; the management of symptomatic or asymptomatic cases in the company; the company doctor and the Health and Safety Officer.

FORM AND CONTENT OF THE FINANCIAL STATEMENTS

The Group, as governed by paragraph 2 of Article 3 of Legislative Decree 38 dated 28 February 2005, made use of the option provided for companies that prepare consolidated financial statements to prepare the same in compliance with international accounting standards.

The consolidated financial statements of the Group closed as at 31 December 2021 from an economic, equity and financial point of view incorporate the data of the subsidiaries Gervasoni S.p.A., Meridiani S.r.l., IDB UK Ltd., Meridiani France SARL, Cenacchi International S.r.l., Davide Groppi S.r.l., Saba Italia S.r.l., IDB Suzhou Co. Ltd., Modar S.p.A., Modar USA Inc., Flexalighting S.r.l. and Borman Lighting S.r.l.

The financial statements consist of the statement of financial position, the statement of income, the statement of comprehensive income, the statement of changes in equity, the statements of cash flows and these Notes to the Financial Statements. It is also accompanied by the Report on Operations.

The values shown in the accounting schedules are in thousands of Euro; the explanatory notes are mainly expressed in thousands of Euro, unless otherwise specified.

For the purposes of preparing the financial statements according to the International Accounting Standards, the Group has adopted:

1) the statement of financial position which provides for the distinct separation between current and non-current assets and liabilities, meaning those realisable in the normal operating cycle by current (IAS 1, par. 57), generally identified in the 12-month period following the date of the financial statements;
2) for the comprehensive income statement, the scheme by nature;
3) for the cash flow statement, the presentation of cash flows using the indirect method.

The consolidated financial statements were drawn up on the basis of the financial statements prepared by the individual subsidiaries, adjusted, where necessary, to standardise them with the accounting principles used by the Parent Company in the preparation of the consolidated financial statements, which are in compliance with the IFRS adopted by the European Union.

These financial statements were approved by resolution of the Board of Directors on 29 April 2022.

Statement of compliance with international accounting standards

The consolidated financial statements have been prepared in compliance with the International Accounting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and implemented by European Union legislation and in our legal system as a result of Legislative Decree No. 38 dated 28 February 2005 as at the financial statements reference date. IFRS also includes all the main reviewed international accounting standards (“IAS”) and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously named the Standing Interpretations Committee (SIC).

CONSOLIDATION AREA

The consolidated financial statements include the financial statements of the Parent Company, Italian Design Brands S.p.A., and of the companies over which the parent company has the right to exercise control by determining their financial and management decisions and to obtain the related benefits. The companies that, in compliance with the provisions of IAS 27, are included with the line-by-line method in the scope of consolidation as at 31 December 2021 are listed below.

Company name	Office	Share capital	Asset	% direct ownership	% indirect ownership
Gervasoni S.p.A.	Pavia di Udine (UD)	1,000,000	furnishings	100%	0%
Meridiani S.r.l.	Misinto (MB)	120,000	furnishings	61.11%	38.89%
Meridiani France SARL	Paris (FR)	100,000	furnishings	0%	100%
IDB UK Ltd.	London - UK	111,792	furnishings	100%	0%
Cenacchi International S.r.l. (*)	Ozzano dell'Emilia (BO)	10,000	furnishings	58.72%	0%
Davide Groppi S.r.l. (*)	Piacenza	20,000	lighting	57%	0%
Saba Italia S.r.l.	S.Martino di Lupari (PD)	50,000	furnishings	100%	0%
Modar S.p.A. (*)	Barlassina (MB)	500,000	furnishings	75%	0%
IDB Suzhou Co. Ltd.	Suzhou (China)	700,000	distribution	100%	0%
Flexalighting S.r.l. (*)	Pontassieve (FI)	10,000	lighting	51%	0%
Borman Lighting S.r.l. (*)	Pontassieve (FI)	10,000	lighting	0%	51%
Modar USA Inc. (*)	New York (USA)	8,792	furnishings	0%	75%

(*) 100% consolidated companies as a result of the Put & Call Agreement with minority shareholders, the residual amount of which is recognised under Other current and non-current financial liabilities (see note 17). The Parent Company currently holds the majority of the shareholdings but, based on the agreements entered into with minorities and the put option exercisable by them, it is obliged to repurchase the remaining shares held under predefined contractual conditions.

With reference to the consolidation area, it should be noted that the same has not changed compared with financial year 2020. It should be noted only that, on 3 November 2021, with the deed of notary Margherita Gottardo di Udine, the merger by incorporation of the subsidiary Industria Friulana Arredamenti S.r.l. (IFA S.r.l.) into the parent company S.p.A. took place. The merger was approved by both companies participating in the transaction with resolutions of the respective shareholders' meetings held on 16 June 2021.

Consolidation criteria

The criteria adopted for the consolidation of subsidiaries include:

- The elimination of the value of equity investments against the assumption of the assets and liabilities of the subsidiaries according to the global integration method; the book value of the investments is eliminated against the corresponding fraction of the shareholders' equity of the investee companies.

  At the date of acquisition of control, the shareholders' equity of the investee companies is determined by attributing their current value to the individual elements of the assets and liabilities. Any positive difference between the purchase cost and the fair value of the net assets acquired is recognised under the asset item "Goodwill"; if negative, it is recognised in the income statement.
- The assumption in the consolidated financial statements of each item of the income statement of the consolidated companies.
- The elimination of all intra-group transactions and therefore of debts, credits, sales, purchases and profits and losses not realised with third parties.
- The recognition in a specific item of shareholders 'equity called "Minority interests" and "(Profit) loss for the year attributable to minority interests" respectively of the portion of shareholders' equity and the result for the period of the investee companies pertaining to the third party shareholders.

Companies in which the Group exercises control (subsidiaries) are consolidated on a line-by-line basis.

Control is achieved when the Group is exposed to or entitled to variable returns from its relationship with the entity being invested in and, in the meantime, can affect those returns by exercising its power over that entity.

Specifically, the Group controls an investee if, and only if, it has:

- power over the investee entity (i.e. it has valid rights that give it the current ability to direct the relevant activities of the investee entity);
- the exposure to or rights to variable returns resulting from the relationship with the entity being invested in;
- the ability to exercise its power over the invested entity to affect the number of its

returns.

Generally, there is a presumption that most voting rights involve control. In support of this presumption and when the Group holds less than the majority of voting rights (or similar rights), the Group considers all the relevant facts and circumstances to establish whether it controls the entity subject to investment, including contractual agreements with other holders, voting rights, rights resulting from contractual agreements, voting rights and potential voting rights of the Group.

Subsidiaries are consolidated from the date on which control is assumed and are deconsolidated from the date on which control ceases.

Translation of financial statements expressed in currencies other than the functional currency

The consolidated financial statements are presented in Euro, which is the functional and presentation currency adopted by the Parent Company. Each Group company defines its own functional currency, which is used to measure the items included in the individual financial statements.

As at the date of the financial statements, the assets and liabilities of the Group companies, including any goodwill resulting from the acquisition of a foreign operation, are converted into Euro at the exchange rate of that date, whilst the revenues and costs of the statementof the income and the statement of comprehensive income are converted at the average exchange rate. The exchange differences resulting from the conversion, or a different exchange rate used with respect to the consolidated financial statements of the previous year, as well as the difference between the conversion exchange rate of the result for the year and the exact year-end closing exchange rate, are recognised in the statement of comprehensive income , whilst in the statement of changes in shareholders' equity the exchange differences are attributed separately to the "Reserve for translation differences" for the Group's share and to the item "Share capital and reserves of minorities" for the minority interest.

Upon disposal of a foreign operation, the part of the comprehensive income statement ("OCI") referring to this foreign operation is recorded in the income statement.

The exchange rates applied in the conversion of financial statements in currencies other than the Euro for the financial years ended 31 December 2021 and 31 December 2020 are shown below:

Currency	2020		2021	
	Interim exchange rate	Year-end exchange rate	Interim exchange rate	Year-end exchange rate
CNY	7.87470	8.02250	7.62820	7.19470
GBP	0.88970	0.89903	0.85960	0.84028
USD	1.14220	1.22710	1.18270	1.13260

FINANCIAL STATEMENTS BASIS OF PREPARATION

The Consolidated Financial Statements have been prepared on the going concern assumption, as the Directors verified the absence of financial, managerial or other indicators that could signal critical issues regarding the Group's ability to meet its obligations in the foreseeable future and, specifically, in the following 12 months from the closing date of the financial statements.

The financial statements have been drawn up on the basis of the historical cost principle, except for some derivative financial instruments which have been valued at their fair value.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE TO THE FINANCIAL STATEMENTS ENDED 31 DECEMBER 2021

The accounting standards, amendments and interpretations applicable to the financial statements closed as at 31 December 2021 are briefly described below. The standards, amendments and interpretations that by their nature cannot be adopted by the Group are excluded from the list.

Reform of the interest rate benchmark - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

As of 1 January 2021, the changes to the aforementioned principles have come into force as part of the Interest Rate Benchmark Reform. The amendments provide for temporary reliefs that address the effects of financial reporting when an offered interbank rate (IBOR) is replaced with an almost risk-free alternative interest rate (RFR).

These changes have not had an impact on the Group's consolidated financial statements.

Amendments to IFRS 16 Covid-19 Concessions relating to rents

On 28 May 2020, the IASB issued "Concessions for Covid-19 related rentals - amendment to IFRS 16 Leasing".

The amendments provide some facilities to lessees from the application of the IFRS 16 guide for accounting for changes to leasing contracts which occurred as a direct consequence of the Covid-19 pandemic.

As a practical expedient, a tenant can choose not to assess whether or not a rental concession, related to Covid-19, granted by a lessor is to be considered a contractual modification. A lessee who adopts this expedient accounts for any change in the lease payments resulting from this concession, in the same way as he would account for any change under IFRS 16, if this were not a contractual modification.

This amendment was expected to apply until 30 June 2021. However, given that the impact of the Covid-19 pandemic continues, the IASB, on 31 March 2021, decided to extend the application of the practical expedient until 30 June 2022. The amendment applies to financial statements as of 1 April 2021 or later.

This amendment had no impact on the Group's consolidated financial statements.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ADOPTED BUT APPLICABLE IN ADVANCE

On 14 May 2020, the IASB published the following amendments called:

- *Amendments to IFRS 3 Business Combinations*. The amendments are intended to update the reference in IFRS 3 to the Conceptual Framework in the revised version, without this entailing changes to the provisions of IFRS 3.
- *Amendments to IAS 16 Property, Plant and Equipment*. The amendments are intended not to allow the amount received from the sale of goods produced in the test phase of the activity to be deducted from the cost of tangible assets. These sales

revenues and the related costs will therefore be recognised in the income statement.

- *Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets*. The amendment clarifies that all costs directly attributable to the contract must be considered in the estimate of the possible cost of a contract.
- *Annual Improvements 2018-2020*: the amendments were made to IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and the Illustrative Examples of IFRS 16 "Leases".

All the changes will come into force on 1 January 2022, but early adoption is allowed; however, the Group did not opt for this choice. To date, no significant impacts are expected from the application of these amendments.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPROVED BY THE EUROPEAN UNION

At the reference date of this document, the competent bodies of the European Union have not yet concluded the approval process necessary for the adoption of the amendments and standards described below.

- On May 7, 2021, the IASB published the Amendments to *IAS 12 Income Taxes: "Deferred Tax related to Assets and Liabilities resulting from a Single Transaction"*. The document aims to clarify the accounting of deferred taxes on particular transactions such as leases and "decommissioning obligations". The changes will take effect from 1 January 2023.
- On 12 February 2021, the IASB published the Amendments to IAS 1 *Presentation of Financial Statements and IFRS Practice Statement 2: "Disclosure of Accounting policies"*. The document aims to help companies decide which "accounting policies" to indicate in the financial statements. The changes will take effect from 1 January 2023.
- On 12 February 2021, the IASB published the *Definition of Accounting Estimates (Amendments to IAS 8)*. The definition of change in accounting estimates is replaced by a definition of accounting estimate. Under the new definition, accounting

estimates are "monetary amounts in the financial statements subject to valuation uncertainty" and that a change in the accounting estimate resulting from new information or new developments is not a correction of an error. The changes will take effect from 1 January 2023.

- On 23 January 2020, the IASB published an amendment referred to as *Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*. The document aims to clarify how to classify debts and other short or long-term liabilities. The changes will take effect from 1 January 2023.

Any impacts resulting from these new standards, amendments and interpretations do not appear to be significant on the Group's consolidated financial statements.

ACCOUNTING POLICIES ADOPTED

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

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is determined as the sum of the consideration transferred, measured at fair value as at the date of acquisition and the amount of the minority stake in the acquisition. For each business combination, the Group defines whether to measure the minority stake in the acquired company at fair value (so-called full goodwill method) or in proportion to the share of the minority stake in the net identifiable assets of the acquired company (so-called partial goodwill method). Acquisition costs are expensed during the year and classified under administrative expenses.

When the Group acquires a business, it classifies or designates the financial assets acquired or liabilities assumed in accordance with the contractual terms, economic conditions and other relevant conditions existing as at the acquisition date. This includes verifying whether an embedded derivative should be separated from the primary contract.

If the business combination is carried out in several stages, the shareholding previously held is traced back to fair value at the acquisition date and any resulting profit or loss is recognised in the income statement.

Any potential consideration to be recognised is recorded by the buyer at fair value as at the date of acquisition. The change in fair value of contingent consideration classified as an asset or liability, such as a financial instrument within the scope of IFRS 9 Financial Instruments, shall be recognised in profit or loss following IFRS 9.

Goodwill is initially recognised at cost, represented by the excess of the fee paid and the amount recorded for minority interests, compared with the identifiable net assets acquired and liabilities assumed by the Group. If the fair value of the net assets acquired exceeds the total amount of paid, the Group again checks whether it has correctly identified all the assets acquired and all the liabilities assumed and reviews the procedures used to determine the amounts to be recognised as at the date of acquisition. If the new valuation still shows a fair value of the net assets acquired higher than the consideration, the difference (profit) is recognised in the income statement.

After initial recognition, goodwill is valued at cost, net of accumulated impairment losses. For the purpose of the impairment test, the goodwill acquired in a business combination is allocated, as of the date of acquisition, to each cash-generating unit of the Group which is expected to benefit from the synergies of the combination, regardless of whether other assets or liabilities of the acquired entity are assigned to said units.

If the goodwill has been allocated to a cash-generating unit and the entity disposes of part of the assets of that unit, the goodwill associated with the divested business is included in the carrying amount of the asset when determining the profit or the loss of disposal. The goodwill associated with the divested business is determined on the basis of the relative values of the divested business and the retained part of the cash-generating unit.

Changes in ownership interests in a subsidiary that do not result in a loss of control are accounted for in equity.

In the case of the sale of part of the shares held with corresponding loss of control, the shareholding held is adjusted to its fair value and the new valuation of the same contributes to the formation of the capital gain/(loss) resulting from the sale.

Intangible fixed assets

The separately acquired intangible assets are recognised under assets at purchase cost including directly attributable ancillary charges. Those acquired through business combinations are recognised at fair value at the acquisition date.

The useful life of intangible assets is assessed as finite or indefinite.

Intangible assets with a finite useful life are subjected to testing to detect any losses in value, when facts or changes in situation indicate that the book value cannot be realised.

After initial recognition, intangible fixed assets with a definite useful life are recognised net of the relative accumulated depreciation and any permanent losses in value, determined in the same way as indicated for tangible fixed assets.

The useful life is reviewed at least annually and any changes, if necessary, are applied prospectively.

Intangible assets with an indefinite useful life, which for the Group consist of goodwill and the brand, are not subject to amortisation but are subjected to impairment tests in the manner defined in the relevant subsequent paragraph.

The profits or losses resulting from the sale of an intangible asset are determined as the difference between the disposal value and the book value of the asset and are recognised in the income statement at the time of the sale.

Trademarks

The brands purchased as part of business combinations are recognised at fair value on the date of the transaction.

The brands of the Group have been considered assets with an indefinite useful life and, therefore, are not subject to a systematic amortisation process but are subjected to checks at least annually to identify any reductions in value determined with the methods indicated in the section "impairment".

Other intangible activities

Intangible assets are initially measured at cost, normally determined as the price paid for their acquisition, inclusive of ancillary charges and any non-recoverable taxes, net of commercial discounts and allowances. After initial recognition, intangible assets are accounted for at cost, net of accumulated depreciation and any impairment losses determined in accordance with IAS 36.

Intangible fixed assets are subject to amortisation, except when they have an indefinite useful life. The amortisation is applied systematically over the useful life of the intangible asset according to the estimated economic employment prospects. The residual value at the end of its useful life is assumed to be zero, except in the case in which there is a commitment by third parties to purchase the asset at the end of its useful life, or there is an active market in which the asset is exchanged. The Directors review the estimate of the useful life of the intangible asset at each year end.

Intangible assets generated internally and consisting of the development costs of new products or new production processes are recognised as assets only if all the following conditions are met:

- the business carried out is identifiable;
- it is likely that the asset created will generate future economic benefits;
- the development project will likely be completed and the related costs can be reliably measured.

These intangible assets are amortised on a straight-line basis over their respective useful lives. Depreciation of the asset begins when the development is completed and the asset is available for use.

The depreciation rates for intangible fixed assets with a finite useful life are shown below:

	Depreciation rate
Patent rights	20%
Software licences	33%
Registered designs	10%-20%
Customer relations	10%
Other fixed assets	10% - 20%

Tangible assets

Plant, machinery, equipment and buildings are entered at purchase or production cost net of accumulated depreciation and any write-downs for impairment. Assets consisting of components, of a significant amount and with different useful lives, are considered separately in determining the depreciation.

Depreciation is determined on a straight-line basis on the cost of the assets according to their estimated useful life represented by the following percentage rates:

	Depreciation rate
Plant and machinery	11.5%
Equipment and cars	25%
Vehicles and means of internal transport	20%
Furniture	12%
Office equipment and machinery	20%

The depreciation rates are reviewed on an annual basis; any changes, where necessary, are made with prospective application.

The residual value and useful life of the assets are reviewed at least at each year-end and if, regardless of the amortisation already accounted for, there is a loss in value determined on the basis of the application of IAS 36, the fixed asset is correspondingly written down; if in subsequent years the reasons for the write-down no longer apply, its value is restored, net of depreciation.

At the time of sale or when there are no future economic benefits expected from the use of an asset, it is eliminated from the financial statements and any loss or profit (calculated as the difference between the transfer value and the residual book value) is recognised at income statement in the year of the aforementioned elimination.

Maintenance and repair costs, which are not likely to enhance and/or extend the residual life of the assets, are expensed in the year in which they are incurred; otherwise they are capitalised.

Right of use assets leased

The Group has chosen to apply IFRS 16 on leasing retrospectively, as of 1 January 2019 (modified retrospective method). The Group assesses when signing a contract whether it is, or contains, a lease; in other words, if the contract confers the right to control the use of an identified asset for a period of time in exchange for a fee.

The Group adopts a single recognition and measurement model for all leases, except for short-term leases and leases of low-value assets.

The Group recognises the liabilities relating to lease payments and the right-of-use asset which represents the right to use the asset underlying the contract. It specifically accounts for:

- a right of use: on the start date of the lease (i.e. the date on which the underlying asset is available for use). Assets for the right of use are measured at cost, net of accumulated depreciation and impairment and adjusted for any remeasurement of leasing liabilities. The cost of the assets for the right of use includes the amount of the recognised leasing liabilities, the initial direct costs incurred and the lease payments made on the effective date or before the start, net of any incentives received. Right-of-use assets are amortised on a straight-line basis from the effective date to the end of the useful life of the asset consisting of the right of use. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects the fact that the lessee will exercise the purchase option, the lessee must depreciate the asset consisting of the right of use from the effective date until the end of the useful life of the underlying asset. Assets for the right of use are subject to impairment;
- a financial liability on the effective date of the lease. The Group recognises the leasing liabilities by measuring them at the present value of the payments due for the leasing not yet paid at that date. Payments due include fixed payments (including fixed payments in substance) net of any lease incentives to be received, variable lease payments that depend on an index or rate, and the amounts that are expected to be paid to residual value guarantee title. Lease payments also include the exercise price of a purchase option, if it is reasonably certain that this option will be exercised by the Group and the lease termination penalty payments, if the lease term takes into account the exercise from part of the Group of the option to terminate the lease itself. Variable lease payments that do not depend on an index or rate are recognised as costs in the period in which the event or condition that generated the payment

occurs. In calculating the present value of payments due, the Group uses the marginal loan rate at the start date. After the effective date, the amount of the lease liability increases to take into account the interest on the lease liability and decreases to consider the payments made. Furthermore, the book value of the lease payables is restated in the event of any changes to the lease or for the revision of the contractual terms for the modification of payments; it is also restated in the presence of changes regarding the valuation of the purchase option of the underlying asset or for changes in future payments resulting from a change in the index or rate used to determine such payments;

- classification of contracts for which the unit value of the underlying assets does not exceed, indicatively, $5,000 when new (so-called low-value assets), such as computers, telephones and tablets, office and multifunction printers. For these contracts, lease instalments are recognised in the income statement on a straight-line basis over the duration of the contract.

On the basis of what is required by the standard, the Group has adopted some elements of professional judgement and the use of assumptions and estimates in relation to the contractual terms (lease term) and the definition of the marginal loan rate. The main elements are summarised below:

- the renewal clauses, extension options and early termination of contracts are considered for the purpose of determining the duration of the contract when their exercise is reasonably certain, i.e., when the Group has the right to exercise them without the need to obtain the consent of the counterparty;
- incremental borrowing rate: the Group has decided to use the marginal borrowing rate as a discount rate to discount payments for lease agreements. This rate consists of the implicit interest rate of the contract, if it can be easily determined, or, alternatively, the average marginal borrowing rate of the Group;
- the asset consisting in the right to use the leased assets, in accordance with IFRS 16, is valued at cost including the present value of future payments discounted at the marginal financing rate as defined above, the initial direct costs incurred by the

lessee, the rents leases paid in advance and estimated costs for dismantling, removal and restoration. The value of the asset is systematically amortised.

Impairment

At each balance sheet date, the Group reviews the book value of its tangible and intangible assets to determine if there are indications that these assets have undergone a reduction in value. If these indications exist, the recoverable amount of these assets is estimated to determine the possible amount of the write-down. Where it is not possible to estimate the recoverable value of an asset individually, the Group estimates the recoverable value of the cash-generating unit to which the asset belongs.

Intangible assets with an indefinite useful life, including goodwill, are checked annually in order to determine if there are any losses in value regardless of the presence of indications of impairment.

The recoverable amount is the greater of the fair value, net of sales costs and the value in use. In determining the value in use, the estimated future cash flows are discounted to their present value using an after-tax rate that reflects the current market valuations of the value of money and the specific risks of the asset.

If the recoverable amount of an asset (or of the assets of a cash-generating unit) is estimated to be lower than its book value, the latter is reduced to the lower recoverable value. An impairment loss is recognised in the income statement in the same year in which it is identified.

When a write-down no longer has reason to be maintained, the book value of the asset (or of the assets of a cash-generating unit), with the exception of goodwill, is increased to the new value resulting from the estimate of its recoverable value, but no more than the net book value that the asset would have had if the write-down for loss of value had not been made. The recoverable amount is recorded in the income statement.

Investments in associates and other equity investments

Associated companies are those over which significant influence is exercised, which is presumed to exist when the shareholding is between 20% and 50% of the voting rights. Equity investments in associated companies are initially recognised at cost and subsequently valued using the equity method. The book value of these equity investments is aligned with the adjusted net equity, where necessary, to reflect the application of IFRS and includes the recognition of the higher values attributed to the assets and liabilities and any goodwill identified at the time of acquisition. In addition, the necessary adjustments are made to the financial statements of the companies valued using the equity method to make the valuation criteria homogeneous with those adopted by the Group. The profits or losses pertaining to the Group are accounted for from the date on which the significant influence began and until the date on which the significant influence ceases; in the event that, as a result of the losses, the Company valued with the method in question shows a negative net equity, the book value of the investment is cancelled and any excess pertaining to the Group, where the latter has undertaken to fulfilment of legal or implicit obligations of the investee company, or in any case to cover its losses, is recognised in a specific fund; the changes in the equity of the companies valued with the equity method not represented by the profit or loss are recognised directly as an adjustment to the equity reserves. Unrealised profits generated on transactions carried out between the Parent Company/Subsidiaries and the investee valued using the equity method are eliminated based on the value of the Group's stake in the investee itself; unrealised losses are eliminated, except where they are representative of a reduction in value.

Equity investments in companies other than associated companies (generally with a percentage of ownership of less than 20%) are valued at purchase cost, reduced if necessary in the presence of impairment. If any loss in value exceeds the book value of the investment, the value of the investment is reset, and the share of further losses is recognised as a liability fund in the event that the Company is obliged to respond. The cost is reinstated in subsequent years if the reasons for the write-down no longer apply.

Inventories

Inventories are recorded at the lower of the purchase cost (including ancillary charges) or production cost and the presumed net realisable value, represented by the amount that the company expects to obtain from their sale in the normal course of business.

The cost of inventories of raw materials, packaging materials, semi-finished and finished products is determined by applying the weighted average cost method on an annual basis. The production cost of finished and semi-finished products includes the direct cost of materials and labour plus a portion of general production costs defined on the basis of normal production capacity, not considering financial charges.
Obsolete inventories and slow-moving items are written down in relation to their possibility of use or realization.

Contract assets and liabilities

The recognition in the financial statements of contract assets and liabilities (hereinafter also "orders") depends on the method used to transfer control of the good or service to the customer: in the event that this occurs gradually as the asset is constructed or the services are rendered, the assets are recognised on the basis of the value of the agreed contractual payments, according to the cost to cost method, taking into account the stage of progress achieved; if, on the other hand, the transfer of control takes place at the time of the final delivery of the goods or the completion of the the promised services, the activities are recorded at the purchase cost.
A contract is recognised as a single activity if it identifies a single contractual obligation, that is, if the promise is to transfer a single good/service to the customer over a period of time using the same methods. If different contractual obligations are identified within the contract, these are accounted for as distinct activities resulting from the same contract with the customer.
The “contract assets” are shown under the inventories in a specific item, considering the costs incurred added to the recognised margins. The contractual advance payments received are classified in the other current liabilities, under the item “Contract liabilities”.
In the event that the completion of a contract is expected to cause a loss at the industrial margin level, this is recognised in its entirety in the year in which it becomes reasonably foreseeable and is disclosed in the provisions for risks and charges as a "provision for onerous contracts".
The accounting closure of the orders takes place after the testing of the installations.

Financial assets

At the time of initial recognition, financial assets are classified according to the subsequent measurement methods in one of the three categories identified by IFRS 9. The classification depends on the characteristics of the contractual cash flows and on the business model that the Group adopts for their management.

The business model refers to the way in which cash flows are generated which can result from the collection of contractual cash flows, from the sale of assets or from both.

A financial asset is classified under assets valued at amortised cost if it is held within the framework of a business model the objective of which is the collection of the financial flows envisaged by the contract, represented solely by payments, scheduled for predetermined dates, of the capital and interests. The valuation involves the use of the criterion of effective interest.

A financial asset is classified under assets valued at fair value with changes recognised in the comprehensive income statement if it is held within the framework of a business model the objective of which is achieved both through the collection of contractual cash flows and the sale of the same and are contractually envisaged, at predetermined dates, financial flows represented solely by payments of principal and interest. For assets included in this category, interest income, changes due to exchange differences and losses due to impairment are recognised in the income statement in the result for the period; the remaining changes in fair value are recognised in the comprehensive income statement. Upon elimination, the cumulative change in fair value recognised in OCI is released to the income statement.

In the initial recognition phase, equity instruments can be included in the category of financial assets measured at fair value with changes recognised in the income statement. The category of financial assets valued at fair value with changes recognised in the income statement includes assets held for trading, i.e., acquired for sale in the short term and assets designated as such.

At the time of initial recognition, an equity security not held for trading purposes can be designated under the financial instruments, the subsequent changes in fair value are recognised in the other components of the comprehensive income statement. This choice is made for each activity and is irrevocable.

Cancellation of financial assets

A financial asset is cancelled from the balance sheet when:

- the rights to receive cash flows from the asset are extinguished;
- the Group retains the right to receive financial flows from the asset, but has assumed the contractual obligation to pay them entirely and without delay to a third party;
- the Group has transferred the right to receive cash flows from the asset and has substantially transferred all the risks and benefits of ownership of the financial asset or has transferred control of it.

Trade receivables

Trade receivables that do not contain a significant financing component are valued at the transaction price determined according to IFRS 15. They are recognised at nominal value reduced by a bad debt provision to reflect the estimate of expected credit loss. The expected losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, including the cash flows resulting from the enforcement of the collateral held or other credit guarantees that are part of the integral of the contractual conditions.

Write-downs for non-recoverable amounts are recognised in the income statement when there is objective evidence that the receivables have lost value. The estimate of the risk of possible non-collection of trade receivables is carried out analytically, taking into account the historical experience of recovery, late payment and objective situations of customers, also making use of the support of the lawyers appointed by the company to follow the dispute.

Cash and cash equivalent

The item relating to cash and cash equivalents includes cash and bank current accounts and deposits repayable on demand and other high liquidity short-term financial investments, which are readily convertible into cash and are subject to an insignificant risk of change in value. Therefore, a financial investment is usually classified as cash equivalent when it is short-term, or three months or less from the date of immediate availability.

Financial liabilities - Loans

The financial liabilities of the Group include mortgages, loans and bank overdrafts, payables resulting from corporate acquisitions and derivative financial instruments.

All financial liabilities are measured at amortised cost. It follows that if the interest rate of the transaction is not significantly different from the market rate, the debt is initially recognised at a value equal to the nominal value, net of all transaction costs and all premiums, discounts and the rebates directly resulting from the transaction that generated the debt. These transaction costs, such as ancillary costs to obtain financing, any commissions and any difference between initial value and nominal value at maturity are spread over the duration of the debt using the effective interest criterion.

When, on the other hand, it appears that the interest rate of the transaction inferable from the contractual conditions is significantly different from the market rate, the debt is initially recognised at a value equal to the present value of future cash flows, determined by applying the market rate and taking into account any transaction costs.

Amortised cost is calculated by recognising the discount or premium on the acquisition and the fees or costs that form part of the effective interest rate. Amortisation at the effective interest rate is included in the financial charges in the income statement.

The value of payables is subsequently reduced for the sums paid, both in terms of capital and interest.

Loans are classified under current liabilities if the maturity is less than 12 months after the balance sheet date and when the Group does not have an unconditional right to defer their payment for at least 12 months.

Loans cease to be recognised in the financial statements when they are extinguished or when all related risks and charges have been transferred to third parties.

Derivative instruments and accounting for hedging transactions

The Group's activities are primarily exposed to financial risks resulting from changes in interest and exchange rates. Interest rate risks derive from existing loans; to hedge these risks, it is the Company's policy to convert part of its floating-rate payables into fixed rates or limit their maximum value and designate the financial instruments that achieve this objective as cash flow hedges.

The Group does not hold speculative derivative financial instruments. However, in cases in which the derivative financial instruments do not satisfy all the conditions envisaged for the accounting treatment of hedging derivatives (hedge accounting) required by IFRS 9, the changes in fair value of these instruments are recognised in the income statement as financial income or expense.

Derivative financial instruments are initially recognised at fair value on the date they are stipulated; subsequently, this fair value is periodically measured and accounted for in relation to the characteristics and consequent classification of the instrument. For hedge accounting purposes, hedges are classified as:

- fair value hedges if they cover the risk of changes in the fair value of the underlying asset or liability, or an irrevocable commitment (except for a currency risk);
- cash flow hedges if they are in the face of exposure to the variability of cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable scheduled transaction or a currency risk in an irrevocable commitment;
- hedges of a net investment in a foreign company (net investment hedge).

At the start of a hedging transaction, the Group designates and formally documents the hedging relationship, to which it intends to apply hedge accounting, its objectives in risk management and the strategy pursued. The documentation includes the identification of the hedging instrument, the element or transaction being hedged, the nature of the risk and the ways in which the company intends to evaluate the effectiveness of the hedge in offsetting the exposure to changes in the fair value of the hedged element or cash flows attributable to the hedged risk. These hedges are expected to be highly effective in offsetting the exposure of the hedged item to changes in fair value or cash flows attributable to the hedged risk; the assessment of the fact that these hedges have actually proved highly effective is carried out on an ongoing basis during the years in which they were designated.

When the financial instruments have the characteristics to be accounted for in hedge accounting, the following accounting treatments are applied:

- cash flow hedge: if a financial instrument is designated as a hedge of the exposure to the variability of future cash flows of an asset or liability recognised in the financial statements or a highly probable forecast transaction that could have effects on the income statement, the effective portion of the profits or losses on the financial instrument is recognised under shareholders’ equity; the accumulated profit or loss is reversed from equity and accounted for in the income statement in the same period in which the hedged transaction affects the income statement; the profit or loss associated with a hedge or that part of the hedge that has become ineffective is recognised in the income statement when the ineffectiveness is detected;
- fair value hedge: if a derivative financial instrument is designated as a hedge of the exposure to changes in the fair value of an asset or liability attributable to a particular risk that can determine effects on the income statement, profit or loss resulting from subsequent evaluations of the fair value of the hedging instrument are recognised in the income statement; the profit or loss on the hedged item, attributable to the hedged risk, is recognised as part of the book value of this item and as an opposite entry in the income statement.

If a hedging instrument or a hedging relationship is closed, but the hedged transaction has not yet taken place, the accumulated profits and losses, up to that moment recorded in shareholders' equity, are recognised in the income statement when the relative operation is carried out. If the hedged transaction is no longer deemed probable, the unrealised profits or losses suspended in equity are recognised in the income statement.

The fair value of the Interest Rate Swaps used to hedge the interest rate risk represents the amount that the Group estimates it will have to pay or collect to close the contract at the balance sheet date, taking into account current interest rates and creditworthiness of the counterparty. The fair value of interest rate swap contracts is determined with reference to the market value for similar instruments.

Financial assets and liabilities measured at fair value and, specifically, derivative contracts, are classified in the three hierarchical levels described below, based on the importance of the information (inputs) used in determining the fair value itself. Specifically:

- Level 1: financial assets and liabilities the *fair value* of which is determined on the basis of quoted prices (unmodified) on active markets for identical assets or liabilities;
- Level 2: financial assets and liabilities the fair value of which is determined on the basis of inputs other than listed prices referred to in Level 1, but directly or indirectly observable (mainly such as: market exchange rates at the reference date, expected rate differentials between the currencies involved and the volatility of the reference markets, interest rates);
- Level 3: financial assets and liabilities the fair value of which is determined on the basis of input data that are not based on observable market data.

Cancellation of financial liabilities

A financial liability is derecognised when the obligation underlying the liability is discharged, cancelled or fulfilled. Where an existing financial liability is replaced by another of the same lender, under substantially different conditions, or the terms of an existing liability are substantially changed, such exchange or modification is treated as a write-off of the original liability, accompanied by the recognition of a new liability, with entry in the income statement of any differences between the book values of the extinguished liability and the one incurred.

Trade payables

These liabilities are initially recognised at the fair value of the consideration to be paid. Subsequently, the payables are valued using the amortised cost criterion determined with the effective interest method.

Provisions for risks and charges

Allocations to provisions for risks and charges are made when the Group has to meet a current obligation (legal or constructive) resulting from a past event, where it is probable an outlay of resources to satisfy the obligation and a reliable estimate can be carried out about the amount of the obligation itself.

When the Group believes that a provision to the provisions for risks and charges should be partially or fully reimbursed or compensated (for example in the case of risks covered by insurance policies), the indemnity is recognised separately and separately in the assets and, only in the event that the reimbursement is virtually certain, the cost of any provision goes to the income statement net of any reimbursement.
The provisions for the funds in question require the use of estimates, based on historical experience in similar cases and on the objective facts known at the date of preparation of the financial statements. With reference to potential liabilities for pending disputes, the estimate of which involves complex assessments, including those of a legal nature and which are subject to a varying degree of uncertainty in consideration of the facts involved in the dispute, the applicable legislation and jurisdiction and other issues, the estimate it is carried out on the basis of knowledge of the objective facts at the date of preparation of the financial statements, also as regards the considerations expressed by the Group's legal advisers.
For contracts the inevitable costs related to the fulfilment of the obligation are higher than the economic benefits that are supposed to be obtainable therefrom, the current contractual obligation is accounted for and valued as a provision to a fund.

Severance indemnity (TFR)

The Severance indemnity (TFR) is defined as a defined benefit obligation. The relative cost is determined using the Projected Unit Credit Method, making the actuarial valuations at the end of each financial year and charging them to the income statement. The liability reflected in the financial statements represents the present value of the obligation that will be recognised at the end of the employment contract.
The determination of the liability recognised in the financial statements in compliance with the aforementioned accounting standard involves making estimates based on statistical assumptions about the occurrence of future events, including subjective events (mortality rate, staff turnover, interest rates for discounting, growth salaries, etc.): in this process, the Directors make use of independent actuaries.
Payments for defined contribution plans are charged to the income statement in the

period in which they are due.

Following the changes to the severance pay introduced by Law no. 296 of 27 December 2006, the accounting envisaged by IAS 19 for defined benefit obligations remained applicable only to the liability relating to the severance indemnity accrued up to 31 December 2006, since the portions accrued from 1 January 2007 are paid to an entity separate (Supplementary pension form or INPS funds) for companies with more than 50 employees. Consequently, the severance indemnity accrued after 31 December 2006 for these companies is configured as a contribution benefit plan (defined contribution plans) and is accounted for as a cost in the accrual period. In fact, since the severance indemnity is fully paid to pension funds, the companies of the Group to which this law is applicable no longer have obligations towards the employee in the event of termination of the employment relationship for the portions of severance indemnity accrued after the entry into force of the same.

Recording of revenues and income in the income statement

The item "Revenues" includes payments for the sale of goods to customers and for the provision of services.

Revenues represent the consideration to which one is entitled in exchange for the transfer to the customer of the promised goods and/or services, excluding amounts collected on behalf of third parties. The Group recognises revenues when it fulfils the obligation under the contract, that is, when it transfers control of the goods or services to the customer.

Based on the five-phase model introduced by IFRS 15, the Group proceeds to recognise revenues when the following criteria are met:

1) the parties have approved the contract (in writing, orally or in compliance with other usual business practices) and have undertaken to fulfil their respective obligations; there is therefore an agreement between the parties that creates rights and obligations that are payable regardless of the form in which this agreement is manifested;
2) the rights of each party regarding the goods or services to be transferred are identified;

3) the terms of payment for the goods or services to be transferred are identified;
4) the contract has commercial substance; and
5) it is likely that the Group will receive the consideration to which it is entitled in exchange for the goods or services that will be transferred to the customer.

If the consideration promised in the contract includes a variable amount, the Group estimates the amount of the consideration to which it will be entitled in exchange for the transfer of the goods to the customer.

Revenues from contracts with customers are recognised on the basis of the temporal transfer of control of goods and/or services to the customer. In the event that the transfer of control occurs as the asset is built or the services are rendered, the revenues are recognised "over time", i.e., with the gradual advancement of the activities; if, on the other hand, the transfer of control does not take place as the asset is built or the services are rendered, the revenues are recognised "at a point in time", i.e., at the time of final delivery of the asset or upon completion of the provision of services. To evaluate the progress of the "over time" orders, the Company has chosen the criterion of the percentage of progress evaluated using the cost to cost method. When it is likely that the total costs of the entire life contract exceed the total corresponding revenues for the entire life, the potential loss is immediately recognised in the income statement.

Capital and operating grants are recognised when there is reasonable certainty that they will be received and the conditions relating to them are satisfied. In the case of capital grants, the relative nominal value is suspended under liabilities and credited to the income statement in proportion to the useful life of the assets to which they refer.

Operating grants are recognised on a systematic basis in the years in which the entity recognises as costs the related expenses that the grants intend to offset.

Costs and expenses

Costs are recognised in the income statement when related to goods and services sold or consumed during the year or by systematic distribution or when the future usefulness of the same cannot be identified.

Dividends, income and expenses of a financial nature

The dividends distributed constitute a movement in shareholders’ equity in the year in which they are approved by the Shareholders' Meeting.

Dividends received are recognised when the Group's right to receive payment arises.

Financial income and expenses are recognised on an accrual basis.

Income Taxes

Taxes for the year represent the sum of current and deferred taxes.

Current taxes are based on the taxable result for the year. Taxable income differs from the result reported in the income statement since it excludes positive and negative components that will be taxable or deductible in other years and also excludes items that will never be taxable or deductible. The current tax liability is calculated following the tax rules in force at the balance sheet date.

Deferred taxes are the taxes that are expected to be paid or recovered on the temporary differences between the book value of the assets and liabilities in the financial statements and the corresponding tax value. Deferred tax liabilities are generally recognised for all taxable temporary differences, whilst deferred tax assets are recognised to the extent that it is considered probable that there will be taxable tax results in the future that allow the use of deductible temporary differences. The book value of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that there will be sufficient taxable income such as to allow all or part of the recovery of these assets.

Deferred taxes are calculated based on the tax rate that is expected to be in effect at the time the asset is realised or the liability is extinguished. Deferred taxes are charged directly to the income statement, with the exception of those relating to items recognised directly in equity, in which case the related deferred taxes are also charged to equity.

IDB S.p.A. exercised, as the consolidating company, the option for the tax regime of the national tax consolidation governed by Article 117 and following of Presidential Decree 917/1986 ("TUIR"), which allows for the determination of IRES on a taxable basis corresponding to the algebraic sum of the positive and negative taxable amounts of the individual participating companies. The consolidated agreement was signed on 4 October 2018 with the subsidiaries Gervasoni, Meridiani and Cenacchi International; from 2020 Davide Groppi, Saba Italia and Modar are also part of it and from 2021 Flexalighting.

Foreign currency transactions

Transactions in currencies other than the Euro are initially recognised at the exchange rates on the dates thereof. At the balance sheet date, monetary assets and liabilities denominated in the aforementioned currencies are converted at the exchange rates current on that date. Non-monetary assets valued at historical cost denominated in foreign currencies are converted at the exchange rates in effect on the date of the transaction, without any adjustment to the year-end exchange rates; non-monetary items recognised at fair value in foreign currency are converted using the exchange rate on the date of determination of this value.

Exchange rate differences resulting from the regulation of monetary items and from their restatement at current exchange rates at the end of the year are charged to the income statement for the year.

Discretionary evaluations and significant accounting estimates

The preparation of the financial statements and the related explanatory notes in application of the IFRS requires the Directors to make estimates and assumptions that have an effect on the values of the assets and liabilities in the financial statements and on the information relating to potential assets and liabilities at the date of the financial statements. The estimates and assumptions used are based on experience and other factors considered relevant. The results that were finalised could therefore differ from these estimates. The estimates and assumptions are periodically reviewed and the effects of any changes made to them are reflected in the income statement in the period in which the estimate is revised, if the revision itself has effects only on that period, or in subsequent periods if the revision it has effects on both the current and future years.

The main assumptions of the Directors used in the process of applying the accounting standards with regard to the future and which could give rise to significant adjustments to the value of assets and liabilities in the year following the reference year are described with reference to the individual valuation criteria. The Group based its estimates and assumptions on parameters available at the time of preparing the consolidated financial statements. However, current circumstances and assumptions about future events could change due to changes in the market or events beyond the control of the Group. Any such changes are reflected in the assumptions as they occur.

The main estimates made by the Group concern:

- the recoverability of the value of intangible non-current assets;
- the estimate of the deferred price and the exercise of the put options related to the business combination transactions completed over the course of the various financial years;
- provisions for inventory obsolescence.

Goodwill and trademarks with an indefinite useful life

With particular reference to goodwill and trademarks, both of which have an indefinite useful life, they are subjected to checks for any impairment at least annually; this verification requires an estimate of the value in use of the cash-generating unit to which the goodwill and the brand are attributed.

A reduction in value occurs when the book value of an asset or unit generating cash flows exceeds its recoverable value, which is the greater of its fair value less costs to sell and its value in use.

The fair value minus sales costs is the amount obtainable from the sale of an asset or a cash flow generating unit in a free transaction between knowledgeable and willing parties, less the costs of disposal.

The calculation of the value in use is based on a cash flow discounting model. The cash flows are derived from the budget for the following 3 years and do not include restructuring activities for which the Group has not yet committed itself or significant future investments that will increase the results of the activity included in the cash-generating unit subject to assessment. The recoverable amount depends significantly on the discount rate used in the cash flow discounting model, as well as on the expected future cash flows and the growth rate used for the extrapolation.

As at 31 December 2021, the book value of goodwill is Euro 57,119 thousand whilst the value of the brands is Euro 26,220 thousand. More details are provided in Note 1.

Exercise price of put options due to minority shareholders and deferred price (earn out) for the purchase of minority shares

The acquisitions of the Group companies completed over the last few years usually involve a process that involves the establishment of a vehicle company, aimed at the acquisition of the target company and the subsequent reverse merger of the vehicle company into the target company. The purchase price normally provides for the recognition of an earn out, to be paid within a certain time frame at a price with predefined parameters. The earn out is in fact directly linked to the performance of the target company, normally the EBITDA and the net financial position as defined contractually between the parties, parameters that may differ in the final balance from the estimates contained in the business plan of the target company.

The acquisitions are sometimes totalitarian, but often involve the initial acquisition of the majority stake and a put & call mechanism (put in favour of the seller and call in favour of the buyer) for the acquisition of the subsequent minority stake. The value of the minority share also passes through a contractual definition that binds its value to the actual company performance compared with those estimated in the business plan, with calculation parameters still contractually predefined between the parties (typically EBITDA and net financial position).

Both financial liabilities (payable for earn out and value of the put option) accrue interest based on the average debt rate of the parent company.

The estimate of the payable for earn-out and the value of the put option may show variations from one year to the next, reflected in the income statement amongst financial charges, strictly depending on the actual performance of the companies compared with those envisaged in the plan. For more details, see note 17 “Other financial liabilities”.

Warehouse obsolescence

Group companies adopt calculation methods aimed at estimating the inventory write-down fund, analytically on the basis of specific considerations on the life cycle of the products and on the relative state of inventories and on a flat-rate basis on the basis of specific turnover ratios, calculated separately for the materials raw materials and for finished products. The percentages of devaluation are associated with the rotation indices that reflect the specificity of the individual productions. These valuations present inevitable elements of subjectivity that can be reflected in the estimate of the funds of the various Group companies. For more information see Note 5.

Segment information

The Parent Company has no traded securities, does not file consolidated financial statements and is not about to do so with a Stock Exchange Commission or other regulatory body in order to issue any category of financial instruments in a public market; it is therefore exempt from the obligation to present the segment information, as required by IFRS 8.

Earnings per share

To the Group, having no ordinary shares or potential ordinary shares traded and not having deposited or in the process of being filed its consolidated financial statements in order to issue any category of financial instruments in a public market; IAS 33, which governs the disclosure to be provided on earnings per share, does not apply.

FINANCIAL RISK MANAGEMENT

The Group is exposed to the following financial risks associated with normal operations:

- credit risk in relation to normal relationships with customers;
- liquidity risk, with particular reference to the availability of financial resources and access to credit markets and financial instruments in general;
- exchange rate risk, in connection with the significance of the commercial activity of purchase and sale carried out by the Group in currencies other than the accounting currency;

- interest rate risk, relating to the cost of the debt position;
- market risk (relating to the risk of changes in the price of materials, exchange rate and interest rate risk).

The companies of the Group constantly monitor the risks to which they are exposed, in order to assess in advance the potential negative effects and take the appropriate actions to mitigate them.

The following section provides qualitative and quantitative reference information on the incidence of these risks.

Credit risk

Credit risk is related to the counterparty's inability to fulfil its obligations and is essentially related to sales. Given the business sector, the customer portfolios of the Group companies are split over numerous, often small, subjects and therefore exposure is limited. With reference to the sole subsidiary Cenacchi International S.r.l. it should be noted that the same operates on the world market with renowned customers; however, the strong concentration of customers should be noted, in relation to various subjects attributable to a single economic subject with which the relations of the company management are very consolidated.

The credit risk is managed through careful and timely monitoring of customers and through the attribution to each of a credit line, after which the supply can be interrupted. The risk is however limited; for many EU customers and all non-EU customers, the Group companies normally require advance payment or guarantees. In addition, in the event of significant exposures related to important supplies, the Group, in some cases, resorts to credit insurance with a leading insurance company. For the purposes of preparing the financial statements at the end of the year, the positions, if individually significant, for which an objective condition of partial or total irrecoverability is detected, are subject to individual devaluation. For receivables that are not subject to individual write-downs, funds are allocated on a collective basis, taking into account the expected losses determined on statistical data.

The maximum exposure to the credit risk of the Group is equal to the book value recorded in the financial statements, gross of the provision for bad debts, totalling Euro 20,443 thousand at 31 December 2021 and Euro 17,433 thousand at 31 December 2020.

The trade balances at 31 December 2021, totalling Euro 18,756 thousand, include current receivables for Euro 16,366 thousand and overdue receivables for Euro 2,390 thousand, of which Euro 1,947 thousand within 90 days and Euro 442 thousand beyond 90 days, net of the related bad debt provision.

The amount of insured or guaranteed credits as at 31 December 2021 is equal to Euro 382 thousand.

The trade balances at 31 December 2020, totalling Euro 15,744 thousand, include current receivables for Euro 10,099 thousand and overdue receivables for Euro 4,775 thousand, of which Euro 4,048 thousand within 90 days and Euro 727 thousand beyond 90 days, net of the related bad debt provision.

The amount of insured or guaranteed credits as at 31 December 2020 is equal to Euro 505 thousand.

Liquidity risk

Liquidity risk can manifest itself with the inability to find, under favourable economic conditions, the financial resources necessary for the operations of the Group companies. Liquidity risk is linked to the financial flows generated and absorbed by current management and the consequent need to access loans to support the expansion of operating activities. Liquidity risk is also associated with the existence of contractual obligations to comply with certain financial ratios ("covenants") to be calculated on the individual financial statements of the subsidiaries.

The evolution of financial flows and the use of credit lines are closely monitored by the Group's Financial Management and by the Directors in order to ensure efficient and effective use, also in terms of charges and interest, of financial resources.

The Group has financial resources insured for a significant part by medium-/long-term loans and unused credit lines intended for day-to-day operations granted by leading banking institutions. In particular, as at 31 December 2021 the Group has cash and cash equivalents of Euro 33,327 thousand and has unused commercial credit lines. At the same date, the nominal financial debt to third parties amounted to approximately Euro 73,661 thousand, of which Euro 33,851 thousand to banks and Euro 39,809 thousand to others, of which Euro 1,582 thousand to related parties, Euro 22,068 for put & call options, earn out and phantom stock options for the benefit of directors and Euro 16,160 for payables to lessors (IFRS 16). The portion with a maturity of less than 12 months is equal to Euro 25,625 thousand, of which Euro 9,430 thousand to banks, Euro 82 thousand to related parties, Euro 16,113 thousand for put & call options and earn out, Euro 2,007 thousand for payables on leases (IFRS 16).

As better described in the section relating to financial debt, as at 31 December 2021 the "covenants" valid on the loans granted by Unicredit to the parent company IDB, to the subsidiaries Cenacchi International S.r.l., Davide Groppi S.r.l., Saba Italia S.r.l., Modar S.p.A. are respected. and Flexalighting S.r.l. and on the loan granted by Intesa to the subsidiary Meridiani S.r.l.

Exchange rate risk

Exchange rate risk is the risk that the fair value or future cash flows of an exposure change as a result of changes in exchange rates.

The Group is exposed in a limited way to the risks resulting from fluctuations in exchange rates that can affect the economic result and shareholders' equity in consideration of the fact that the main transactions are in Euro and that the net investments in foreign entities (translation risk) of the Group are limited. Since the receipts and payments in US dollar currency partially offset each other, the currency risk is contained, and therefore it was not deemed necessary to operate exchange hedges. The use of currencies other than the Euro and the US dollar in commercial transactions is virtually nil.

The following table shows the sensitivity to a reasonably possible change in the exchange rate of the US dollar and the British pound, with all other variables kept constant. The effect on the Group's pre-tax result is due to changes in the fair value of the monetary assets and liabilities outstanding at the end of the year, whilst the effect on the net equity before taxes also includes the effect of the translation of the net assets / liabilities of consolidated overseas companies. The Group's exposure to changes in exchange rates for all other foreign currencies is not tangible.

values are expressed in €/1000	-10%	-5%	+5%	+10%
Exchange gain/(loss) resulting from a fluctuation in the Euro/US dollar exchange rate	150	71	(64)	(123)
Exchange gain/(loss) resulting from a fluctuation in the Euro/UK sterling exchange rate	(63)	(30)	27	52
Total	**87**	**41**	**(37)**	**(71)**

Interest Rate Risk

Interest rate risk can be defined as the risk that changes in market interest rates produce a reduction in corporate profitability. The Group uses external financial resources in the form of debt. Changes in market interest rates influence the cost and performance of the various forms of financing by affecting borrowing costs. The interest rate risk is managed through the use of derivative financial instruments, mainly of the Interest Rate Cap and Interest Rate Swap type.

As at 31 December 2021, the Group had a financial exposure to banks for loans in various technical forms for a total amount of Euro 33,851 thousand, on which variable interest rates accrue which in 2021 were between 0.8% and 3.5%, as well as cash and cash equivalents for Euro 33,327 thousand.

Against this exposure, Interest Rate Cap and Interest Rate Swap contracts are in place for a total residual notional amount of Euro 6,230 thousand.

The contracts have a deducted notional on the basis of the amortization plan of the underlying loans, as shown in the following table (the values are expressed in thousands of Euro):

Notional	**Maturity**	**Amount**	**Type of contract**	**Mark to Market**
Intesa Amortising Line	30/05/2022	370	IR Swap	(1)
Unicredit Amortising Line	30/09/2024	2,594	IR Swap	(31)
Unicredit Bullet Line	31/03/2025	500	IR Swap	(8)
Unicredit Bullet Line	31/10/2025	1,000	IR Swap	(19)
Intesa Amortising Line	30/09/2025	1,767	IR Swap	(22)
Unicredit Amortising Line	30/05/2024	1,080	IR Swap	(7)

Total		7,310		(88)

The following table shows the sensitivity to a reasonably possible change in interest rates on that portion of payables and loans at variable rate, after the effects of accounting for the hedges. With all the other variables kept constant, and therefore on the basis of the value of the financial debt to banks at the end of the year and the repayment flows envisaged in the respective amortization plans, this positive or negative variation in interest rates would result in higher or lower income and expenses.

values are expressed in €/1000	-500BP	-250BP	+250BP	+500BP
(Lower)/Higher financial income	(0)	(0)	0	0
Lower/(Higher) financial charges	18	9	(9)	(18)
Total	**18**	**9**	**(9)**	**(18)**

Price Risk

The purchase lists normally last one year, whilst the sale lists incorporate and tend to neutralise the increases on purchases. Even in the presence of an inflationary scenario in the last months of the year, the impact of the increase in the prices of raw materials remains limited, also due to the ability of the Group companies to adjust the sales lists in this sense and keep the marginality.

CAPITAL MANAGEMENT

For the purposes of managing the Group's capital, it has been defined that this includes the issued share capital, the share premium reserve and all other reserves, including retained earnings (Group shareholders' equity).

The objectives of capital management are mainly related to obtaining a strong credit rating, in order to support operating activities and also external growth and maximise value for shareholders.

The Group monitors the capital by following the trend of the debt ratio, resulting from the comparison between the value of the net financial position (financial debt) and the consolidated shareholders' equity. The Group includes loans and loans in the net financial position, including payables for financial and operating leases, derivative contracts, payables for company acquisitions (earn out and put options), payables for phantom stock options, net of cash and cash equivalents.

values are expressed in €/1000	31/12/2020	31/12/2021
Net financial position	67,395	40,334
Group net equity	52,711	64,095
Group NFP/Shareholders' Equity Ratio	**1.28**	**0.63**

The management of the Group's capital aims, amongst other things, to ensure that the covenants related to interest-bearing loans and borrowings, which define the capital structure requirements, are respected. Breaches of the covenants would allow banks to be able to request immediate repayment of loans and borrowings. In the current year there were no violations in the covenants related to interest-bearing loans and borrowings.

There were no changes to the objectives, policies or processes during the financial years ending on 31 December 2021 and 31 December 2020, nor significant capital transactions that took place in the two periods.

Analysis of the composition of the main items of the statement of financial position at 31 December 2021

COMMENTS ON THE MAIN ASSET ITEMS

1. *Intangible fixed assets*

The breakdown and changes in intangible assets as at 31 December 2020 and as at 31 December 2021 are shown below:

values are expressed in €/1000	Goodwill	Trademarks	Models	List of Customers	Other intangible activities	Right of use	Total
initial gross value	52,065	26,226	12,437	33,159	3,389	19,324	146,599
initial depreciation fund	-	-	(5,032)	(5,643)	(1,649)	(1,793)	(14,118)
initial book value as at 01/01/2020	**52,065**	**26,226**	**7,404**	**27,515**	**1,740**	**17,530**	**132,480**
changes in the period							
acquisitions	5,158		8		178	1,696	7,040
business combinations					50		50
recording of rights of use							-
disposals	(106)						(106)
other changes	2	(5)	0			461	458
depreciation for the period			(1,095)	(3,316)	(432)	(2,193)	(7,036)
other changes - fund			(0)	0	(1)	(0)	(2)
total changes for the period	**5,054**	**(5)**	**(1,087)**	**(3,316)**	**(205)**	**(36)**	**405**
final gross value	57,119	26,221	12,445	33,159	3,617	21,481	154,041
final depreciation fund	-	-	(6,128)	(8,959)	(2,082)	(3,986)	(21,156)
final book value as at 31/12/2020	**57,119**	**26,221**	**6,317**	**24,199**	**1,534**	**17,494**	**132,885**

values are expressed in €/1000	Goodwill	Trademarks	Models	List of Customers	Other intangible activities	Right of use	Total
initial gross value	57,119	26,221	12,445	33,159	3,617	21,481	154,041
initial depreciation fund	-	-	(6,128)	(8,959)	(2,082)	(3,986)	(21,156)
initial book value as at 01/01/2021	**57,119**	**26,221**	**6,317**	**24,199**	**1,534**	**17,494**	**132,885**
changes in the period							
acquisitions			29		206		235
business combinations							-
recording of rights of use						866	866
disposals					(1)		(1)
other changes		0	0		(859)	214	(646)

depreciation for the period	0	(0)	(874)	(3,316)	(315)	(2,407)	(6,913)
other changes - fund			0		513		513
total changes for the period	**0**	**(0)**	**(845)**	**(3,316)**	**(456)**	**(1,328)**	**(5,945)**
final gross value	57,119	26,220	12,474	33,159	2,962	22,560	154,495
final depreciation fund			(7,002)	(12,275)	(1,885)	(6,394)	(27,555)
final book value as at 31/12/2021	**57,119**	**26,220**	**5,472**	**20,883**	**1,078**	**16,167**	**126,940**

Intangible assets at 31 December 2021 amounted to Euro 126,940 thousand, compared with Euro 132,885 thousand in the previous year, with a decrease of Euro 5,945 thousand. Trademarks and goodwill are considered assets with an indefinite useful life and therefore are not amortised and, therefore, are subjected to an impairment test.

The design templates and customer relations were considered to have a definite useful life, with an amortization period of 5 to 10 years for the first and 10 years for the second. Leased assets are recorded on the basis of the value of the right of use in application of IFRS 16. The amortization was determined on the basis of the estimate of the duration of each contract, carried out taking into account the renewal clauses exercisable by the Group without the need to obtain the consent of the counterparty. These contracts essentially concern real estate for office and industrial use. The change in the year regarding the rights of use recorded in the financial statements refers to new real estate lease contracts.

The other changes in the category Other intangible assets relate to a reclassification of costs for improvements to third party assets amongst tangible assets.

During 2021, a check was conducted on the recoverability of the value of trademarks and goodwill, intangible assets with an indefinite useful life. It should be noted that the cash generating unit (CGU) identified for the purposes of the recoverability of the brands and goodwill corresponds to the acquired company (and its respective subsidiaries) as a whole.

In particular, as regards the impairment test conducted on the recoverability of goodwill and in general of the net invested capital of the CGUs Gervasoni, Meridiani, Cenacchi International, Davide Groppi, Saba Italia, Modar and Flexalighting, the value in use was determined with reference to the operating cash flows determined on the basis of the economic-financial plans 2022 - 2024 approved by the respective boards of directors.

Gervasoni CGU: cash flows were discounted to a WACC (weighted average cost of capital) of 8.48%. The terminal value was calculated with the "perpetual yield" formula assuming a growth rate "g" of 1% and considering an operating cash flow based on the last available cash flow.

The following considerations were made for the determination of the WACC:

- cost of net equity determined considering a risk free rate equal to 1.05%;
- market premium equal to 6.42%;
- unlevered beta equal to 0.95;
- debt to equity ratio of 0.43;
- additional risk premium equal to 2.0% referring to the company.

The enterprise value was compared with the Net Invested Capital (tangible and intangible fixed assets, net working capital, net of severance indemnity and non-financial funds) and the result was a value that did not show any impairment.
It should be noted that an increase in the WACC of 1%, and a reduction in the growth rate g of 0.5%, would not entail any problems of recoverability of intangible assets with an indefinite useful life of the CGU.

Meridiani CGU: the cash flows were discounted to a WACC (weighted average cost of capital) of 8.48%. The terminal value was calculated with the "perpetual yield" formula assuming a growth rate "g" of 1% and considering an operating cash flow based on the last available cash flow.

The following considerations were made for the determination of the WACC:

- cost of net equity determined considering a risk free rate equal to 1.05%;
- market premium equal to 6.42%;

- unlevered beta equal to 0.95;
- debt to equity ratio of 0.43;
- additional risk premium equal to 2.0% referring to the company.

The enterprise value was compared with the Net Invested Capital (tangible and intangible fixed assets, net working capital, net of severance indemnity and non-financial funds) and the result was a value that did not show any impairment.

It should be noted that an increase in the WACC of 1%, and a reduction in the growth rate g of 0.5%, would not entail any problems of recoverability of intangible assets with an indefinite useful life of the CGU.

Cenacchi International CGU: the cash flows were discounted to a WACC (weighted average cost of capital) of 8.96%. The terminal value was calculated with the "perpetual yield" formula assuming a growth rate "g" of 1% and considering an operating cash flow based on the last available cash flow.

The following considerations were made for the determination of the WACC:

- cost of net equity determined considering a risk free rate equal to 1.05%;
- market premium equal to 6.42%;
- unlevered beta equal to 0.95;
- debt to equity ratio of 0.23;
- additional risk premium equal to 2.0% referring to the company.

The enterprise value was compared with the Net Invested Capital (tangible and intangible fixed assets, net working capital, net of severance indemnity and non-financial funds) and the result was a value that did not show any impairment.

It should be noted that an increase in the WACC up to 1%, without prejudice to the growth rate g at 1%, would not lead to problems of recoverability of intangible assets with an indefinite useful life of the CGU.

Davide Groppi CGU: cash flows were discounted to a WACC (weighted average cost of capital) of 8.48%. The terminal value was calculated with the "perpetual yield" formula assuming a growth rate "g" of 1% and considering an operating cash flow based on the last available cash flow.

The following considerations were made for the determination of the WACC:

- cost of net equity determined considering a risk free rate equal to 1.05%;
- market premium equal to 6.42%;
- unlevered beta equal to 0.95;
- debt to equity ratio of 0.43;
- additional risk premium equal to 2.0% referring to the company.

The enterprise value was compared with the Net Invested Capital (tangible and intangible fixed assets, net working capital, net of severance indemnity and non-financial funds) and the result was a value that did not show any impairment.
It should be noted that an increase in the WACC of 1%, and a reduction in the growth rate g of 0.5%, would not entail any problems of recoverability of intangible assets with an indefinite useful life of the CGU.

Saba Italy CGU: cash flows were discounted to a WACC (weighted average cost of capital) of 8.48%. The terminal value was calculated with the "perpetual yield" formula assuming a growth rate "g" of 1% and considering an operating cash flow based on the last available cash flow.

The following considerations were made for the determination of the WACC:

- cost of net equity determined considering a risk free rate equal to 1.05%;
- market premium equal to 6.42%;
- unlevered beta equal to 0.95;
- debt to equity ratio of 0.43;
- additional risk premium equal to 2.0% referring to the company.

The enterprise value was compared with the Net Invested Capital (tangible and intangible fixed assets, net working capital, net of severance indemnity and non-financial funds) and the result was a value that did not show any impairment.

It should be noted that an increase in the WACC of 1%, and a reduction in the growth rate g of 0.5%, would not entail any problems of recoverability of intangible assets with an indefinite useful life of the CGU.

<u>Modar CGU</u>: the cash flows were discounted to a WACC (weighted average cost of capital) of 8.49%. The terminal value was calculated with the "perpetual yield" formula assuming a growth rate "g" of 1% and considering an operating cash flow based on the last available cash flow.

The following considerations were made for the determination of the WACC:

- cost of net equity determined considering a risk free rate equal to 1.05%;
- market premium equal to 6.42%;
- unlevered beta equal to 0.95;
- debt to equity ratio of 0.43;
- additional risk premium equal to 2.0% referring to the company.

The enterprise value was compared with the Net Invested Capital (tangible and intangible fixed assets, net working capital, net of severance indemnity and non-financial funds) and the result was a value that did not show any impairment.

It should be noted that an increase in the WACC up to 1%, without prejudice to the growth rate g at 1%, would not lead to problems of recoverability of intangible assets with an indefinite useful life of the CGU.

<u>Flexalighting CGU</u>: the cash flows were discounted to a WACC (weighted average cost of capital) of 8.48%. The terminal value was calculated with the "perpetual yield" formula

assuming a growth rate "g" of 1% and considering an operating cash flow based on the last available cash flow.

The following considerations were made for the determination of the WACC:

- cost of net equity determined considering a risk free rate equal to 1.05%;
- market premium equal to 6.42%;
- unlevered beta equal to 0.95;
- debt to equity ratio of 0.43;
- additional risk premium equal to 2.0% referring to the company.

The enterprise value was compared with the Net Invested Capital (tangible and intangible fixed assets, net working capital, net of severance indemnity and non-financial funds) and the result was a value that did not show any impairment.

It should be noted that an increase in the WACC of 1%, and a reduction in the growth rate g of 0.5%, would not entail any problems of recoverability of intangible assets with an indefinite useful life of the CGU.

2. *Tangible assets*

The following tables summarise the movements that took place in the course of 2020 and 2021 in tangible assets:

values are expressed in €/1000	Land and buildings	Plant and machinery	Equipment	Other	Total
initial gross value	219	7,005	1,575	5,967	14,767
initial depreciation fund	(11)	(4,634)	(1,334)	(3,867)	(9,847)
initial book value as at 01/01/2020	**208**	**2,371**	**241**	**2,100**	**4,920**
changes in the period					
acquisitions	610	89	112	303	1,114
business combinations		4	57	35	96
historical cost sales	-	(6)		(22)	(28)
other changes	(1)				(1)
depreciation for the period	(69)	(485)	(105)	(390)	(1,049)
other changes - fund					-
total changes for the period	**540**	**(398)**	**64**	**(74)**	**132**

final gross value	829	7,092	1,744	6,283	15,948
final depreciation fund	(80)	(5,119)	(1,439)	(4,257)	(10,896)
final book value as at 31/12/2020	**748**	**1,973**	**305**	**2,026**	**5,053**

values are expressed in €/1000	Land and buildings	Plant and machinery	Equipment	Other	Total
initial gross value	829	7,092	1,744	6,283	15,948
initial depreciation fund	(80)	(5,119)	(1,439)	(4,257)	(10,896)
initial book value as at 01/01/2021	**748**	**1,973**	**305**	**2,026**	**5,053**
changes in the period					
acquisitions	290	194	178	793	1,455
business combinations					-
historical cost sales		(11)	(5)	(75)	(92)
other changes	343		0	558	901
depreciation for the period	(78)	(321)	(129)	(614)	(1,143)
other changes - fund	(87)	11	5	(482)	(552)
total changes for the period	**468**	**(127)**	**48**	**179**	**569**
final gross value	1,462	7,275	1,917	7,558	18,212
final depreciation fund	(246)	(5,429)	(1,563)	(5,353)	(12,591)
final book value as at 31/12/2021	**1,216**	**1,846**	**354**	**2,205**	**5,621**

The most significant changes refer to the item "Other", in particular to improvements to third-party assets made during the year, office furniture and equipment.

The other changes in the Other category relate to a reclassification of costs for improvements to third party assets from intangible assets.

3. Equity investments

Equity investments amounted to Euro 1,234 thousand and increased by Euro 811 thousand compared with the previous year.

values are expressed in €/1000	equity investments in subsidiaries	equity investments in associated companies	equity investments in others	Total
initial value	**-**	**417**	**6**	**423**
changes in the period				-
acquisitions		800		800
sales				-
other changes				-
business combinations				-
equity method valuations		11		11

total changes	**-**	**811**	**-**	**811**
final value	**-**	**1,228**	**6**	**1,234**

The increase in 2021 is attributable to the acquisition on 30 November 2021 of 20% of the shares of Axolight S.r.l., a company located in Scorzè (VE) which operates in the lighting sector, with the call option to acquire a '' an additional 80% stake to reach the majority under contractually predefined conditions, strictly linked to company performance. The company is valued using the equity method starting from the acquisition date.

4. Other non-current assets

The accounting item of Euro 1,908 thousand includes the receivable from insurance for payments to the fund for the severance indemnity of the directors of Euro 1,351 thousand, balanced for the same amount in the funds as it is due to the directors themselves, a loan to the associated company Flexalighting North America Ltd. of Euro 200 thousand and guarantee deposits of Euro 350 thousand.

values are expressed in €/1000	Balance as at 31 December 2020	Business combinations	Increases	Decreases	Balance as at 31 December 2021
Guarantee deposits	537			(187)	350
Receivables from insurance companies	1,351			-	1,351
Receivables from associated companies	-		200		200
Other receivables	-		7		7
total	**1,889**	**-**	**207**	**(187)**	**1,908**

5. Inventories

Inventories as at 31/12/2021 amounted to:

values are expressed in €/1000	Balance as at 31 December 2020	Business combinations	Other changes	Changes in the year	Balance as at 31 December 2021
Raw material	5,387			(657)	4,730
Semi-finished products	2,561			194	2,755
Finished products	4,740			2,303	7,042
Payments in advance	81			349	431
total	**12,769**	**-**	**-**	**2,189**	**14,959**

It should be noted that, in the current year, inventories and contract assets have been indicated separately in the consolidated balance sheet. The data referring to the previous year have also been shown separately.

As can be seen from the table above, the overall increase mainly refers to the combined effect of volumes and prices resulting from the increase in the Group's business volume.

The amount of inventories is adjusted by a provision for inventory depreciation of Euro 1,164 thousand for finished products and raw materials with low turnover or obsolescence.

The changes in the inventory write-down provision are shown below:

values are expressed in €/1000	Balance as at 31 December 2020	Business combinations	Increase	Use	Balance as at 31 December 2021
Raw material	277		78		355
Semi-finished products	7		10	(1)	16
Finished products	651		142		793
Inventory accumulated depreciation	**934**	**-**	**230**	**(1)**	**1,164**

The changes in the fund are closely linked to the evolution of the stock turnover indices.

6. Contract assets

values are expressed in €/1000	Balance as at 31 December 2020	Business combinations	Other changes	Changes in the year	Balance as at 31 December 2021
Contract assets	1,097			806	1,903
total	**1,097**	**-**	**-**	**806**	**1,903**

As can be seen from the table above, the overall increase mainly refers to the progress of the orders.

The contract assets valued on the basis of the state of progress of the works amount to a total of Euro 523 thousand, those for which the revenues are recognised at the time of final delivery of the goods or upon completion of the provision of services (at *a point of time*) amount to a total of Euro 1,380 thousand.

7. *Trade receivables*

The breakdown and change in trade receivables is as follows:

values are expressed in €/1000	Balance as at 31 December 2020	Business combinations	Changes	Balance as at 31 December 2021
Trade receivables from third parties	15,774		2,982	18,756
Trade receivables from associated companies	-			-
Total trade receivables	15,774	-	2,982	18,756

Trade receivables of Euro 18,756 thousand refer to receivables resulting from the company's core business and are recognised net of an overall write-down of Euro 1,687 thousand.

The changes in the bad debt provision are shown below:

values are expressed in €/1000	Balance as at 31 December 2020	Business combinations	Increases	Use	Balance as at 31 December 2021
Provision for bad debts	1,659		110	(82)	1,687

Also attached is the ageing of trade receivables, net of write-downs made, to highlight, in particular for overdue positions, the delay period.

customer ageing		matured							total
	about to mature	tot. matured	1-30 days	31-60 days	61-90 days	91-120 days	121-150 days	more than	
2020	10,999	4,775	2,096	1,816	136	155	79	493	15,774
2021	16,366	2,390	1,397	238	313	154	106	183	18,756

The breakdown of receivables by geographical area is as follows:

values are expressed in €/1000	Italy	EU	Non-EU	Balance as at 31 December 2021
Trade receivables from third parties	13,215	2,046	3,495	18,756
Trade receivables from associated companies				-
Total trade receivables	13,215	2,046	3,495	18,756

8. *Income tax receivables*

The breakdown and change of the item is as follows:

values are expressed in €/1000	Balance as at 31 December 2020	Business combinations	Changes	Balance as at 31 December 2021
Income tax receivables	1317	-	(1,018)	298

The item of Euro 298 thousand mainly refers to the tax credit resulting from the tax consolidation and various receivables from the tax authorities relating to the individual companies of the Group.

9. *Other current assets*

values are expressed in €/1000	Balance as at 31 December 2020	Business combinations	Changes	Balance as at 31 December 2021
Other current assets	1,669		1,331	3,000

The item amounts to Euro 3,000 thousand and consists of receivables from the tax authorities for VAT, various credits resulting from payments made during the year but pertaining to 2022 and advances to service providers.

10. Cash and cash equivalents

Cash and cash equivalents amount to Euro 33,327 thousand and consist of bank and cash deposits, not subject to any restrictions. The financial dynamics of the Group's liquidity are shown analytically in the cash flow statement to which reference is made.

values are expressed in €/1000	Balance as at 31 December 2020	Business combinations	Changes	Balance as at 31 December 2021
Cash and cash equivalents	42,021		(8,694)	33,327

11. Shareholders' Equity

Movements in shareholders 'equity in the year 2021 are shown in the Statement of Movements in Shareholders' Equity, to which reference is made.

Share Capital

The share capital is fully paid up and subscribed, amounts to Euro 20,217 thousand, divided into no. 20,216,740 of shares with a par value of Euro 1 each. The capital remained unchanged during the year.

Other components of shareholders' equity

The share premium reserve of Euro 3,563 thousand resulting from the capital increase in the years 2016-2018, retained earnings and other reserves of Euro 29,211 thousand, the negative cash flow hedge reserve of Euro 67 thousand, which is recorded as a counter-entry to the recognition of the mark to market, net of the related tax effect, of the contracts entered into to hedge the risk of changes in the interest rate on existing loans.

Furthermore, in relation to the indications provided by IAS 19, the actuarial (losses)/profits on the severance indemnity are also recorded in the other components of shareholders' equity. The amount, net of the related tax effect, is negative for Euro 231 thousand.

The result for the year amounts to Euro 11,402 thousand.

It should be noted that within the item "Retained earnings", in relation to the tax realignment operations carried out in the previous year pursuant to Law Decree no. 104 of 2020 (the so-called August decree) and subsequent amendments and additions, reserves subject to tax suspension constraints are recorded for Euro 19,549 thousand. In particular, the companies of the Group, Gervasoni S.p.A., Meridiani S.r.l., Cenacchi International S.r.l., Davide Groppi S.r.l., Saba Italia S.r.l. and Modar S.p.A., have taken steps to realign the fiscal values of the brands and models, as long as they are already recorded in the 2019 financial statements, to the statutory ones, subject to the payment of a substitute tax of 3%. The tax realignment took place for the amount of Euro 20,154 thousand, at the same time the related deferred tax provision was released, equal to Euro 5,622 thousand, and a substitute tax of Euro 605 thousand was allocated. The reserve in tax suspension pursuant to Article 110 of Decree Law 104/2020 of Euro 19,549 thousand derives from the tax values subject to realignment, net of the substitute tax due.

The following table highlights the connection between the profit for the year and the shareholders' equity of the Parent Company Italian Design Brands S.p.A. and the corresponding consolidated values.

	31/12/2020		31/12/2021	
	Shareholders' equity	Net Profit	Shareholders' equity	Net Profit
Shareholders' equity and results of the Parent Company	**24,635**	**(499)**	**26,504**	**1,775**
Portion of the Shareholders' Equity and net profit of the subsidiaries net of the book value of equity investments	28,093	14,472	37,580	17,895
Effect of intercompany profits included in closing inventories	(3)	(3)	-	3
Consolidation differences allocated to intangible assets at the time of acquisition	-	(4,402)	-	(4,186)
Put & Call option and Earnout adjustment	-	501	-	1,604
Dividend elimination		(1,250)		(5,700)
Valuation of equity investments using the equity method	-	-	11	11
	52,725	8,819	64,095	11,402

COMMENTS ON THE MAIN LIABILITY ITEMS

Non-current liabilities

12. Benefits subsequent to the termination of the employment contract

This item, equal to Euro 5,575 thousand at 31 December 2021, includes the non-current portion of the severance indeminity due to employees. In 2021, there are no amounts to be paid within the following year, to be reclassified under "Other current liabilities".

Overall, the present value of the obligation, determined according to the valuation methodology prescribed by IAS 19 for defined benefit plans, changed as follows:

values are expressed in €/1000	Benefits subsequent to the termination of the employment contract 2020	Benefits subsequent to the termination of the employment contract 2021
Initial Provision	5,164	4,988
Provision for the period	568	616
Interest	35	14
Actuarial profit /(loss)	(130)	254
Other changes		6
Business combinations	151	
Paid	(800)	(303)
total	**4,988**	**5,575**

As already highlighted in the section of the applied accounting standards, following the provisions on severance indemnity introduced by the 2007 Finance Law and the related implementing decrees, the Group respecting the choices made by employees regarding the destination of their severance indemnity accrued from 1 January 2007 provides for the periodic payment of the same to the indicated funds, remaining obliged to the employees for only the portion of the indemnity already accrued as at 31 December 2006. The obligation relating to the severance indemnity accrued subsequently remains, in fact, with the pension funds to which the accrued portions are paid during the year.

The actuarial valuation of the employee leaving indemnity is carried out on the basis of the “accrued benefits” method using the “Projected Unit Credit” (PUC) criterion as provided for in paragraphs 67-69 of IAS 19. The actuarial model of reference for the valuation of the severance indeminity is based on various assumptions of both a demographic and economic nature. For some of the assumptions used, where possible, the reference best practice was taken into account.

The economic technical bases used are shown below.

Hypothesis	31/12/2020	31/12/2021
Annual discount rate	0.34%	0.98%
Annual inflation rate	0.80%	1.75%
Annual post-employment benefit increase rate	2.10%	2.81%
Annual wage increase rate	1.00%	1.00%

The annual anticipation and turnover frequencies of the individual Italian companies of the Group are derived from historical experience.

13. Provisions for future risks and charges

Provisions for future risks and charges are detailed in the table below, which also highlights the changes that took place in 2021:

values are expressed in €/1000	Balance as at 31 December 2020	Business combinations	Changes	Balance as at 31 December 2021
End-of mandate severance indemnity	1,351			1,351
Supplementary customer indemnity fund	1,233		(39)	1,194
Other	86		11	97
total	**2,670**	**-**	**(29)**	**2,641**

The fund for the directors' termination indemnity reflects the revalued payments as at 31 December 2021 that the Group will make; the accounting item is balanced with the item recorded in the assets "Other non-current assets" which represents the receivable from the Insurance Company.

The Supplementary Customer Indemnity Fund reflects the appreciation of the risk associated with the possible interruption of the mandate given to agents in the cases provided for by law and has been set aside on the basis of the provisions of the Collective Economic Agreement and civil law.

14. Loans to Banks

Below is the breakdown and movement of payables to banks with the breakdown of the short-term portion and the long-term portion:

values are expressed in €/1000	Balance as at 31 December 2020	Business combinations	Changes	Balance as at 31 December 2021
Unicredit 10,375 ML	6,772		(718)	6,053
Unicredit 2 ML	1,489		(991)	498
Simest 0.48 ML	-		426	426
Unicredit 2,6 ML	2,598		(1,813)	785
Unicredit 1,3 ML	1,300		2	1,302
BPER DL 0.5 ML	497		1	498
Frie n. 22280 0.8 ML	288		(115)	173
Unicredit 5 ML	3,319		(3,319)	-
Unicredit 7,8 ML	1,950		(1,950)	-
Intesa DL 1.75 ML	1,745		1	1,746
Intesa DL 1.25 ML	1,247		1	1,247

BPM 0.9 ML	897		(897)	-
Simest 0.48 ML	-		426	426
Unicredit A 3.3 ML	2,717		(2,717)	-
Unicredit 0,5 ML	501		(0)	501
BPM 0.7 ML	698		(698)	-
Unicredit 3,6 ML	3,639		(726)	2,912
Intesa A 3.7 ML	1,301		(742)	559
Intesa B 2 ML	2,004		6	2,011
Intesa C 1 ML	352		(201)	151
Unicredit 0,5 ML	101		(101)	-
Intesa DL 1.9 ML	1,895		3	1,898
Intesa DL 1.1 ML	1,097		2	1,099
Banco Desio 0.75 ML	747		1	747
BPM 1 ML	997		(594)	403
Simest 0.48 ML	-		476	476
Mediocredito 2 ML	1,348		(195)	1,153
Unicredit A 5 ML	4,543		(821)	3,722
Unicredit B 2.1 ML	2,079		(2,079)	-
BPM 0.6 ML	598		(397)	202
Intesa DL 1 ML	998		(330)	668
Credem DL 1 ML	998		(164)	834
Simest 0.48 ML	-		434	434
Unicredit A 4.3 ML	4,290		(4,290)	-
Unicredit B 2 ML	1,986		30	2,015
BPM 0.8 ML	796		(475)	322
Simest 0.48 ML	-		426	426
Derivatives	246		(158)	88
Short-term advances	1,510		(1,434)	76
total	**57,543**	**-**	**(23,692)**	**33,851**

values are expressed in €/1000	Balance as at 31 December 2020	More than 1 year	from 1 to 5 years	More than 5 years	Balance as at 31 December 2021	More than 1 year	from 1 to 5 years	More than 5 years
Unicredit 10,375 ML	6,772	718	6,053		6,053	1,508	4,545	
Unicredit 2 ML	1,489	991	498		498	498		
Simest 0.48 ML	-				426		308	118
Unicredit 2,6 ML	2,598	211	1,732	655	785	142	571	72
Unicredit 1,3 ML	1,300			1,300	1,302			1,302
BPER DL 0.5 ML	497		413	85	498	40	458	
Frie n. 22280 0.8 ML	288	115	173		173	115	58	
Unicredit 5 ML	3,319		3,319		-			
Unicredit 7,8 ML	1,950	1,169	781		-			
Intesa DL 1.75 ML	1,745		1,487	259	1,746	178	1,568	
Intesa DL 1.25 ML	1,247		1,062	185	1,247	127	1,120	
BPM 0.9 ML	897	362	535		-			
Simest 0.48 ML	-				426		308	118
Unicredit A 3.3 ML	2,717	297	2,144	276	-			
Unicredit 0,5 ML	501	0	501	(0)	501	0	501	
BPM 0.7 ML	698	325	373		-			
Unicredit 3,6 ML	3,639	726	2,912	(0)	2,912	727	2,185	

Intesa A 3.7 ML	1,301	742	559		559	559		
Intesa B 2 ML	2,004		2,004		2,011	2,011		
Intesa C 1 ML	352	201	151		151	151		
Unicredit 0,5 ML	101	101			-			
Intesa DL 1.9 ML	1,895	0	1,654	241	1,898	436	1,462	(0)
Intesa DL 1.1 ML	1,097		957	140	1,099	135	964	
Banco Desio 0.75 ML	747		588	159	747	30	718	
BPM 1 ML	997	594	403		403	403		
Simest 0.48 ML	-				476		356	120
Mediocredito 2 ML	1,348	195	788	365	1,153	196	791	166
Unicredit A 5 ML	4,543	821	3,306	416	3,722	823	2,899	(0)
Unicredit B 2.1 ML	2,079			2,079	-			
BPM 0.6 ML	598	397	202		202	202		
Intesa DL 1 ML	998	330	668		668	444	224	
Credem DL 1 ML	998	164	834		834	220	614	
Simest 0.48 ML	-				434		316	118
Unicredit A 4.3 ML	4,290	634	2,939	718	-			
Unicredit B 2 ML	1,986		1,986		2,015		2,015	
BPM 0.8 ML	796	475	322		322	322		
Simest 0.48 ML	-				426		308	118
Derivatives	246	246			88	88		
Short-term advances	1,510	1,510			76	76		
total	**57,543**	**11,324**	**39,342**	**6,877**	**33,851**	**9,430**	**22,290**	**2,131**

The decrease in the debt of Euro 23,692 thousand derives mainly from the early repayment of loans for Euro 13,165 thousand and the repayment of the principal of the loans for Euro 11,079 thousand. During the year, the Group took out long-term subsidised loans with Simest for a nominal amount of Euro 2,400 thousand.

The table below shows the loans broken down by category:

values are expressed in €/1000	Balance as at 31 December 2020	Business combinations	Changes	Balance as at 31 December 2021
Bank loans:				
Loans for acquisitions	37,201		(19,603)	17,598
So-called Liquidity Decree Loans	8,478		(487)	7,991
Other financing	11,865		(3,602)	8,263
Total	**57,543**	**-**	**(23,692)**	**33,851**

Loans for acquisition include contractual clauses that provide for compliance with certain economic/financial parameters (covenants) based on the results of the financial statements referring to the beneficiary subsidiary as at 31 December of each year.

Financing	Parameter	Limit
Unicredit 10,375 ML 30.09.25	PFN /EBITDA	< 2.0
Unicredit 10,375 ML 30.09.25	PFN / PN	< 1.2
Unicredit 2 ML 30.06.22	PFN /EBITDA	< 2.0
Unicredit 2 ML 30.06.22	PFN / PN	< 1.2
Unicredit 3,9 ML 28.02.27	PFN /EBITDA	< 3.8
Unicredit 3,9 ML 28.02.27	PFN / PN	< 2.0
Unicredit 0,5 ML 31.05.25	PFN /EBITDA	< 2.2
Unicredit 0,5 ML 31.05.25	PFN / PN	< 1.25
Unicredit 3,6 ML 30.06.25	PFN /EBITDA	< 2.5
Unicredit 3,6 ML 30.06.25	PFN / PN	< 1.3
Intesa 4.7 ML 31.08.22	PFN /EBITDA	< 2.5
Intesa 4.7 ML 31.08.22	PFN / PN	< 1.1
Intesa 2 ML 31.08.23	PFN /EBITDA	< 2.5
Intesa 2 ML 31.08.23	PFN / PN	< 1.1
Unicredit A 7.1 ML 30.06.26	PFN /EBITDA	< 2.5
Unicredit A 7.1 ML 30.06.26	PFN / PN	< 1.5
Unicredit A 6.3 ML 31.10.25	PFN /EBITDA	< 3.0
Unicredit A 6.3 ML 31.10.25	PFN / PN	< 1.4

The reference quantities are defined contractually. In the event of non-compliance therewith, the Banking Institutions could exercise by right the request for early repayment, for the residual portion, of the loans disbursed.

Based on the results of the IDB consolidated financial statements and the financial statements of Gervasoni, Meridiani, Cenacchi International, Davide Groppi, Saba Italia, Modar and Flexalighting for 2021, the equity and economic ratios provided for in the loan agreements were respected.

The table below shows the main characteristics of the loans:

num.	*values are expressed in €/1000*	initial amount	residual amount	start date	end date
	M-/L-term funding				
1	Unicredit 10,375 ML	10,375	6,053	14/09/2017	30/09/2025
2	Unicredit 2 ML	2,000	498	23/09/2019	30/06/2022
3	Simest 0.48 ML	480	426	11/06/2021	31/12/2027
4	Unicredit 2,6 ML	2,600	785	13/02/2020	28/02/2027
5	Unicredit 1,3 ML	1,300	1,302	13/02/2020	28/02/2027
6	BPER DL 0.5 ML	500	498	13/08/2020	13/08/2026
7	Frie n. 22280 0.8 ML	838	173	13/04/2012	01/01/2023
8	Unicredit 5 ML	5,000	-	30/11/2015	03/11/2021
9	Unicredit 7,8 ML	7,800	-	30/11/2015	03/11/2021
10	Intesa DL 1.75 ML	1,750	1,746	03/08/2020	03/07/2026
11	Intesa DL 1.25 ML	1,250	1,247	14/08/2020	14/07/2026
12	BPM 0.9 ML	900	-	11/06/2020	30/06/2022

13	Simest 0.48 ML	480	426	19/05/2021	31/12/2027
14	Unicredit A 3.3 ML	3,256	-	09/03/2018	05/11/2021
15	Unicredit 0,5 ML	500	501	15/05/2018	31/05/2025
16	BPM 0.7 ML	697	-	29/06/2020	18/06/2021
17	Unicredit 3,6 ML	3,573	2,912	13/06/2019	30/06/2025
18	Intesa A 3.7 ML	3,700	559	30/05/2016	31/08/2022
19	Intesa B 2 ML	2,000	2,011	30/05/2016	31/08/2023
20	Intesa C 1 ML	1,000	151	30/05/2016	31/08/2022
21	Unicredit 0,5 ML	500	-	31/10/2016	31/12/2021
22	Intesa DL 1.9 ML	1,900	1,898	30/06/2020	30/06/2026
23	Intesa DL 1.1 ML	1,100	1,099	29/06/2020	30/06/2026
24	Banco Desio 0.75 ML	750	747	12/10/2020	10/10/2026
25	BPM 1 ML	1,000	403	04/06/2020	30/06/2022
26	Simest 0.48 ML	480	476	11/06/2021	31/12/2027
27	Mediocredito 2 ML	2,000	1,153	03/08/2017	31/10/2027
28	Unicredit A 5 ML	5,000	3,722	05/06/2019	30/06/2026
29	Unicredit B 2.1 ML	2,100	-	05/06/2019	05/11/2021
30	BPM 0.6 ML	600	202	19/05/2020	31/05/2022
31	Intesa DL 1 ML	1,000	668	11/07/2020	11/06/2023
32	Credem DL 1 ML	1,000	834	31/07/2020	31/07/2025
33	Simest 0.48 ML	480	434	16/04/2021	31/12/2027
34	Unicredit A 4.3 ML	4,300	-	24/10/2018	05/11/2021
35	Unicredit B 2 ML	2,000	2,015	24/10/2018	31/10/2025
36	BPM 0.8 ML	800	322	20/05/2020	30/06/2022
37	Simest 0.48 ML	480	426	19/05/2021	31/12/2027
38	Derivatives		88		
39	Short-term advances		76		
	total	**75,489**	**33,851**		

It should be noted that, as already indicated in the paragraph "Financial risk management", derivative contracts have been stipulated to hedge the interest rate risk, for a notional amount of approximately Euro 7.3 million, decreasing in proportion to the repayments of the related loans.

According to the provisions of paragraph 27B of IFRS 7, the Group must provide, for each class of financial instruments measured at fair value, the classification according to the following categories, representative of the degree of objectivity of the criteria used in determining the fair value:

- Level 1 - financial instruments at fair value determined on the basis of values and prices observable directly from active regulated markets;
- Level 2 - financial instruments at fair value determined on the basis of formulas and methods that use values mainly inferable from active regulated markets;
- Level 3 - financial instruments at fair value determined on the basis of calculation

methods based on data not observable on regulated markets.

Derivative contracts of the interest rate cap and interest rate swap type for hedging interest rates recorded at fair value are part of the hierarchical level number 2 of fair value measurement. During the period, there were no transfers from Level 1 to Level 2 or to Level 3 and vice versa.

15. Other loans

The breakdown and changes in other medium-/long-term loans are shown below.

values are expressed in €/1000	Balance as at 31 December 2020	Business combinations	Increases	Decreases	Payments	Balance as at 31 December 2021
Other financing	1,534		48			1,582
Financial payables to lessors	17,081		866	(1,787)		16,160
Other financial liabilities	33,258		1,527	(2,791)	(9,926)	22,068
total	**51,873**	**-**	**2,441**	**(4,578)**	**(9,926)**	**39,809**

The breakdown of other loans is shown:

values are expressed in €/1000	Balance as at 31 December 2020	short	long	Balance as at 31 December 2021	short	long
Vendor Loan	1,531	31	1,500	1,582	82	1,500
total	**1,531**	**31**	**1,500**	**1,582**	**82**	**1,500**

Payables to other lenders, i.e., Vendor Loan amounts to Euro 1,582 thousand and refers to the company Elpi S.r.l. and Fourleaf S.r.l. The debt arose as part of the Gervasoni S.p.A. sale agreement between the seller Il Castello S.p.A. and the buyer, former Fingerva S.p.A. The debt is subject to the Unicredit loans of original Euro 7,650 thousand and Euro 4,904 thousand, extinguished at the end of 2021, the variable remuneration is parameterised to the Euribor, interest is regulated annually.

The details of financial payables to lessors referring to the application of the IFRS 16 accounting standard are shown below.

values are expressed in €/1000	Balance as at 31 December 2020	short	long	Balance as at 31 December 2021	short	long
Payables for leases IFRS 16	17,081	1,984	15,096	16,160	2,007	14,152
total	**17,081**	**1,984**	**15,096**	**16,160**	**2,007**	**14,152**

The amount was determined by discounting the rents provided for in the existing lease agreements, specifically real estate rents.

The increase for the year refers to new real estate leases for office and industrial use.

16. Deferred taxes

The following tables show the movements in deferred tax liabilities and assets (the latter recorded in the non-current assets of the statement of financial position) in the course of 2021 with evidence of the nature of the temporary differences that generated them.

Deferred tax assets

values are expressed in €/1000	Balance as at 31 December 2020	Business combinations	Increases	Decreases	Balance as at 31 December 2021
Depreciation	49		24	(10)	63
Goodwill	353		27	(34)	346
Bad debt provision	319			(1)	319
Inventory write-downs	275		96	(52)	319
Severance Indemnity IAS 19	249		5	7	262
Leases IFRS 16	129		84	(1)	212
Derivatives	59			(38)	21
Agent indemnity	85		2	(2)	84
Provision for customer returns	24			-	24
Adjustment of financial liabilities	(1)		9	(8)	-
Employee and administrator benefits	-		78	-	78
Revaluations	471			(92)	379
Others	163		231	(18)	376
total	**2,175**	-	**555**	**(248)**	**2,482**

The deferred tax credit recognised under assets under the item "Deferred tax assets" includes the benefit of costs recovered temporarily for tax purposes. In fact, the requirements for the recognition of deferred tax assets provided for by IAS 12 were considered satisfied.

Deferred tax liabilities

values are expressed in €/1000	Balance as at 31 December 2020	Business combinations	Increases	Decreases	Balance as at 31 December 2021
Trademarks	3,135		207	(123)	3,218
Models	425		136	(272)	289
List of Customers	6,767			(925)	5,842
Subsidised rate financial interest	9			(8)	1
Amortised cost	(5)		2	(5)	(9)
total	**10,331**	**-**	**344**	**(1,334)**	**9,341**

As highlighted in the table, deferred tax liabilities mainly refer to the tax effect on the allocation of part of the price paid for the acquisition (P.P.A.) of Gervasoni S.p.A., Meridiani S.r.l., Cenacchi International S.r.l., Davide Groppi S.r.l., Saba Italia S.r.l. and Modar S.p.A. to increase the value of intangible assets, as already described in note 1.

17. Other financial liabilities

The breakdown and change of other financial liabilities is shown below:

values are expressed in €/1000	Balance as at 31 December 2020	short	long	Balance as at 31 December 2021	short	long
Earn out	5,382	4,948	434	1,968	441	1,527
Payables for Put and phantom options	27,876	4,870	23,006	20,099	15,672	4,427
total	**33,258**	**9,818**	**23,440**	**22,068**	**16,113**	**5,955**

The payable for earn out recorded in 2021 refers to the sellers of the Flexalighting company and constitutes the update of the best possible estimate of the earn out, predefined at the acquisition date and accounted for using the amortised cost method as at 31 December 2021. The earn out is in fact directly linked to the performance of the target company, normally the EBITDA and the net financial position as defined contractually between the parties, parameters that may differ in the final balance from the estimates contained in the business plan of the target company.

Payables for put options and phantom stock options amounted to Euro 20,099 thousand at 31 December 2021 and refer to the fair value of the liability for the exercise of the put option (in favour of the seller) & call (in favour of the Group) for the ''purchase of the residual share referring to 41.28% of Cenacchi International, 43% of the residual share referring to Davide Groppi, 25% of the residual share of Modar and 49% of Flexalighting. The purchase value of the minority stake through the put option also passes through a contractual definition that binds the value to the actual company performance compared with those estimated in the business plan, with calculation parameters still contractually predefined between the parties (typically EBITDA and net financial position).

The overall decrease in the payable during the year (Euro 11,190) reflects the exercise of put options (Euro 4,926 thousand), the exercise of earn out (Euro 5,000 thousand), the interest accrued (Euro 703 thousand) and the remeasurement of the debt for the options existing at 31 December 2020, which resulted in a decrease in their value in relation to the evolution of the expected results compared with those estimated at the end of the previous year, totalling Euro -2,088 thousand, reflected in the income statement amongst net financial income/charges.

18. Trade payables

The item amounts to Euro 28,434 thousand.

The total amount of debts is fully liquidable within 12 months.

values are expressed in €/1000	Balance as at 31 December 2020	Business combinations	Changes	Balance as at 31 December 2021
Trade payables	21,515		6,919	28,434
total	**21,515**	-	**6,919**	**28,434**

Breakdown of trade payables by geographical area:

values are expressed in €/1000	Italy	EU	Non-EU	Balance as at 31 December 2021
Trade payables	27,238	128	1,068	28,434
total	**27,238**	**128**	**1,068**	**28,434**

19. Tax payables

values are expressed in €/1000	Balance as at 31 December 2020	Business combinations	Changes	Balance as at 31 December 2021
income tax payables	1,259		847	2,107
total	**1,259**	**-**	**847**	**2,107**

The balance sheet item increases due to the higher payable balance for income taxes. In particular, it should be noted that, on 4 October 2018, the Company entered into a national tax consolidation agreement pursuant to Article 117 et al. of Presidential Decree 917, dated 22 December 1986 ("TUIR") with the subsidiaries Gervasoni, Meridiani and Cenacchi International; from 2020 Davide Groppi, Saba Italia and Modar are also part of it and from 2021 Flexalighting.

20. Other current liabilities

values are expressed in €/1000	Balance as at 31 December 2020	Business combinations	Changes	Balance as at 31 December 2021
Payables to staff and social security institutions	4,063		1,853	5,916
Contracts liabilities	4,721		6,425	11,145
Other payables	5,396		2,118	7,514
total	**14,180**	**-**	**10,395**	**24,575**

It should be noted that in the current year the liabilities resulting from contracts from other current liabilities have been indicated separately in the consolidated financial statements. The data referring to the previous year have also been shown separately.

Payables to staff and social security institutions refer to payables to personnel for salaries and accrued holidays and leave, to payables to INPS, Enasarco and other social security institutions.

The contractual liabilities resulting from contracts amount to Euro 11,145 thousand.

The other payables mainly consist of other advances received from customers for Euro 6,310 thousand; the remaining amount of Euro 1,204 is made up of accrued liabilities, withholdings, payables to Directors and other corporate bodies and other payables.

ANALYSIS OF THE BREAKDOWN OF THE MAIN ITEMS OF THE INCOME STATEMENT

21. Sales revenues for goods and services

Below is the breakdown of sales revenues by allocation area and by strategic business area:

values are expressed in €/1000	2020	2021
Italy sales revenues	28,528	38,144
EU sales revenues	36,995	45,995
Non-EU sales revenues	44,664	60,032
Total	**110,187**	**144,171**

values are expressed in €/1000	2020	2021
Furniture sales revenues	63,380	82,135
Lighting sales revenues	14,932	21,355
Luxury contract sales revenues	31,833	40,668
Other sales revenues	42	13
Total	**110,187**	**144,171**

The item amounts to Euro 144,171 thousand. The main markets are Italy, France, Germany, the United States, Switzerland and Japan. The Group operates in over 80 countries with over 1,500 customers.

22. Other revenues

Other proceeds amount to Euro 3,527 thousand. They consist of recoveries of expenses for Euro 271 thousand to customers (charge-backs for expenses and services) and to suppliers (charge-backs for non-compliant supplies); from contingent assets and capital gains for Euro 904 thousand; from grants for operating and capital account for Euro 1,243 thousand; from other income not included in the previous items for Euro 1,110 thousand.

values are expressed in €/1000	2020	2021
Expense recovery	473	271
Contingencies and capital gains	368	904
Grants for current expenses	280	1,243
Other revenues	577	1,110
Total	**1,698**	**3,527**

Operating grants include the non-repayable SIMEST grant pursuant to Decree Law 34/2020 (i.e., “Relaunch Decree) for Euro 960 thousand.

23. Procurement of raw materials

The overall balance item amounts to Euro 55,082 and includes, in addition to direct materials for production and sale, also purchases of auxiliary materials, small equipment, gas and stationery.

values are expressed in €/1000	2020	2021
Raw materials and Semi-finished products	30,740	21,413
Purchase of finished products	5,005	17,884
Others	2,096	15,786
Total	**37,841**	**55,082**

24. Staff costs

The item amounts to a total of Euro 23,662 thousand and is made up of wages and salaries, social security contributions, severance pay and other costs.

values are expressed in €/1000	2020	2021
Wages and salaries	13,981	17,230
Social security costs	4,164	4,904
Severance indemnity	1,062	1,175
Others	412	353
Total	**19,619**	**23,662**

The number of employees in force during the 2021 financial year was 410 units.

	2020	2021
Executive Managers	7	8
Managers and employees	233	242
Manual workers	156	159
Other employees	1	1
Total	**397**	**410**

25. Costs for services and use of third-party assets

The overall balance item amounts to Euro 47,083 thousand and includes commercial costs, industrial costs, administrative and general costs, the cost of using third-party assets for which it was not necessary to apply IFRS 16.

values are expressed in €/1000	2020	2021
Use of the use of third party assets	450	737
Commercial costs	15,351	19,622
Industrial costs	13,009	16,557
Directors' fees	4,235	4,638
Remuneration of Statutory Auditors and Auditing Firm	175	219
Consultancies	1,509	1,199
Insurance companies	526	540
Utilities	445	693
Other administrative and general costs	3,208	2,879
Total	**38,908**	**47,083**

For the period in question, the remuneration to the directors amounted to Euro 4,638 thousand, including the annual charge for the phantom stock option guaranteed to the Chief Executive Officer, the remuneration paid to the Board of Statutory Auditors and the Independent Auditors for the audit of the financial statements and consolidated of the parent company IDB and for the statutory audit of the subsidiaries Gervasoni, Meridiani, Cenacchi International, Davide Groppi, Saba Italia, Modar and Flexalighting amount to Euro 219 thousand. The breakdown of auditing firm fees is as follows:

values are expressed in €/1000	2021
Parent company statutory audit	22
Group companies statutory audit	123
Other services provided by the auditing firm	74
Total	**219**

26. Other operating costs

The item, which amounts to Euro 450 thousand, includes some residual costs not included in the previous items including membership fees, local taxes such as Tari and advertising tax, credit losses, capital losses and contingent liabilities.

27. Provisions and Depreciation

The item, equal to Euro 122 thousand, refers to the provision to the bad debt provision in note 7.

28. Depreciation

Please refer to notes 1 and 2.

29. Financial income and expenses

Financial income, equal to Euro 8,723 thousand, refers to exchange gains and residual cash discounts applied by suppliers, interest income accrued on current accounts, interest income from customers and mainly income from value adjustments on financial liabilities recognised in the financial statements (put & call option), totalling Euro 8,169 thousand, and for which reference should be made to note 17 "Other financial liabilities".

Financial charges of Euro 8,599 thousand consist of interest from banks, from other lenders as shown in the table, from exchange losses, from notional interest relating to the debt for the purchase of the minorities of Cenacchi International, Davide Groppi, Modar and Flexalighting on the based on existing put & call option contracts, as well as changes in value of put & call option agreements, based on available forecast data, the latter totalling Euro 4,202 thousand.

Financial income

values are expressed in €/1000	2020	2021
Proceeds to banks	3	7
Active supplier discounts	43	30
Income from value adjustments on financial liabilities	5,030	8,169
Others	1,516	518
Total	**6,592**	**8,723**

Borrowing costs

values are expressed in €/1000	2020	2021
Interest on ordinary mortgages	920	1,320
Interest on subsidised loans (Frie)	13	4
Interest towards third parties (vendor loan)	52	51
Charges for value adjustments on financial liabilities	3,585	4,202
Financial charges on lease payments (IFRS 16)	451	427
Notional interest on options	1,003	2,352
Others	699	243
Total	**6,723**	**8,599**

30. Taxes

The breakdown of the item is as follows:

values are expressed in €/1000	2020	2021
Deferred tax assets	(201)	(856)
Deferred taxes	(6,803)	(626)
Current taxes	3.451	4,852
Total	**(3,553)**	**3,370**

For the movements in deferred tax assets and liabilities, please refer to the information included in note 16 of the corresponding balance sheet items, as well as the information provided in note 11 "Shareholders' Equity" regarding the positive effects on deferred taxes resulting from the redemption of some intangible assets carried out in the previous year, pursuant to Decree Law no. 104 of 2020 (so-called August decree) and subsequent amendments and additions.

The incidence of current taxes on the pre-tax result stood at 29.7% compared with 30.3% in the previous year.

31. Law No. 124 dated 4 August 2017 - State Aid

With reference to Law No. 124 dated 4 August 2017 on the subject of regulations on the transparency of public disbursements, it should be noted that the benefits granted in 2021 amount to Euro 1,310 thousand.

values are expressed in €/1000	2021
Contributions to the Relaunch Decree	960
Capital goods tax credit	40
GSE plant management contribution	139
Other benefits	171
total	**1,310**

32. Other items of the statement of comprehensive income

The other items of the comprehensive income statement relate to changes in the Cash Flow Hedge Reserve, in relation to the fair value measurement of derivative instruments for hedging financial risks from changes in interest rates. These are instruments of the Interest Rate Cap and Interest Rate Swap type, described in the section on financial risks pursuant to IFRS 7, to which reference should be made for further details. Since these are financial instruments with characteristics to be accounted for in hedge accounting, the changes in fair value are recognised directly in shareholders' equity, net of the related tax effect.

Furthermore, following the amendments to IAS 19, starting from 2013 the actuarial gains and losses are recognised in the statement of comprehensive income, and will not be subsequently recognised in the income statement.

The changes in the two components described show a positive value for Euro 120 thousand and a negative one for Euro 186 thousand, respectively.

33. Related parties

values are expressed in €/1000	revenues	costs for lease instalments without application of IFRS 16	costs for services	financial income/(charges)
Il Castello S.p.A.	4	466	2	
Elpi S.r.l.				(25)
Fourleaf S.r.l.				(25)
Directors			5,274	
Giovanni De Ponti			145	
Ir-Ma S.r.l.		400		
C.G. Immobiliare S.r.l.		200		

values are expressed in €/1000	non-current liabilities	other payables
Elpi S.r.l.	(750)	
Fourleaf S.r.l.	(750)	
Directors		(1,365)

It should be noted that the companies Elpi S.r.l. and Fourleaf S.r.l., related companies, have an interest bearing loan of Euro 750 thousand each to Gervasoni S.p.A. called Vendor Loan described in note 15.

The companies of the Group have lease agreements with related parties, the instalments of which are paid in advance, the operating cost of which amounts to Euro 1,066 thousand, specifically Euro 466 thousand to Il Castello S.p.A., Euro 200 thousand to C.G. Immobiliare S.r.l. and Euro 400 thousand to Ir-Ma S.r.l.

The item "Directors" includes the remuneration and the share of exercising the phantom stock option.

34. Commitments and Guarantees

At 31 December 2021, the Group has not issued sureties to anyone; pledged the subsidiaries' quotas or shares to the banks that disbursed the loans to them as highlighted in note 14.

35. Subsequent events

There were no subsequent events affecting the financial position of the Group as at 31 December 2021. It should be noted that the Group is pursuing its growth strategy by external lines and during the first months of 2022 negotiations have been started which, with reasonable possibility, will materialise in the following months.

Milan, 29 April 2022

For the Board of Directors

The CEO

Andrea Sasso

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