ANNUAL FINANCIAL REPORT 2022

IDB
Italian Design Brands

Italian Design Brands

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ANNUAL FINANCIAL REPORT 2022

Italian Design Brands

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CAROLINA HERRERA

HIGHLIGHTS 2022

THE EXCELLENCE OF ITALIAN DESIGN AND CRAFTSMANSHIP IN A SINGLE GROUP

Portfolio of excellence
10 companies • 13 brands

4 Strategic Business Areas

- Furniture
- Kitchen & Systems
- Lighting
- Luxury Contract

Global presence
+130 active international markets

People
+550 people

Revenue
€ 199.5 million

LETTER TO SHAREHOLDERS

Dear shareholders, the year 2022 was a year of complex and unpredictable events, such as the Russian-Ukrainian conflict, inflation spikes, the energy crisis as well as the ongoing consequences of the pandemic, factors that created strong instability both at a macroeconomic and geopolitical level.

Nevertheless, 2022 was a year of strong growth for IDB, closing with revenues of € 199.5 million and an increase of 38.4% compared to 2021, thanks to the organic growth of the Group businesses (+27.7% year-on-year) and to the signing of two new acquisition agreements, as well as further strengthening in the North American market. Despite the energy and raw material price increases experienced, the year was also very good in terms of margins, closing with an Adjusted EBITDA of € 36.1 million, or 18.1% of revenues, and an Adjusted Net Profit of € 20.6 million, or 10.3% of revenues (up 55.6% from 2021).

Among the year's highlights were the ninth M&A deal, concluded in June with the acquisition of a majority stake in Gamma Arredamenti International, a company from Emilia specialized in the production of upholstered leather furniture with a strong export vocation, and the signing in July of an agreement, subsequently finalized in January 2023, for the acquisition of a majority stake in Cubo Design, a company from Abruzzo that operates through the brands Binova and Miton Cucine and specializes in the production of modular kitchens and systems: a very valuable achievement, that has enabled the Group to strategically expand its reach to the "Kitchen&Systems" business area.

With regards to internationalization, in 2022 the Group opened a third foreign subsidiary in the United States, IDB USA Corp., which will promote and support IDB businesses' commercial development and brand footprint in North America. Also, in the first half of the year and in order to strengthen the Group's presence in the key North American market, Flexalighting acquired control of Flexalighting North America, a production company that markets in the United States and Canada the range of lighting solutions developed in Italy.

The Group's success is the result of a solid and strategic project that focuses on the growth and evolution of the IDB team, which is experienced, passionate and dedicated to supporting the different business areas. The solidity of a network of entrepreneurs and suppliers, combined with the intense work of all the Group's companies, has allowed IDB to keep growing in strategic markets by investing in digital transformation, business organization and sustainability, to represent the many facets of the high quality made in Italy design around the world.

At the beginning of 2023, the macroeconomic environment remains complex, with lights and shadows, but we are convinced that IDB Group's business model will continue to provide satisfying results, as, indeed, is confirmed by the order backlog of the first months of the year.

I would like to take this opportunity to thank all our stakeholders for their continued support, especially our shareholders, our Board of Directors and all the people of this truly fantastic Group.

Thank you all,
Andrea Sasso

THE GROUP'S SUCCESS IS THE RESULT OF A SOLID AND STRATEGIC PROJECT THAT FOCUSES ON THE GROWTH AND EVOLUTION OF THE IDB TEAM, WHICH IS EXPERIENCED, PASSIONATE AND DEDICATED TO SUPPORTING THE DIFFERENT BUSINESS AREAS.

ITALIAN DESIGN BRANDS AT A GLANCE

WHO WE ARE

Italian Design Brands is the Italian hub of high-quality furniture and design.

Italian Design Brands S.p.A. was established in 2015 and currently the Group is formed by ten small and medium sized companies, but primarily by **remarkable people, created to represent the excellence of Italian interior design and craftsmanship worldwide**. Each entity is able to provide the Group with material synergies such as resources, experience, entrepreneurial spirit and a global mentality and approach to business.

The Group

IDB consists of 10 companies organized into 4 strategic business areas, with a total of 13 brands.

Furniture

GERVASONI™	Elegant indoor and outdoor furniture for retail and contract solutions through Gervasoni and Very Wood brands.
MERIDIANI	Contemporary design collections for both living and sleeping areas, sofas, as well as accessories in marble and brass.
saba	Tailor-made timeless products thanks to modular design and a vast choice of personalization options.
GAMMA	Elegant leather sofas and upholstery products for both the living and sleeping areas, through Gamma and DandyHome brands.

Kitchen & Systems

CUBO DESIGN	Elegant, functional Kitchen & Systems for both retail and contract solutions through Miton and Binova brands.

Lighting

davide groppi	Lamps and lighting products characterized by simplicity, weightlessness, emotion, creative invention and amazement.
FLEXALIGHTING	Architectural use of LED Technology mixing quality and functionality.
Axolight	High-end decorative lamps in the context of an industrial process aimed at synthetizing the core elements of design, engineering and functionality.

Luxury Contract

Cenacchi International	Realization and installation of luxury furnishings for boutiques, showrooms and UHNWI residences.
MODAR	Realization and installation of luxury furnishing projects for flagship stores, showrooms, hotels and resorts.

Our mission

TO REPRESENT THE EXCELLENCE OF ITALIAN DESIGN AND CRAFTSMANSHIP WORLDWIDE, WORKING AS A VIRTUOUS ENVIRONMENT IN WHICH EACH BRAND CAN BOOST ITS COMPETITIVE STRENGTH WHILE MAINTAINING ITS DISTINCTIVE IDENTITY, CREATIVITY AND ENTREPRENEURIAL SPIRIT.

2015-2022 - Our history, our commitment

We search for, select and add high-potential companies to our Group.

We create a virtuous environment in which each company can accelerate its competitive strength, while maintaining intact its distinctive identity, creativity and entrepreneurial spirit.

2015

IDB Group is established

Gervasoni S.p.A.
Joins IDB Group

2016

Meridiani S.r.l.
Joins IDB Group

2017

Cenacchi International S.r.l.
Joins IDB Group

2018

Davide Groppi S.r.l. /Saba Italia S.r.l.
Join IDB Group

2019

Modar S.p.A.
Joins IDB Group

2020

Flexalighting S.r.l.
Joins IDB Group

2021

Axo Light S.r.l.
Joins IDB Group

2022

Gamma Arredamenti International S.p.A. /Cubo Design S.r.l.
Join IDB Group

THE IDB MODEL

An innovative, all-Italian model of doing business.

Growth through acquisitions

Proactivity on the market, which starts from an accurate mapping of segments and categories consistent with the Group's mission to generate contacts with potential new companies and partner entrepreneurs.

Proven ability to carry out acquisition operations with a flexible approach focused on a long-term partnership with the property, in a path of support for growth and, if necessary, for the management of generational change.

COMPANIES
sound companies with a successful entrepreneurial story.

QUALITY
high-quality products and an internationally recognized brand.

REVENUES
approximate size between 10 to 50 million annual revenues.

IDENTITY
distinctive creative identity within their market segment.

Organic growth

A partnership model that promotes the alignment of interests for all the actors involved, based on majority agreements with the companies and on the independence of the entrepreneurs, who remain at the helm of the structures while keeping their entrepreneurial identity and DNA intact.

Support and coordination of a non-invasive corporate structure, which supports individual companies in synergistic activities and processes (digitalization, internationalization, organizational development, branding and efficient management of financial resources).


JANE SMITH

IDB HIGHLIGHTS

Strong entrepreneurial know-how

The Group consists of successful entrepreneurs who developed great experience and knowledge of their industry and, sharing the IDB strategy, choose to become partners and actively participate in support of its development.

Hub for the excellence of italian design and craftsmanship

IDB Group operates in a resilient, growing market, which is exposed to an important and distinctive tradition of quality and craftsmanship, typical of the most excellent "Made in Italy" sectors.

Entrepreneurial DNA and distinctive approach

A platform able to attract new talents while preserving their DNA and entrepreneurial vision and, at the same time, accelerating development through a common strategic vision and the use of sharing as a tool for growth and comparison.

High-end positioning and complementarity of styles and products

A portfolio of high-end brands that allows exposure to different market segments, offering a broad complementarity of products, styles and specializations.

Global and Diversified Presence

The Group benefits from a significant international presence and a balanced exposure between different channels and geographical areas, with an eye to market developments and the ability to fully grasp the opportunities.

Managerial support and organizational development

The involvement of a high-profile management team allows the introduction of structured methods and processes aimed at improving business efficiency and effectiveness, providing support for organizational development and, where necessary, support in gradual generational transitions.

Solid economic results and efficient financial management

IDB boasts an excellent growth path, as well as excellent profitability and financial solidity, guaranteed by the primary standing of the Group companies and by centralized finance and control management, which allows an efficient use of resources to serve new investments for growth.

DIRECTORS' REPORT CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

AS OF 31ST DECEMBER 2022

Please note that Italian Design Brands S.p.A. drafted the Directors' Report as a single document for both the consolidated financial statements of the Group and the separated financial statements.

Dear Shareholders,

This report accompanying the consolidated financial statements as of 31st December 2022 reports the analysis of the financial year of the Italian Design Brands Group (hereinafter also "IDB"), established in 2015 following the first corporate acquisition, which saw involved the company Gervasoni and, through the latter, Ifa S.r.l.

Subsequently, 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), a minority stake of Axo Light S.r.l. (in 2021) and, lastly, in 2022, Flexalighting North America Ltd. through Flexalighting, Gamma Arredamenti International S.p.A. and Gamma Arredamenti International Inc. and with the establishment of Fincubo S.r.l. occurred in December.

The aforementioned business combination operations are part of the IDB Group's project to create an Italian hub of furniture, including the kitchen sector, and high quality lighting.

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

With reference to the acquisitions in 2022, the following is specified:

- on 21 February 2022, Gervasoni, in compliance with existing agreements, acquired 100% of SUR S.r.l., for a consideration which provides for a fixed part and an earn-out to be paid during the years 2023, 2024 and 2025. Subsequently, with a deed dated 15 December 2022, the extraordinary merger operation was carried out, approved by both companies participating in the operation with resolutions of the respective shareholders' meetings held on 6 October 2022. Since the capital of the incorporated company, SUR S.r.l., is entirely held by the incorporating company, Gervasoni S.p. A., the operation was carried out as a direct merger without the need for an exchange. It should be noted that the legal effects of this transaction start from 31 December 2022, while the accounting and tax effects started retroactively from 1 January 2022;

- on 28 April 2022, the company Fingamma S.p.A. was incorporated, which on 1 June 2022 acquired the entire share capital of Gamma Arredamenti International S.p.A. (which, in turn, controls 100% of Gamma Arredamenti International Inc., an American company active in the distribution of the parent company's products), a company located in Forlì (FC) which operates in the furniture sector. IDB acquired 55% of Fingamma, with the remaining 45% acquired by the former shareholders of Gamma Arredamenti International S.p.A., and agreements of the put option exercisable by the minority and the call option in favour of IDB (refer to the explanatory note for further details), for the sale of the shares held under predefined terms and conditions. Subsequently, on 27 December 2022 the reverse merger of Fingamma S.p.A. was executed. into Gamma Arredamenti International S.p.A., on the basis of the merger project dated 4 October 2022, registered for the merged company with the Milan-Monza Brianza Business Register (protocol no. 544923/2022) and for the merged company with the Romagna Business Register- Forlì-Cesena and Rimini on 6 October 2022 (reference no. 68834/2022). The aforementioned merger transaction had been approved by both companies participating in the transaction with resolutions of the respective shareholders' meetings held on 19 October 2022. Based on the international accounting standards adopted by the Group for the preparation of the consolidated financial statements, the company Gamma Arredamenti International S.p.A. and the American subsidiary have been consolidated line-by-line, starting from the acquisition date (1 June 2022), for the 100% share, with exposure under liabilities of the estimated liability for the purchase of the remaining share owned by the minority (exercisable in during 2026) and the balance of the price (so-called earn out), expected during 2023;

- on 9 May 2022, the company Flexalighting acquired 1% of the shares of Flexalighting North America (thereby controlling the majority since it already held 50%), a company located in Surrey (Canada), which operates according to the Flexalighting model, proceeding with the assembly and testing of the lighting fixtures internally, while the creation of the semi-finished products and the mechanical and surface processing are entrusted to external suppliers, with procurement from Flexalighting S.r.l. for the components that do not have sufficient volumes to define a production lot. There is also a put & call agreement on the remaining 49%, to be exercised during the financial year 2025, 2026 and 2027 at predefined conditions;

- On 15 December 2022, the merger by incorporation of the company Salpi S.n.c. by Davide Groppi S.r.l. in the company Davide Groppi S.r.l., which held the entire share capital of the incorporated company; the transaction was carried out on the basis of the merger plan dated 19 October and that the same had been approved by the Shareholders' Meeting on 3 November 2022. It should be noted that the transaction takes effect from 1 January 2023 and the related accounting and tax effects also start from that date;

- on 16 December 2022, the company Fincubo S.r.l. was incorporated, the majority of which is held by IDB S.p.A., with the aim of acquiring the majority of the share capital of Cubo Design S.r.l. completed in January 2023 and better described in subsequent events in the notes to the financial statements.

The consolidated financial statements of the Group and the separate financial statements of the Parent Company as of 31st December 2022 (prepared in relation to the proposed stock market listing of the company and the relevant legislation) have been prepared in compliance with the international accounting standards (hereinafter "IFRS") adopted from the European Union.

PERFORMANCE OF GROUP MANAGEMENT

From an economic point of view, the consolidated financial statements show a value of revenues and income equal to Euro 201,585 thousand and an operating result equal to Euro 22,430 thousand, after depreciation and write-downs of tangible fixed assets for a total of Euro 9,302 thousand, and an operating result negative of Euro 5,932 thousand, the calculation of which negatively contributes to net financial expenses for a total of Euro 21,298 thousand and income taxes for a total of Euro 7,064 thousand.

To this result Euro 241 thousand must be added, consequent to the adjustment of the value at the end of the financial year of existing financial instruments having the requisites to be considered hedging, Euro 656 thousand due to the effect of the actuarial valuation of the severance indemnity provision, all values net of taxes, and the negative adjustment of the translation reserve relating to the conversion of foreign financial statements in currencies other than the Euro and other movements equal to Euro 280 thousand.

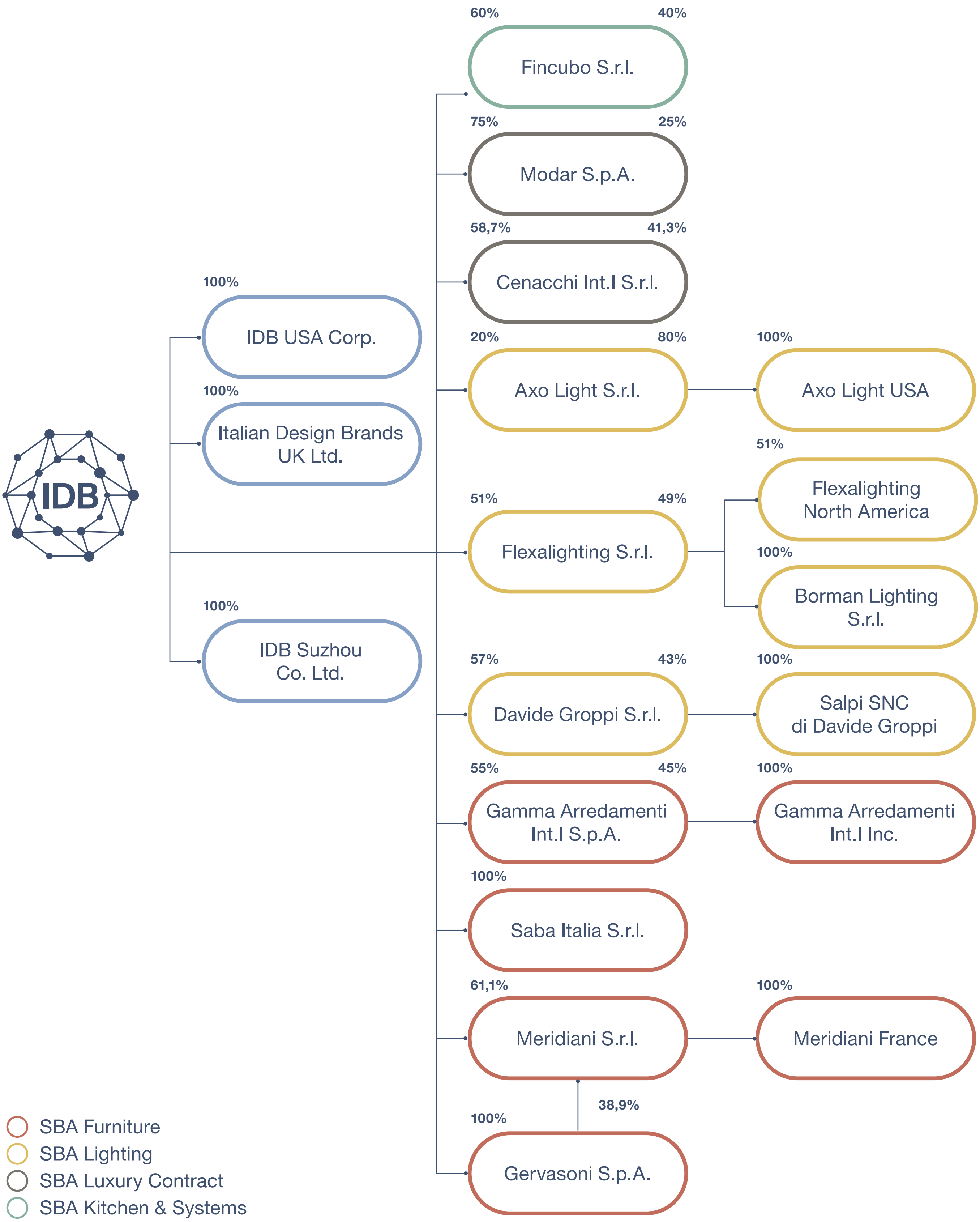
The result of the comprehensive income statement is therefore a loss of Euro 5,315 thousand.

OPERATING CONDITIONS AND BUSINESS DEVELOPMENT

IDB S.p.A. holds the entire available capital of Gervasoni S.p.A. (30% treasury shares), which controls 100% of Meridiani S.r.l., which in turn wholly controls Meridiani France SARL, 58.7% of the company Cenacchi International S.r.l., 57% of Davide Groppi S.r.l., which in turn controls 100% of Salpi S.n.c. by Davide Groppi, the entire share 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. and 51% of Flexalighting North America Ltd.; 100% of IDB UK Ltd., IDB Suzhou Co. Ltd. and IDB USA Corp., 20% of Axo Light S.r.l., 55% of Gamma International S.p.A., which in turn owns 100% of Gamma International Inc. (Cenacchi International, Davide Groppi, Modar, Flexalighting, Flexalighting North America and Gamma S.p.A. have been 100% consolidated due to the put options exercisable by minority shareholders and call options in favour of the Company, with the consequent obligation to purchase the quotas/shares held under predefined conditions).

The companies of the Group belong to the strategic business areas, hereinafter also "SBA", and coinciding with the operating segments envisaged by IFRS 8, i.e., furniture, lighting, luxury contract and kitchens and systems (the latter in fact became operational in during the 2023 financial year, with the acquisition of Cubo Design S.r.l.).

Graphically, the Group's structure as of 31st December 2022 is as follows:



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

a) Gervasoni, in 2022, increased sales compared to 2021 by around 11%; the mainly markets are the Italian for 22%, the EU for 44% and the non-EU for 13%;

b) Meridiani has reported an increase in sales of around 15% compared to 2021; the mainly markets are the Italian for 18%, the EU for 45% and the non-EU for 18%;

c) Cenacchi International has reported an increase in sales, including the change in contract assets, of around 160% compared to last year, thanks to the restart of projects previously put on standby due to COVID. Sales are mainly aimed at contract customers, the mainly markets being the Italian for 10%, the EU market for 16% and the non-EU market for 66% (relating mainly to the US and Canadian markets);

d) Davide Groppi has reported an increased in sales by approximately 6% during the period; the mainly markets are the Italian for 51%, the EU market for 28% and the non-EU market for 13% (also including the United States and Canada markets);

e) Saba Italia has reported an increased in sales by approximately 5%, the mainly markets are the Italian market for 44%, the EU market for 24% and the non-EU market for 15% (also including sales on the markets United States and Canada);

f) Modar has reported an increase in sales, including the change in contract assets, of approximately 35% compared to the previous year, heavily affected by the pandemic which has slowed down the development of new projects; the mainly markets are the Italian market for 12%, the EU market for 13% and the non-EU market for 64% (of which 53% relating to sales in the United States);

g) Flexalighting has reported an increased in sales by approximately 18% compared to 2021, the mainly markets are the Italian for 33%, the EU for 27% and the non-EU for 31% (of which 25% it relates to the United States market). The Canadian subsidiary Flexaligthing North America almost doubled its sales in 2022 compared to 2021, with sales mainly in the Canadian market;

h) Gamma has reported a significantly increased in sales in 2022, mainly (96%) non-EU and Italy markets, of which 37% in the United States. In any case, the Company is consolidated starting from June 2022.

Lighting

davide groppi

Part of IDB Group from 2018

As of 31st December 2022, under the management of founder and CEO Davide Groppi, the company exports to more than 80 countries worldwide, with a distribution network consisting of approximately 650 dealers. Revenues increased from Euro 9,788 thousand in 2018, to Euro 16,316 in 2022, with a CAGR of 13.6%. EBITDA was Euro 2,881 thousand in 2018 and Euro 4,060 thousand in 2022, with a CAGR of 8.9%.

The summary data of the Group companies are shown, specifying that the data reported here are represented in compliance with international accounting standards and that they take into account intra-group eliminations.

values are expressed in €/1000	Revenues	EBITDA	EBIT	Profit/(loss)	Bank NFP
IDB S.p.A.	0	(6,763)	(6,920)	(5,822)	(4,984)
Gervasoni S.p.A.	37,340	8,688	7,656	5,188	1,059
Meridiani S.r.l.	27,755	4,110	3,260	1,974	2,216
Cenacchi Int. S.r.l.	31,744	9,064	6,457	(8,013)	(3,874)
Davide Groppi S.r.l.	16,316	4,060	3,497	(881)	(1,734)
Saba Italia S.r.l.	25,674	3,847	2,859	2,012	881
Modar S.p.A.	36,545	3,435	1,669	594	(4,571)
Flexalighting S.r.l.	6,313	2,084	1,946	(790)	1,025
Flexa. North America Ltd. (*)	1,826	648	588	4,017	(166)
Gamma Arr. Int. S.p.A. (**)	13,571	2,659	1,995	(3,588)	9,733
Other companies	2,401	(98)	(576)	(622)	(973)
Total	**199,484**	**31,732**	**22,430**	**(5,932)**	**(1,388)**

Other companies: Meridiani France, IDB UK, Borman Lighting, IDB Suzhou, IDB USA, Salpi, Fincubo, Gamma Inc.
(*) company consolidated from the acquisition date of 9 May 2022.
(**) companies consolidated from the acquisition date of 1 June 2022.

Specifically, the data relating to the banks' net financial position does not consider the relationships relating to the Group's cash pooling, limited to the participating companies, as the data were determined for the purposes of the consolidated financial statements.

FINANCIAL POSITION OF THE GROUP

For a better understanding of the situation of the Group and the trend of the operating result, a brief analysis of the consolidated financial statements is presented in the tables below, consisting of the reclassified income statement, the reclassified balance sheet and a series of financial ratios.

The income statement is reclassified on a scalar basis to highlight the gross operating margin (E.B.I.T.D.A.) achieved by the Group, i.e. the difference between revenues and costs associated with the purchase - transformation - sale cycle, regardless of depreciation and write-downs, the financing methods adopted and by the level of taxation.

As already mentioned, Italian Design Brands S.p.A. draws up the consolidated financial statements as of 31st December 2022 and the relative comparative as of 31st December 2021 by applying the International Accounting Standards IAS/IFRS. The same incorporates 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., IDB Suzhou Ltd., IDB UK Ltd., Gamma Arredamenti International S.p.A. and Fincubo S.r.l., as well as its indirect subsidiaries Meridiani France SARL, Borman Lighting S.r.l., Flexalighting North America Ltd., Gamma Arredamenti International Inc. and Salpi S.n.c. by Davide Groppi.

Reclassified Income Statement

	31/12/2021		31/12/2022		Changes	
values are expressed in €/1000	**value**	**%**	**value**	**%**	**value**	**%**
Sales revenues	144,171	100.0%	199,484	100.0%	55,313	38.4%
Other revenues	3,527	2.4%	2.101	1.1%	(1,426)	-40.4%
Total revenues	**147,698**	**102.4%**	**201,585**	**101.1%**	**53,887**	**36.5%**
External operating costs (*)	(101,210)	-70.2%	(139,365)	-69.9%	(38,155)	37.7%
Value added	**46,488**	**32.2%**	**62,220**	**31.2%**	**15,732**	**33.8%**
Staff costs	(23,661)	-16.4%	(30,367)	-15.2%	(6,706)	28.3%
Provisions and depreciation	(122)	-0.1%	(120)	-0.1%	2	-1.6%
Gross operating margin (EBITDA) (**)	**22,705**	**15.7%**	**31,733**	**15.9%**	**9,028**	**39.8%**
Amortization, depreciation and write-downs of fixed assets	(8,056)	-5.6%	(9,303)	-4.7%	(1,247)	15.5%
Operating earnings (EBIT)	**14,649**	**10.2%**	**22,430**	**11.2%**	**7,781**	**53.1%**
Result of the financial area	124	0.1%	(21,298)	-10.7%	(21,422)	-17276%
Gross result	**14,773**	**10.2%**	**1,132**	**0.6%**	**(13,641)**	**-92.3%**
Income taxes	(3,371)	-2.3%	(7,064)	-3.5%	(3,693)	109.6%
Group consolidated net result	**11,402**	**7.9%**	**(5,932)**	**-3.0%**	**(17,334)**	**-152.0%**

(*) Includes income statement items: consumption of materials, costs for services and the use of third-party assets.
(**) EBITDA is an interim result, determined gross of depreciation and write-downs of tangible and intangible assets, financial expenses 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 2022 show a significant increase compared with 2021, going from Euro 144.2 million to Euro 199.5 million with an increase of 55.3 million, equal to 38%, of which approximately Euro 38.9 million of organic growth and Approximately Euro 15.4 million as a result of the acquisitions in 2022.

Group revenues by type of activity (strategic business area - SBU) and by geographical area in 2022 and in the previous one are broken down as follows and highlight:

- growth in the furniture and lighting sector of 26% and 16% respectively, with the change in the former partly linked to the acquisition completed in 2022 of Gamma Arredamenti S.p.A.;
- a significant growth of 74% in the luxury contract, for the reasons already mentioned above;
- a further penetration of the Group on non-EU markets, and in particular in the United States, still mainly linked to the recovery of the luxury contract.

Strategic business area

	Revenues 31/12/2021	Revenues 31/12/2022
Furniture	83,789	105,793
Lighting	21,110	24,545
Luxury contract	39,348	68,289
Other	(77)	857
Total	**144,171**	**199,484**

	Revenues 31/12/2021	Revenues 31/12/2022
Italy	38,144	42,792
EU	45,995	54,249
No-UE	60,032	102,443
Total	**144,171**	**199,484**

EBITDA, as defined by the Group and primary indicator of economic performance, in 2022 is equal to Euro 31.7 million against Euro 22.7 million in 2021, with an increase of 39.8% and a percentage incidence on revenues from 15.7% in 2021 to 16% in 2022. This growth derives from the slight decrease in the incidence of added value on turnover, only marginally impacted by the increase in the price of energy, totally neutralized by the containment of the incidence of personnel costs on turnover, despite a growth in absolute value of this component of 28.3%.

EBIT went from Euro 14.6 million to approximately Euro 22.4 million with an increase of Euro 7.8 million, also benefiting from a decreased incidence of depreciation and write-downs of fixed assets compared with revenues.

The change recorded in the result of financial management compared with the previous year essentially derives from the negative economic effects deriving from the remeasurement including the "notional" financial expenses of the put & call options and the earn outs due to minority shareholders, as well as from the positive effect deriving from the fair value measurement of the shares previously held in the company Flexalighting North America, formerly an associate and now a subsidiary, recognized under financial income/charges. For further information on the breakdown of the financial management and the change compared with last year, please refer to what is discussed in the notes to the financial statements.

Income taxes show a total tax burden of Euro 7.1 million compared with that of Euro 3.4 million in the previous year.

The impact on the pre-tax result is particularly high especially in relation to the taxation profile (substantially non-deductible) of the net financial expenses recorded in the period.

Lastly, the loss for the year amounts to Euro 5.9 million compared with the profit achieved last year of Euro 11.4 million, mainly deriving from the financial area and in particular due to the effect of the remeasurement of the value of the put & call options due to minority shareholders.

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

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

Specifically, the adjusted EBITDA is that determined without considering non-recurring costs/revenues, considering how such stock incentive plans for directors, recorded under costs for services, the costs relating to the IPO process for the portion recognized in the income statement and the costs related to the acquisition of the new companies. The latter amount, respectively, to Euro 4,394 thousand in 2022 and Euro 611 thousand in 2021.

Adjusted EBIT was calculated gross of both non-recurring costs and depreciation of intangible assets with a finite useful life (models and customer relationships) recorded in the PPA (Purchase price allocation), and destined to expire at the end of the related amortization process. This depreciation amounts to Euro 4,588 thousand in 2022 and Euro 4,186 thousand in 2021.

Lastly, the adjusted net profit is what it would have been in the absence of non-recurring charges/revenues, the aforementioned depreciation on certain intangible assets with a finite useful life, as well as without considering the positive and negative economic effects deriving from the remeasurement of the "figurative" financial expenses ” of the put & call options and the earn outs due to minority shareholders, as well as the positive effect deriving from the measurement at fair value of the shares previously held in the company Flexalighting North America, recorded under financial income/expenses. The adjustment of the negative net financial component relating to the year 2022 is equal to a total of Euro 19,745 thousand, while they amounted to Euro 1,604 thousand in the previous comparison period and concerned only the charges for remeasurement of the put & call options and the earn outs due to minority shareholders.

In summary, the reclassified income statements compared with the actual and adjusted data in the two periods would be as follows:

	31/12/2021		31/12/2022		Incidence % adjusted value	
	Actual value	**Adjusted value**	**Actual value**	**Adjusted value**	**2021**	**2022**
Sales revenues	144,171	144,171	199,484	199,484	100.0%	100.0%
Other revenues	3,527	3,527	2,101	2,101	2.4%	1.1%
Total revenues	**147,698**	**147,698**	**201,585**	**201,585**	**102.4%**	**101.1%**
External operating costs	(101,210)	(100,599)	(139,365)	(135,171)	-69.8%	-67.8%
Value added	**46.488**	**47.099**	**62,220**	**66,414**	**32.7%**	**33.3%**
Staff costs	(23,661)	(23,662)	(30,367)	(30,167)	-16.4%	-15.1%
Provisions and depreciation	(122)	(122)	(120)	(120)	-0.1%	
Gross operating margin (EBITDA)	**22,705**	**23,316**	**31,733**	**36,127**	**16.2%**	**18.1%**
Amortization, depreciation and write-downs of fixed assets	(3,869)	(3,870)	(4,715)	(4,715)	-2.7%	-2.4%
Amortization, depreciation and write-downs of fixed assets from PPA process	(4,187)		(4,588)	-	-	-
Operating earnings (EBIT)	**14,649**	**19,446**	**22,430**	**31,413**	**13.5%**	**15.7%**
Result of the financial area	124	(1,480)	(21,298)	(1,553)	-1.0%	-0.8%
Gross result	**14,773**	**17,966**	**1,132**	**29,860**	**12.5%**	**15.0%**
Income taxes	(3,371)	(4,709)	(7,064)	(9,225)	-3.3%	-4.6%
Group consolidated net result	**11,402**	**13,257**	**(5,932)**	**20,634**	**9.2%**	**10.3%**

EBITDA as of 31st December 2022 shows a 16% incidence on revenues for the period, which increased by 38% compared with the previous year. Net of non-recurring costs of Euro 4,394 thousand in 2022 and Euro 611 thousand in 2021 respectively, EBITDA (adjusted) stood at 18% of revenues as of 31st December 2022 compared with 16.2% as of 31st December 2021.

The reconciliation of the above values is shown below. Starting from the actual values, the components considered for the purpose of determining the adjusted values, as at 31 December 2021 and 31 December 2022, are listed:

	Actual value 31/12/2021	Non-recurring costs	Amortization, depreciation and write downs from PPA	Remeasurement of Put & call and earn out	Adjusted value 31/12/2021
Sales revenues	144,171				144,171
Other revenues	3,527				3,527
Total revenues	**147,698**	**-**	**-**	**-**	**147,698**
External operating costs	(101,210)	611			(100,599)
Value added	**46,488**	**611**	**-**	**-**	**47,099**
Staff costs	(23,661)				(23,661)
Provisions and depreciation	(122)				(122)
Gross operating margin (EBITDA)	**22,705**	**611**	**-**	**-**	**23,316**
Amortization, depreciation and write-downs of fixed assets	(3,869)				(3,869)
Amortization, depreciation and write-downs of fixed assets from PPA process	(4,187)		4,186		(1)
Operating earnings (EBIT)	**14,649**	**611**	**4,186**	**-**	**19,446**
Result of the financial area	124	15		(1,619)	(1,480)
Gross result	**14,773**	**626**	**4,186**	**(1,619)**	**17,966**
Income taxes	(3,371)	(170)	(1,168)		(4,709)
Group consolidated net result	**11,402**	**456**	**3,018**	**(1,619)**	**13,257**

As of 31st December 2021, the adjusted EBITDA was determined without considering the costs of the incentive plans, recorded under costs for services for Euro 611 thousand, while the adjusted EBIT was calculated gross of the amortization of intangible assets with a finite useful life recognized in the PPA (Purchase price allocation) for Euro 4,186 thousand. The adjusted net result, on the other hand, was determined in the absence of the positive and negative economic effects deriving from the "figurative" charges and from the remeasurement of the put & call options and the earn outs due to minority shareholders. The above adjustments result in a lower overall tax burden of Euro 1,338 thousand, of which Euro 170 thousand relating to non-recurring costs and Euro 1,168 relating to the depreciation of intangible assets recorded in the PPA.

	Actual value 31/12/2022	Non-recurring costs	Amortization, depreciation and write downs from PPA	Remeasurement of Put & call and earn out	Adjusted value 31/12/2022
Sales revenues	199,484				199,484
Other revenues	2,101				2,101
Total revenues	**201,585**	-	-	-	**201,585**
External operating costs	(139,365)	4,194			(135,171)
Value added	**62,220**	**4,194**	-	-	**66,414**
Staff costs	(30,367)	200			(30,167)
Provisions and depreciation	(120)				(120)
Gross operating margin (EBITDA)	**31,733**	**4,394**	-	-	**36,127**
Amortization, depreciation and write-downs of fixed assets	(4,715)				(4,715)
Amortization, depreciation and write-downs of fixed assets from PPA process	(4,588)		4,588		-
Operating earnings (EBIT)	**22,430**	**4,394**	**4,588**	-	**31,413**
Result of the financial area	(21,298)	41		19,704	(1,553)
Gross result	**1,132**	**4,435**	**4,588**	**19,704**	**29,860**
Income taxes	(7,064)	(1,055)	(1,106)		(9,225)
Group consolidated net result	**(5,932)**	**3,380**	**3,483**	**19,704**	**20,634**

On the other hand, as at 31 December 2022, the adjusted EBITDA was determined without considering the non-recurring costs including the costs of the incentive plans, recognized among the costs for services, the costs relating to the IPO process and the costs linked to the acquisition of the new companies for a total of Euro 4,194 thousand and other personnel costs for Euro 200 thousand, while the adjusted EBIT was calculated gross of the depreciation of intangible assets with a finite useful life recorded in the PPA for Euro 4,588 thousand. Lastly, the adjusted net result was determined without considering the positive and negative effects deriving from the "figurative" charges and from the remeasurement of the put & call options and the earn outs due to minority shareholders, as well as the positive effect deriving from the measurement at fair value of the shares previously held in the company Flexalighting North America for a total of Euro 19,745 thousand. The above adjustments result in a lower overall tax burden of Euro 2,161 thousand, made up of Euro 1,055 thousand associated with non-recurring costs and Euro 1,106 thousand for depreciation of intangible assets.

In order to better understand the Group's "organic" growth process, taking into account the Group's external growth, a full year income statement is presented, prepared assuming that the acquisitions of Gamma S.p.A., Gamma Inc. and Flexalighting North America had taken place on 1 January 2022, therefore without considering the possible effects on the financial expenses of the transaction, compared with the income statement for 2021, with respect to which there were no transactions that required a change in scope.

Furniture

GAMMA

Part of IDB Group from 2022

Today is led by founders Gabriele Ghetti and Carla Botti. As of 31st December 2022 it operates through 350 dealer customers in more than 50 countries worldwide.

Full Year Income Statement

	31/12/2021		31/12/2022 PF		Changes	
values are expressed in €/1000	value	%	value	%	value	%
Sales revenues	144,171	100.0%	211,634	100.0%	67,463	46.8%
Other revenues	3,527	2.4%	2,525	1.2%	(1,002)	-28.4%
Total revenues	**147,698**	**102.4%**	**214,159**	**101.2%**	**66,461**	**45.0%**
External operating costs	(101,210)	-70.2%	(146,598)	-69.3%	(45,388)	44.8%
Value added	**46,488**	**32.2%**	**67,560**	**31.9%**	**21,072**	**45.3%**
Staff costs	(23,661)	-16.4%	(32,450)	-15.3%	(8,789)	37.1%
Provisions and depreciation	(122)	-0.1%	(120)	-0.1%	2	-1.6%
Gross operating margin (EBITDA)	**22,705**	**15.7%**	**34,991**	**16.5%**	**12,286**	**54.1%**

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

Reclassified balance sheet

	31/12/2021		31/12/2022	
values are expressed in €/1000	value	%	value	%
Intangible assets	110,774	106.1%	133,881	93.7%
Right of use	16,167	15.5%	24,368	17.1%
Tangible assets	5,621	5.4%	14,277	10.0%
Equity investments and other non-current assets	5,624	5.4%	6,952	4.9%
Non-Current Assets (A)	**138,185**	**132.3%**	**179,478**	**125.6%**
Inventories	16,862	16.1%	24,567	17.2%
Trade receivables	18,756	18.0%	21,831	15.3%
Other current assets	3,298	3.2%	5,516	3.9%
Current assets (B)	**38,916**	**37.3%**	**51,914**	**36.3%**
Trade payables	(28,434)	-27.2%	(37,369)	-26.2%
Other current liabilities	(26,681)	-25.5%	(30,298)	-21.2%
Current liabilities (C)	**(55,115)**	**-52.8%**	**(67,667)**	**-47.4%**
Net working capital (D= B – C)	**(16,199)**	**-15.5%**	**(15,753)**	**-11.0%**
Provision for risks and severance indemnity	(8,216)	-7.9%	(8,624)	-6.0%
Other non-current liabilities	(9,341)	-8.9%	(12,216)	-8.5%
Medium-/long-term assets (liabilities) (E)	**(17,558)**	**-16.8%**	**(20,840)**	**-14.6%**
Net invested capital (A + D + E)	**104,429**	**100.0%**	**142,885**	**100.0%**
Shareholders' Equity	**64,095**	**61.4%**	**58,780**	**41.1%**
Banks net financial position	524	0.5%	(1,388)	-1.0%
Other net financial position	39,809	38.1%	85,493	59.8%
Net financial position	**40,334**	**38.6%**	**84,105**	**58.9%**
Equity and debt	**104,429**	**100.0%**	**142,885**	**100.0%**

Net invested capital consists mostly of intangible assets (models and ornamental designs, brands, customer relationships and goodwill) deriving from corporate acquisitions completed since the establishment of the company.

During 2022, compared with 2021, net invested capital increased by Euro 38,456 thousand, deriving entirely from non-current assets (essentially intangible assets for Euro 23,108 thousand and rights of use for Euro 8,201 thousand, net of depreciation for the period); net working capital, also taking into account the new companies joining the Group in 2022, remains essentially stable, recording a slight increase of Euro 446 thousand.

The sources of financing consist of 41% of own funds and 59% of third-party funds (1% positive towards the banking system and 38% other subjects), and show an increase in the net financial position of Euro 43,773 thousand, mainly attributable to the acquisitions of the period and the remeasurement of the put & call options of the existing minority shareholders.

Net financial position

The breakdown\ of the net liquidity, as defined and monitored by the management of the Company and of the Group, is as follows:

values are expressed in €/1000	**Balance as of 31st December 2021**	**Balance as of 31st December 2022**	**Changes**
Short-term bank loans	9,430	10,778	1,348
Medium-/long-term bank loans	24,421	30,812	6,391
Cash and cash equivalents	(33,327)	(42,978)	(9,651)
NFP Banks net financial position	**524**	**(1,388)**	**(1,912)**
Non-current related-party Vendor Loan	1,500	0	(1,500)
Current related-party Vendor Loan	82	0	(82)
Current financial liabilities for Earn out	441	6,662	6,221
Non-current financial liabilities for Earn out	1,527	361	(1,166)
Financial liabilities for the purchase of non-controlling interests through the exercise of the current put option and for phantom stock options	15,675	33,066	17,391
Financial liabilities for the purchase of non-controlling interests through the exercise of a non-current put option	4,424	20,741	16,317
Current financial payables to lessors	2,007	3,152	1,145
Non-current financial payables to lessors	14,152	21,386	7,234
Other financial liabilities	0	126	126
Other net financial position	**39,808**	**85,493**	**45,685**
Total Net Financial Position	**40,332**	**84,105**	**43,773**

The overall NFP (net financial position) consists of 3 components: i) debt to banks for Euro 41.6 million, net of cash and cash equivalents for Euro 43.0 million; ii) payables for the purchase of non-controlling interests, balance of the price (earn out) and payables for put & call options to related parties of Euro 60.8 million; iii) payable to lessors (application of IFRS 16) of Euro 24.5 million; iv) other financial payables for Euro 0.1 million.

Financial payables mainly result from:

1. Payables to banks of the following types:
   - bank payables linked to the acquisition operations for a residual amount of Euro 26.7 million;
   - loans taken out in previous years to deal with the Covid-19 pandemic crisis, i.e., Liquidity Decree contracts by the companies Gervasoni, Meridiani, Modar and Flexalighting for a total amount of Euro 7.3 million;
   - ordinary loans contracted by the companies Gervasoni, Meridiani, Saba and Modar for Euro 7.6 million.

2. Payables for the purchase of minority shares in Cenacchi International S.r.l., Davide Groppi S.r.l., Modar S.p.A. Flexalighting S.r.l. and Gamma Arredamenti International S.p.A. through the exercise of put & call options and the Phantom Stock Option for the benefit of the directors and the payables for deferred earn-outs for each acquisition total Euro 60.8 million and constitute the best possible estimate. The value was determined as envisaged by the put & call agreements on the basis of the average of the prospective EBITDA of the two years preceding the exercise of the options, multiplied by a multiple, after deducting the estimate of the NFP at the exercise date of the options. The exercise of the options is envisaged with different maturities (Euro 39.7 million over the next 12 months and Euro 21.1 million from 2024 onwards, but no later than five years). The first deadline, in line with the agreements reached, represents the closest date between the Communication of the IDB Listing and a pre-established date for the exercise of each put & call.

3. The value of payables to lessors of Euro 24.5 million is given by the present value of future lease payments up to the expiry of the contracts (property contracts normally have a duration of 6+6 years).

4. Other bank loans for Euro 0.1 million.

The companies repaid, in line with the amortization plans, Euro 9.3 million during the 2022 financial year; in particular, it should be noted that a loan for a residual value of Euro 2 million was repaid in advance during the year.

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 government guarantee; the loan held by the parent company IDB S.p.A., the residual debt of which is equal to Euro 2.2 million, is not assisted by guarantees as are the residual ordinary loans held by the subsidiaries.

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

As regards the Net Financial Position, it should be noted that ESMA (the European Securities and Markets Authority) published on 4 March 2021 the guidelines on disclosure obligations pursuant to EU Regulation 2017/1129 (so-called "d." Prospectus Regulation"), which will apply from 5 May 2021.

With the "Call for Attention no. 5/21" of 29 April 2021, Consob declared its intention to bring its supervisory practices into line with the aforementioned ESMA guidelines.

Furniture

GERVASONI™

Part of IDB Group from 2015

The first company to join IDB Group. As of 31st December 2022, Gervasoni exports to 100 countries worldwide through a distribution network of over 1,000 dealers. The company's revenue increased from Euro 23,116 thousand in 2015 to Euro 37,340 thousand in 2022, with a CAGR of 7.1%. EBITDA was Euro 3,605 thousand in 2015 and Euro 8,688 thousand in 2022, with a CAGR of 13.4%.

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

values are expressed in €/1000	Balance 31/12/2021	Balance 31/12/2022	Changes
A Cash	33,327	42,978	9,651
B Cash equivalents		-	-
C Other current financial assets	-	-	-
D Liquidity (A + B + C)	**33,327**	**42,978**	**9,651**
E Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	(18,202)	(42.880)	(24,678)
F Current portion of non-current financial debt	(9,432)	(10,778)	(1,345)
G Current financial indebtedness (E + F)	**(27,635)**	**(53,657)**	**(26,023)**
H Net current financial indebtedness (G - D)	**5,692**	**(10,679)**	**(16,372)**
I Non-current financial debt (excluding the current portion and debt instruments)	(46,024)	(73,425)	(27,401)
J Debt instruments			0
K Non-current trade and other payables			0
L Non-current financial indebtedness (I + J + K)	**(46,024)**	**(73,425)**	**(27,401)**
M Total financial indebtedness (H + L)	**(40,332)**	**(84,105)**	**(43,773)**

In this regard, attention should be drawn 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) cash equivalents or (iii) derivative instruments used for hedging purposes;

b) the "financial debt" includes the remunerated debt (i.e., the interest-bearing debt) which includes, among other things, the financial liabilities relating to short and/or long-term lease contracts, indicated separately;

c) the item "Non-current trade and other payables" possibly includes unpaid payables, which have a significant implicit or explicit financing component (for example, payables to suppliers with a maturity of more than 12 months) and any other non-interest bearing loans.

The total value of the financial debt according to ESMA guidelines and that adopted by the IDB Group is equal to Euro 84.1 million.

Main financial economic indicators

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

		31/12/2021		31/12/2022		31/12/2021 ADJ		31/12/2022 ADJ	
ROE	net result of the financial year / shareholders' equity	11,402 / 64,095	17.79%	-5,932 / 58,780	-10.09%	13,257 / 64,095	20.68%	20,634 / 58,780	35.10%
ROI	Operating Earnings (EBIT) / Net invested capital	14,649 / 104,429	14.03%	22,430 / 142,885	15.70%	19,446 / 104,429	18.62%	31,413 / 142,885	21.98%
ROS	Operating Earnings (EBIT) / Sales revenue	14,649 / 144,171	10.16%	22,430 / 199,484	11.24%	19,446 / 144,171	13.49%	31,413 / 199,484	15.75%
EBITDA/ Revenues	EBITDA / Sales revenue	22,705 / 144,171	15.75%	31,732 / 199,484	15.91%	23,316 / 144,171	16.17%	36,126 / 199,484	18.11%
Debt coverage	Net financial position / EBITDA	-40,334 / 22,705	-1.78	-84,105 / 31,732	-2.65	-40,334 / 23,316	-1.73	-84,105 / 36,126	-2.33
Bank debt coverage	Banks net financial position / EBITDA	-524 / 22,705	-0.02	1,388 / 31,732	0.04	-524 / 23,316	-0.02	1,388 / 36,126	0.04
Availability ratio	Current assets / current liabilities	38,916 / 55,115	0.71	51,914 / 67,667	0.77	38,916 / 55,115	0.71	51,914 / 67,667	0.77
Financial indebtedness index	Net financial position / shareholders' equity	-40,334 / 64,095	-0.63	-84,105 / 58,780	-1.43	-40,334 / 64,095	-0.63	-84,105 / 58,780	-1.43

The adjusted income indicators, in particular ROE, ROI and ROS show an increase compared with the previous period.

The ratio between the exposure of total financial debt and adjusted EBITDA is around 2.33, whilst the ratio of financial debt to equity is 1.43 (0.63 in the previous year), due to both the increase in net financial debt, and the decrease in shareholders' equity, the result of which is significantly influenced by the financial component of the remeasurement of the put & call options.

Investments

As regards the investments made in 2022, it should be noted that in the year the investments in intangible assets concern the Right of Use item for the new lease agreements entered into for Euro 10.2 million, due to the new contracts entered into during the year and the new companies entering the consolidation period compared with 2021. The tangible investments made by the subsidiaries, the amount of which is approximately Euro 2 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 tables below show the situation of the parent company IDB S.p.A., drawn up starting from the current year according to international accounting standards:

Reclassified Income Statement

	31/12/2021		31/12/2022		Changes	
values are expressed in €/1000	**value**	**%**	**value**	**%**	**value**	**%**
Sales revenue	332	100.0%	332	100.0%	0	0.0%
Other revenues	0	0.0%	22	6.7%	22	100%
Total revenues	**332**	**100.0%**	**354**	**106.7%**	**22**	**6.7%**
External operating costs (*)	(2,439)	-734.5%	(6,033)	-1817.0%	(3,594)	147.4%
Value added	**(2,107)**	**-634.5%**	**(5,679)**	**-1710.3%**	**(3,572)**	**169.5%**
Staff costs	(646)	-194.5%	(724)	-217.9%	(78)	12.1%
Gross operating margin (EBITDA) (**)	**(2,752)**	**-829.0%**	**(6,402)**	**-1928.2%**	**(3,650)**	**132.6%**
Amortization, depreciation and write downs	(127)	-38.4%	(158)	-47.5%	(30)	23.6%
Operating earnings (EBIT)	**(2,880)**	**-867.4%**	**(6,560)**	**-1975.6%**	**(3,680)**	**127.8%**
Result of the financial area	3,861	1163.0%	7,006	2110.0%	3,144	81%
Gross result	**981**	**295.6%**	**446**	**134.4%**	**(535)**	**-54.5%**
Income taxes	618	186.1%	1,459	439.3%	841	136.1%
Group consolidated net result	**1,599**	**481.7%**	**1,905**	**573.7%**	**306**	**19.1%**

(*) Includes income statement items: consumption of materials, costs for services and the use of third-party assets, provisions and bad debts;
(**) EBITDA is an interim result, determined gross of depreciation and write-downs of tangible and intangible assets, financial expenses 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.

Specifically, external operating costs increased significantly compared with 2021 (Euro 6 million as at 31 December 2022, compared with Euro 2.4 million as at 31 December 2021) mainly due to the costs incurred for the proposed listing operation (equal to Euro approximately 2 million) previously discussed.

It should also be noted that in 2022 the parent company received dividends for a total of 7.4 million (5,078 thousand euros in 2021) from the subsidiaries Gervasoni S.p.A. (Euro 5.5 million), Saba Italia S.r.l. (Euro 1 million) and from Meridiani S.r.l. (Euro 917 thousand).

As for the consolidated financial statements, the adjusted values and the reconciliation of the relative values were also determined for the amounts relating to the financial statements of the parent company.

	31/12/2021		31/12/2022	
	Actual value	Adjusted value	Actual value	Adjusted value
Sales revenue	332	332	332	332
Other revenues	-	-	22	22
Total revenues	**332**	**332**	**354**	**354**
External operating costs	(2,439)	(1,828)	(6,033)	(2,449)
Value added	**(2,107)**	**(1,496)**	**(5,679)**	**(2,095)**
Staff costs	(646)	(646)	(724)	(724)
Gross operating margin (EBITDA)	**(2,752)**	**(2,141)**	**(6,402)**	**(2,819)**
Amortization, depreciation and write downs	(127)	(127)	(158)	(158)
Operating earnings (EBIT)	**(2,880)**	**(2,269)**	**(6,560)**	**(2,976)**
Result of the financial area	3,861	3,876	7.006	7.047
Gross result	**981**	**1,607**	**446**	**4,071**
Income taxes	618	447	1,459	459
Group consolidated net result	**1,599**	**2,055**	**1,905**	**4,530**

The adjusted EBITDA was determined without considering the non-recurring costs, including the directors' stock incentive plans (equal to 1,604 thousand as at December 31, 2022 and equal to Euro 611 thousand as at December 31, 2021) and the costs relating to the IPO process equal to Euro 1,979 as at 31 December 2022.

The reconciliation of the data from the actual to the adjusted values as at 31 December 2021 and 31 December 2022 is shown below.

	Actual value	Non-recurring costs	Stock options and Phantom	Adjusted value
Sales revenue	332			332
Other revenues	-			-
Total revenues	**332**			**332**
External operating costs	(2,439)		611	(1,828)
Value added	**(2,107)**		**611**	**(1,496)**
Staff costs	(646)			(646)
Gross operating margin (EBITDA)	**(2,752)**		**611**	**(2,141)**
Amortization, depreciation and write downs	(127)			(127)
Operating earnings (EBIT)	**(2,880)**		**611**	**(2,269)**
Result of the financial area	3,861		15	3,876
Gross result	**981**		**626**	**1,607**
Income taxes	618		(170)	447
Group consolidated net result	**1,599**		**456**	**2,055**

Furniture

MERIDIANI

Part of IDB Group from 2016

Today under the leadership of CEO Antonella de Martino and as of 31st December 2022, the company exports to 80 countries worldwide through a distribution network of over 800 dealers. Renato Crosti, founder of Meridiani, serves as Honorary Chairman. Revenues increased from €16,547 thousand in 2016 to €29,087 thousand, including the revenues of the subsidiary Meridiani France, in 2022, with a CAGR of 9.9%. EBITDA was €1,631 thousand in 2016 and €5,123 thousand, including EBITDA of the subsidiary Meridiani France, in 2022, with a CAGR of 21.0%.

	Actual value 31/12/2022	Non-recurring costs	Stock options and Phantom	Adjusted value 31/12/2022
Sales revenue	332			332
Other revenues	22			22
Total revenues	**354**			**354**
External operating costs	(6,033)	1,979	1,604	(2,449)
Value added	**(5,679)**	**1,979**	**1,604**	**(2,095)**
Staff costs	(724)			(724)
Gross operating margin (EBITDA)	**(6,402)**	**1,979**	**1,604**	**(2,819)**
Amortization, depreciation and write downs	(158)			(158)
Operating earnings (EBIT)	**(6,560)**	**1,979**	**1,604**	**(2,976)**
Result of the financial area	7,006		41	7,047
Gross result	**446**	**1,979**	**1,646**	**4,071**
Income taxes	1,459	(1,000)		459
Group consolidated net result	**1,905**	**979**	**1,646**	**4,530**

Reclassified balance sheet

	31/12/2021		31/12/2022	
values are expressed in €/1000	**value**	**%**	**value**	**%**
Intangible assets	7	0.0%	6	0%
Rights of use	463	1%	648	2%
Tangible assets	187	0.5%	181	0.5%
Equity investments and other non-current assets	34,713	96.2%	39,897	100.4%
Non-Current Assets (A)	**35,370**	**98.1%**	**40,732**	**102.5%**
Trade receivables	2	0.0%	0	0.0%
Other current assets	3,324	9.2%	3,458	8.7%
Current assets (B)	**3,326**	**9.2%**	**3,458**	**8.7%**
Trade payables	(137)	-0.4%	(1,136)	-2.9%
Other current liabilities	(2,240)	-6.2%	(2,906)	-7.3%
Current liabilities (C)	**(2,376)**	**-6.6%**	**(4,043)**	**-10.2%**
Net working capital (D= B – C)	**950**	**2.6%**	**(584)**	**-1.5%**
Provision for risks and severance indemnity	(250)	-0.7%	(400)	-1.0%
Other non-current liabilities	0	0.0%	(5)	0.0%
Medium-/long-term assets (liabilities) (E)	**(250)**	**-0.7%**	**(406)**	**-1.0%**
Net invested capital (A + D + E)	**36,070**	**100.0%**	**39,742**	**100.0%**
Shareholders' Equity	**(26,381)**	**-73.1%**	**(28,319)**	**-71.3%**
Banks net financial position	3,038	8.4%	4,972	12.5%
Other net financial position	(12,726)	-35.3%	(16,395)	-41.3%
Net financial position	**(9,688)**	**-26.9%**	**(11,423)**	**-28.7%**
Equity and debt	**(36,070)**	**-100.0%**	**(39,742)**	**-100.0%**

Within the item equity investments compared with 2021, we note the increases relating mainly to the value of the equity investments held in IDB USA Ltd. (Euro 569 thousand), in IDB Suzhou (for Euro 200 thousand), in Fincubo S.r.l. (for Euro 85 thousand) and in Gamma Arredamenti International S.p.A. (for Euro 4 million).

The net financial position with others, on the other hand, amounted to Euro 16.4 million as at 31 December 2022, compared with Euro 12.7 million as at 31 December 2021 and is represented by payables to lessors and cash pooling payables to Group companies and the phantom stock option.

INFORMATION ON THE MAIN RISKS AND UNCERTAINTIES GROUP

As part of its business activities, the Group is exposed to risks and uncertainties deriving from exogenous factors connected to the general macroeconomic and geopolitical context, as well as to risks deriving from strategic and management choices relating to the specific sectors in which it operates. In this context, especially through the Internal Control and Risk Management System, the Group systematically carries out an activity of identifying, measuring, managing and monitoring corporate risks. The main risks identified by the Group are shown below.

Financial risks

Exchange rate risk: limited. The Group mainly operates in euros; as regards the balance of the foreign exchange trade balance in dollars, since the receipts and payments in foreign currency partially offset each other, 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 in terms of net profit before tax and the effects on shareholders' equity before tax, please refer to the paragraph relating to the management of financial risks in the explanatory notes to the financial statements.

Risk of remeasurement of financial liabilities for earn outs, put & call options and phantom stock options: financial risks also include the risk of remeasurement of earn outs, put & calls stipulated with the minority shareholders of the companies acquired, as well as the phantom stock option due to the CEO of the company. The earn out and put & call values are directly connected to the achievement of certain economic and financial targets by the acquired companies (generally EBITDA and contractually defined net financial position) in the periods following the acquisition of control and are recorded at the best estimate of the current value of the financial liability. The value of the phantom stock option also depends in turn on the overall value of the company at a given liquidation event and is therefore correlated to the evolution of EBITDA and the Group's net financial position. These financial liabilities are remeasured at each period end or when the event that provides for their liquidation occurs and the related effects are reflected in the income statement under financial expenses, together with the estimated discounting cost for the aforementioned financial liabilities.

As already highlighted above, in 2022 the effects on the income statement of these amounts were particularly significant, having led to the recognition of financial expenses resulting from the remeasurement for a total of Euro 19,745 thousand.

For the sensitivity analysis on the risk of remeasurement of earn outs, put & call options and phantom stock options and the related effects in terms of net profit before tax, please refer to the paragraph relating to the management of financial risks in the notes to the financial statements.

Interest rate risk: the Group has made use of derivative financial instruments. The payable to financial institutions is hedged against interest rate risk for Euro 10,293 thousand with the instrument called IRS (the company pays a fixed rate and has the right to receive a variable rate linked to the Euribor).

The derivative contracts stipulated have an overall positive value - Mark to market - as at 31 December 2022 of approximately Euro 254 thousand, the change, net of the tax effect, compared with the previous year has been recognized under other components of profit total of Euro 241 thousand, net of the tax effect.

For the sensitivity analysis on the interest rate risk and the related effects on the level of net profit before tax, please refer to the paragraph relating to the management of financial risks in the explanatory notes to the financial statements.

Price risk: limited. The purchase lists normally have an annual duration, the sales lists incorporate and tend to neutralize increases on purchases. Even in the presence of an inflationary scenario during the period and for the months to come, the impact of the increase in raw material prices was and we believe may be limited, also due to the ability of the Group companies to adjust the price lists of sales in this sense and maintain the margins unchanged.

Credit risk: limited. The customer base is, in most cases, split up, the exposure per single position is usually limited; furthermore, customers are monitored systematically, each customer is associated with a credit limit and a maximum overdraft not exceeding what is indicated by the reports provided by the commercial information companies. For many customers, especially non-EU customers, the Group companies 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; the strong concentration of customers towards various subjects attributable to a single economic entity with which the Company's relations have been consolidated over the years should be noted here.

Liquidity risk: limited. It is believed that the liquid assets, approximately Euro 43 million, and the currently available commercial credit lines of approximately Euro 11.6 million, in addition to the cash flows that will be generated by operating activities, will be suitable to meet the needs deriving from the investment activities, management of working capital and repayment of debts at their natural maturity.

Non-financial risks

The trend of the global economy, the context of political, economic and financial instability as well as the volatility of the financial markets could influence the performance of the Group, with possible negative effects on its economic, equity and financial situation. In the general macroeconomic context, the uncertainties relating to (i) the impacts of the sanctions imposed at global level in the context of the conflict existing at the balance sheet date between the Federal Republic of Russia and Ukraine and (ii) climate change are significant.

Risks associated with the global geopolitical situation: the Group is exposed to risks associated with the current and future global, European and Italian political-economic situation, also aggravated by the recent political and military tensions in Ukraine, the evolution of which and the political and economic impacts of which are still uncertain and difficult to evaluate. Therefore, it cannot be excluded that the occurrence and/or persistence of any phenomena of economic recession and/or political instability as well as any future negative repercussions, even significant ones, on the global, European and/or national economy, could determine a weakening of the demand for the Group's products, with possible negative effects on the activity and prospects as well as on the economic, equity and financial situation of the Group itself.

The global geopolitical situation is experiencing a moment of extreme tension and complexity especially due to the conflict between Russia and Ukraine. This dramatic event, which took place in an already critical situation caused by the pandemic, further stimulated inflationary phenomena and speculative dynamics, with particular reference to energy and raw material prices. The Group has very limited involvement in the areas affected by the conflict and its business model is not particularly exposed to the inflationary phenomena of raw materials or to higher energy costs; however, it cannot be excluded that the persistence of this situation could lead to pressure on margins or impacts on the propensity to consume durable goods.

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 for the protection of health and safety in the workplace with the aim of both complying with legal requirements and monitoring and, where possible, preventing any kind of problem relating to the health and safety of its employees.

The number of Group employees as at 31 December 2022 was 555, taking into account the change in the scope of consolidation (410 as at 31 December 2021). The workforce is made up of 11 executives, 296 managers and office workers, 242 manual workers and 6 others. During 2022, the use of social safety nets was minimal.

TREASURY SHARES AND PARENT COMPANY SHARES

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

Luxury Contract

MODAR

Part of IDB Group from 2019

Led by the founder Dante Malagola. The company's revenues increased from Euro 30,144 thousand in 2018, to Euro 36,545 thousand in 2022, with a CAGR of 4.9%. EBITDA was €3,126 thousand in 2018 and € 3,435 thousand in 2022, with a CAGR of 2,4%.

BUSINESS OUTLOOK

For the sector, 2022 was a year of great uncertainties on the one hand and great growth opportunities on the other. On the Italian market, the existing tax breaks have guaranteed above-average orders for many companies. However, the strong demand for raw materials, linked to the high production levels that began in 2021 and to the ongoing war between Russia and Ukraine since last February, have triggered a shortage of some fundamental materials with a connected increase in costs, which worsened in 2022 also due to rising energy and transport prices. After an extremely positive first quarter, the initial momentum gradually weakened, bringing the preliminary data of the turnover of the Furniture Sector in 2022 to +11.1% on 2021 (source: Centro Studi Federlegno Arredo Eventi – Pre-final 2022 – January 2023).

The ongoing conflict in Ukraine, as well as the increase in raw material and energy costs and the recovery in inflation, require us to continue to maintain a certain caution with respect to the forecasts of the macroeconomic scenario.

It should be noted that the Group started 2023 with growth compared with 2022, both in terms of sales and in terms of orders acquired.

The Group constantly monitors both the performance of the reference markets and any repercussions that may derive from the conflict in Ukraine, maintaining proactive and constant attention to cost containment and the identification of initiatives that can further mitigate the risk associated with revenues to protect profitability and expected cash flows.

** - *** - **

Milan, 15th March 2023

on behalf of the Board of Directors
The President
Andrea Sasso

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF ASSETS AND FINANCIAL POSITION

Consolidated statement of assets and financial position

(amounts in €/000)	Notes	31/12/2022	31/12/2021
NON-CURRENT ASSETS			
Intangible fixed assets	2	133,881	110,774
Goodwill		*71,679*	*57,119*
Trademarks		*33,194*	*26,220*
Models		*8,696*	*5,472*
Customer relations		*19,133*	*20,883*
Other intangible assets		*1,178*	*1,078*
Right of use	3	24,368	16,167
Property, plant and equipment	4	14,277	5,621
Deferred tax assets	18	2,624	2,482
Equity investments	5	883	1,234
Other non-current assets	6	3,445	1,908
Total non-current assets		**179,478**	**138,185**
CURRENT ASSETS			
Inventories	7	22,561	14,959
Contract assets	8	2,005	434
Trade receivables	9	21,831	18,756
Income tax receivables	10	621	298
Other current assets	11	4,895	3,000
Cash and cash equivalents	12	42,978	33,327
Total current assets		**94,892**	**70,774**
TOTAL ASSETS		**274,370**	**208,959**

(amounts in €/000)	Notes	31/12/2022	31/12/2021
SHAREHOLDERS' EQUITY			
Share capital	13	20,217	20,217
Other reserves and retained earnings, including profit (loss) for the period	13	38,563	43,878
Total shareholders' equity of the Group		**58,780**	**64,095**
Minority interests		-	-
Total shareholders' equity		**58,780**	**64,095**
NON-CURRENT LIABILITIES			
Post-employment benefits	14	5,124	5,575
Provisions for liabilities and charges	15	3,500	2,641
Medium-/long-term bank loans	16	30,812	24,421
Other non-current financial liabilities	17.19	21,102	5,955
Other medium-/long-term loans	17	125	1,500
Non-current financial payables to lessors	17	21,386	14,152
Deferred taxes liabilities	18	12,216	9,341
Total non-current liabilities		**94,266**	**63,585**
CURRENT LIABILITIES			
Short-term bank loans	16	10,778	9,430
Other current financial liabilities	17.19	39,728	16,113
Other short-term loans	17	0	82
Current financial payables to lessors	17	3,152	2,007
Trade payables	20	37,369	28,434
Income tax payables	21	2,219	2,107
Other current liabilities	22	28,079	23,106
Payables to staff and social security institutions		*6,849*	*5,916*
Contract liabilities		*10,225*	*9,676*
Other payables		*11,005*	*7,514*
Total current liabilities		**121,325**	**81,279**
TOTAL LIABILITIES		**215,590**	**144,864**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**274,370**	**208,959**

Consolidated income statement

(amounts in €/000)	Notes	31/12/2022	31/12/2021
Sales revenues for goods and services	23	199,484	144,171
Other revenues	24	2,101	3,527
Total revenues		**201,585**	**147,698**
Procurement of raw materials	25	(79,762)	(55,082)
Changes in inventories		1,522	1,405
Staff costs	26	(30,367)	(23,662)
Costs for services and use of third-party assets	27	(60,296)	(47,083)
Other operating costs	28	(829)	(450)
Provisions and depreciation	29	(120)	(122)
Amortization, depreciation and write-downs of fixed assets	30	(9,302)	(8,056)
Operating profit/(loss)		**22,430**	**14,649**
Financial income	31	4,592	8,723
Financial expenses	31	(25,890)	(8,599)
Profit/(loss) before taxes resulting from continuing operations		**1,132**	**14,773**
Income tax	32	(7,064)	(3,370)
Profit/(loss) from continuing operations		**(5,932)**	**11,402**
Net result from discontinued operations		0	0
Net profit/(loss)		**(5,932)**	**11,402**
Attributable to:			
Profit/(loss) pertaining to the Group		(5,932)	11,402
Profit/(loss) pertaining to third parties		-	-
Earnings per basic share		**(0.29)**	**0.56**
Earnings per diluted share		**(0.29)**	**0.56**

Consolidated statement of changes in shareholder's equity

(amounts in €/000)	Share capital	Share premium reserve	Cash flow hedge reserve	Actuarial profits/(losses)	Other reserves
Balance as at 1 January 2021	**20,217**	**3,563**	**(187)**	**(45)**	**(125)**
Allocation of profits for the period					
Other items of the income statement			120	(186)	47
Operating profit					
Balance as at 31 December 2021	**20,217**	**3,563**	**(67)**	**(231)**	**(78)**
Allocation of profits for the period					
Other items of the income statement			241	656	(280)
Loss for the period					
Balance as at 31 December 2022	**20,217**	**3,563**	**174**	**425**	**(358)**

Comprehensive consolidated income statement

(amounts in €/000)	Notes	31/12/2022	31/12/2021
Net profit/(loss)		(5,932)	11,402
Profit / (loss) from cash flow hedge		317	166
Tax effects		(76)	(46)
Total profit /(loss) from cash flow hedge, net of taxes		241	120
Translation differences of foreign statements		(348)	47
Other changes		68	
Total components of the Comprehensive Income Statement that will be subsequently reclassified in the profit/(loss) for the year	**33**	**(39)**	**167**
Actuarial profits/(losses)		863	(244)
Tax effects		(207)	59
Total actuarial profit/(loss), net of taxes	33	656	(186)
Components of the Comprehensive Income Statement that will be subsequently reclassified in the profit/(loss) for the year		**656**	**(186)**
Comprehensive income statement net of taxes		**617**	**(19)**
Total comprehensive net profit/(loss) for the period		**(5,315)**	**11,384**
Attributable to:			
Parent company shareholders		(5,315)	11,384
Minority shareholders		-	-

Earnings carried forward	Net income for the period	Total Group Shareholders' Equity	Non-controlling capital and reserves	Minority interests	Minority interests	Total Shareholders' equity
20,470	8,819	52,711	-	-	-	52,711
8,819	(8,819)	-	-	-	-	-
		(19)	-	-	-	(19)
	11,402	11,402	-	-	-	11,402
29,289	11,402	64,095	-	-	-	64,095
11,402	(11,402)	-	-	-	-	-
		617	-	-	-	617
	(5,932)	(5,932)	-	-	-	(5,932)
40,692	(5,932)	58,780	-	-	-	58,780

Consolidated cash flow statement

(amounts in €/000)	31/12/2022	31/12/2021
A. Cash flows from operating activities (indirect method)		
Profit/(loss) for the period	(5,932)	11,402
Income tax	7,064	3,370
Interest expense/(interest income)	2,669	1,846
Other non-monetary income and charges	18,692	(1,638)
1. Profit (loss) before income taxes, interest, dividends and capital gains/losses from transfer	**22,493**	**14,981**
Severance Indemnity Provision	696	587
Provisions	337	63
Amortization of fixed assets	9,302	8,056
Other adjustments for non-monetary elements	1,524	(33)
2. Cash flow before changes in net working capital	**34,353**	**23,654**
Decrease/(increase) in inventories	(2,765)	(2,189)
Decrease/(increase) in contract assets	(1,571)	663
Decrease/ (increase) in trade receivables	(1,308)	(3,070)
Increase/ (decrease) in trade payables	5,200	6,919
Increase/(Decreases) in contracts liabilities	549	4,956
Decrease/(increase) in other changes in net working capital	2,871	1,517
Interest received/(paid)	(985)	(1,361)
(Income tax paid)	(10,055)	(2,656)
Disbursement of severance indemnity and other provisions	(554)	(29)
3. Cash flow after other adjustments	**(8,618)**	**4,750**
Cash flow from operating activities (A = 1 + 2 + 3)	**25,735**	**28,404**
B. Cash flows from investment activities		
Investments in tangible fixed assets, net of divestments	(1,978)	(1,711)
Investments in intangible fixed assets, net of divestments	(505)	(968)
Investments in financial fixed assets	(901)	(800)
Acquisition or sale of subsidiaries or business units, net of cash and cash equivalents	(13,981)	0
Exercise of options and earn out	(450)	(9,926)
Cash flow from investing activities (B)	**(17,816)**	**(13,406)**
C. Cash flows from financing activities		
Loan capital		
Increase/ (decrease) in short-term debt due to banks	385	(2,210)
New loans	15,424	2,666
Loans repayment	(10,874)	(24,148)
Payments for lease liabilities	(3,203)	0
Cash flow from financing activities (C)	**1,732**	**(23,692)**
Increase (decrease) in cash and cash equivalents (A+B+C)	9,651	(8,694)
Cash and cash equivalents as at 1 January	33,327	42,021
Cash and cash equivalents as at 31 December	42,978	33,327
Adjustments to cash and cash equivalents	**9,651**	**(8,694)**

Luxury Contract

CENACCHI INTERNATIONAL

Part of IDB Group from 2017

Today is led by Filippo Assali, manager in the industry. The company's revenues increased from Euro 15,879 thousand in 2017, to Euro 31,744 thousand in 2022, with a CAGR of 14.9%. EBITDA was €3,161 thousand in 2017 and € 9,064 thousand, with a CAGR of 23,5%.

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 an Italian design pole in the furniture, furnishing and lighting sector of high quality, able to implement dimensional, organisational, 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.

The first company acquisition operation took place in 2015 and involved the company Gervasoni S.p.A. and, through the latter, IFA S.r.l. The first company acquisition operation took place in 2015 and involved the company Gervasoni S.p.A. and, through the latter, IFA 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), a minority stake of Axo Light S.r.l. (in 2021), SUR S.r.l. through Gervasoni (in 2022) which during the year was merged by incorporation into the latter, Flexalighting North America Ltd. through Flexalighting (in 2022), Gamma Arredamenti International S.p.A. and Gamma Arredamenti International Inc.

The aforementioned business combination operations are part of the IDB Group’s project to create an Italian hub of furniture, including the kitchen sector, and high quality lighting.

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

With reference to the acquisition transactions completed during financial year 2022, the following should be noted:

1) the purchase, on 21 February 2022, by Gervasoni of 100% of SUR S.r.l.; subsequently, with a deed dated 15 December 2022, the extraordinary merger operation was carried out, which took place as a direct merger without the need for a share swap. It should be noted that the legal effects of this transaction start from 31 December 2022, whilst the accounting and tax effects started retroactively from 1 January 2022;

2) the purchase, on 9 May 2022, of 1% of the shares of Flexalighting North America Ltd. by Flexalighting S.r.l. and the consequent control of the same with respect to the previous joint control;

3) the purchase, on 1 June 2022, through the newly established Fingamma S.p.A. owned 55%, of the entire share capital of Gamma Arredamenti International S.p.A., which in turn controls 100% of Gamma Arredamenti International Inc. On 27 December 2022, the reverse merger of Fingamma S.p.A. into Gamma Arredamenti International S.p.A. was completed, based on the merger plan dated 4 October 2022. The aforementioned merger transaction had been approved by both companies participating in the transaction with resolutions of the respective shareholders’ meetings held on 19 October 2022, with accounting and tax effectiveness backdated to 1 January 2022;

4) on 15 December 2022, the merger by incorporation of the company Salpi s.n.c. by Davide Groppi S.r.l. in the company Davide Groppi S.r.l., which held the entire share capital of the incorporated company. It should be noted that the transaction was carried out on the basis of the merger plan dated 19 October and that the same had been approved by the Shareholders’ Meeting on 3 November 2022. The effective date of the merger is 1 January 2023; the accounting and tax effects of the transaction will start from the same date;

The company Fincubo S.r.l., 100% owned by IDB S.p.A., was established on 16 December 2022, with the aim of acquiring Cubo Design S.r.l. and completed in January 2023, as better described in the events following the closing of the financial statements.

Lastly, during the first half of 2022, total control of Modar USA passed from Modar S.p.A. to IDB S.p.A., changing its name to IDB USA Corp.

The structure of the IDB group is shown below. S.p.A. as of 31st December 2022:

FORM AND CONTENTS OF THE FINANCIAL STATEMENTS

The Group, as governed by paragraph 2 of Article 3 of Legislative Decree No. 38 dated 28 February 2005, made use of the option provided for companies that prepare consolidated financial statements to prepare the consolidated financial statements in compliance with the international accounting standards adopted by the European Union. However, the application of the latter is required for companies intending to be listed on the stock exchange, and in this sense the Company has embarked on a process of listing on the Milan Stock Exchange, which should hopefully be completed in the early months of 2023.

From an economic, equity and financial point of view, the consolidated financial statements of the Group as at 31 December 2022 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., Salpi s.n.c., Saba Italia S.r.l., IDB Suzhou Co. Ltd., Modar S.p.A., IDB USA Corp., Flexalighting S.r.l., Borman Lighting S.r.l., Flexalighting North America Ltd., Gamma Arredamenti International S.p.A., Gamma Arredamenti International Inc. and Fincubo S.r.l.

The consolidated financial statements consist of the statement of financial position, the income statement, the comprehensive income statement, the cash flow statement, the statement of changes in equity and these notes to the financial statements. It is also accompanied by the Directors' Report.

The values shown in the accounting schedules are in thousands of euros; the notes to the financial statements are mainly expressed in thousands of euro, unless otherwise specified.

For the purpose of preparing the consolidated financial statements in accordance with International Accounting Standards, the Group has adopted:

1) the format of the statement of financial position which provides for the distinct separation between current and non-current assets and liabilities, meaning by current those that can be realised in the normal operating cycle (IAS 1, par. 57), generally identified in the period of 12 months following the date of the financial statements;

2) for the statement of comprehensive income, the format by nature;

3) for the statement of cash flows, the presentation of cash flows using the indirect method.

The consolidated financial statements have been prepared on the basis of the financial statements prepared by the individual subsidiaries, adjusted, where necessary, to bring them into line with the accounting standards used by the Parent Company in preparing 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 15 March 2023.

Expression 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 by effect of Legislative Decree No. 38 dated 28 February 2005 as at the reporting date of the financial statements. 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, determining their financial and management decisions and obtaining the related benefits. The companies which, in compliance with the provisions of IAS 27, are included using the line-by-line method in the scope of consolidation as at 31 December 2022 are listed below.

Company name	Registered Office	Share capital	Assets	% 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	100,000 GBP	furnishings	100%	0%
Cenacchi International S.r.l. (*)	Ozzano dell'Emilia (BO)	10,000	luxury contract	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	luxury contract	75%	0%
IDB Suzhou Co. Ltd.	Suzhou (China)	5,317,670 CNY	other	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%
IDB USA Corp.	New York (USA)	10,000 USD	other	100%	0%
Flexalighting North America Ltd. (*)	Surrey (CAD)	103 CAD	lighting	0%	26%
Gamma Arredamenti S.p.A. (*)	Forlì (FC)	2,000,000	furnishings	55%	0%
Gamma Arredamenti Inc. (*)	High Point (USA)	5,000 USD	furnishings	0%	55%
Salpi s.n.c. (*)	Piacenza	5,877	other	0%	57%
Fincubo S.r.l.	Milan	20,000	other	100%	0%

(*) Companies consolidated at 100% 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 19). The Parent Company currently holds the majority of the shares but, based on the agreements stipulated with the minorities and the put option exercisable by them, it has the obligation to repurchase the remaining shares held under predefined contractual conditions.

With reference to the scope of consolidation, it should be noted that the same has changed compared to 2021 due to the effect of the new acquisition of 55% of Gamma Arredamenti S.p.A., which in turn totally controls Gamma Arredamenti Inc., the purchase of 1% of Flexalighting North America Ltd., previously a jointly controlled company, of 100% of SUR S.r.l., later merged into Gervasoni S.p.A. on 15 December 2022, of 100% of Salpi s.n.c. di Davide Groppi S.r.l., a wholly owned subsidiary of Davide Groppi S.r.l. and merged into the latter on 1 January 2023 and 100% of Fincubo S.r.l., as a vehicle duly set up for the acquisition of Cubo Design S.r.l. in January 2023.

For further information on the business combinations completed during the year, please refer to the information contained in the Note 1 Business combinations.

Consolidation Criteria

The criteria adopted for the consolidation of subsidiaries include:

- The elimination of the value of the equity investments against the assumption of the assets and liabilities of the investee companies according to the global integration method; the book value of the equity investments is eliminated against the corresponding portion of the shareholders' equity of the investee companies.
  As at the date of acquisition of control, the shareholders' equity of 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 recorded under the asset item "Goodwill"; if negative, it is recognized in the income statement.

- The inclusion, in the consolidated financial statements, of each item of the income statement of the consolidated companies.

- The elimination of all intercompany transactions and therefore of payables, receivables, sales, purchases and unrealized profits and losses with third parties.

- The recognition, in a specific item of shareholders' equity referred to as "Minority interests" and "(Profit) loss for the period pertaining to minority interests", respectively, of the portion of shareholders' equity and of the result for the period of investee companies pertaining to shareholders third parties.

The companies in which the Group exercises control (subsidiary companies) are consolidated using the line-by-line method.

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 arising 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 relevant facts and circumstances to establish whether it controls the investee, including contractual agreements with other owners of voting rights, rights deriving from contractual agreements, voting rights and potential voting rights of the Group.

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

TRANSLATION OF FINANCIAL STATEMENTS EXPRESSED INTO CURRENCIES OTHER THAN THE FUNCTIONAL CURRENCY

The consolidated financial statements are presented in euros, 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 reference date of the financial statements, the assets and liabilities of the Group companies, including any goodwill deriving from the acquisition of a foreign operation, are converted into euros at the exchange rate of that date, while the revenues and costs of the income statement and the comprehensive income statement are translated at the average exchange rate. The exchange differences deriving from the translation, i.e. a different exchange rate used compared to the consolidated financial statements of the previous year, as well as the difference between the translation exchange rate of the result for the period and the exact year-end closing exchange rate, are recognized in the statement of other components of the statement of comprehensive income, while in the statement of changes in equity, the exchange differences are attributed separately to the “Reserve for translation differences” for the Group’s share and in the item “Minority share capital and reserves” for the minority share.

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 translation of financial statements in currencies other than the euro for the periods ended 31 December 2022 and 31 December 2021 are indicated below:

		2021		2022
Currency	**Average exchange rate**	**Exchange rate**	**Average exchange rate**	**Exchange rate**
CAD	1.48260	1.43930	1.36950	1.44400
CNY	7.62820	7.19470	7.07880	7.35820
GBP	0.85960	0.84028	0.85276	0.88693
USD	1.18270	1.13260	1.05300	1.06660

BASIS OF PREPARATION

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

The financial statements have been prepared on a historical cost basis, except for certain derivative financial instruments and deferred considerations (earn out), to be paid following a business combination, which have been valued at their fair value).

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2022

The accounting standards, amendments and interpretations applicable for the first time to the financial statements as of 31st December 2022 are briefly described below. The standards, amendments and interpretations which by their nature cannot be adopted by the Group are excluded from the list.

Amendments to IFRS 3 Business combinations

On 24 May 2020, the IASB published the amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments aim to replace the references to the Framework for the Preparation and Presentation of Financial Statements, published in 1989, with references to the Conceptual Framework for Financial Reporting published in March 2018, without a significant change of the requirements of the standard. The Board also added an exception to the measurement principles of IFRS 3 to avoid the risk of recognizing potential “day 1” losses or gains resulting from liabilities and contingent liabilities that would fall within the scope of IAS 37 or IFRIC 21 Levies, if contracted separately. At the same time, the Board decided to clarify that the existing guidance in IFRS 3 for contingent assets will not be impacted by the updated references to the *Framework for the Preparation and Presentation of Financial Statements.* The changes are effective for financial years starting on 1 January 2022 and are applied prospectively. These amendments have had no impact on these consolidated financial statements of the Group.

Amendments to IAS 16 Property, Plant and Equipment

On 24 May 2020, the IASB published Property, Plant and Equipment - Proceeds before Intended Use which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from the sale of products sold in the period in which that asset it is brought to the place or conditions necessary for it to be able to operate in the way it was designed by management.

Instead, an entity accounts for the revenue from the sale of such products, and the costs of producing those products, in profit or loss. The amendment is effective for periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning date of the period prior to the period in which the entity applies this change for the first time. These amendments have had no impact on these consolidated financial statements of the Group.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets

On May 14, 2020, the IASB published amendments to IAS 37 to specify which costs an entity must consider in assessing whether a contract is onerous or loss-making. The amendment provides for the application of an approach known as the “directly related cost approach”. Costs that relate directly to a contract for the supply of goods or services include both incremental costs and costs directly attributable to the contractual assets. General and administrative expenses are not directly related to a contract and are excluded, unless they are explicitly payable to the other party on the basis of the contract. The changes are effective for financial years starting on 1 January 2022. These amendments have had no impact on these consolidated financial statements of the Group.

Annual Improvements 2018-2020

On 14 May 2020, as part of the Annual Improvements 2018-2020 process of the IFRS standards, the IASB published:

- An amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*: this amendment allows a subsidiary that chooses to apply paragraph D16(a) of IFRS 1 to account for accumulated translation differences based on the amounts accounted for by the parent, considering the date of transition to IFRS by the parent company. This amendment also applies to associates or joint ventures that choose to apply paragraph D16(a) of IFRS 1.

- An amendment to IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities: this amendment clarifies the fees that an entity includes in determining whether the terms of a new or modified financial liability are substantially different from the conditions of the original financial liability. These fees include only those paid or received between the debtor and the lender, including fees paid or received by the debtor or lender on behalf of others. An entity applies this modification to financial liabilities that are modified or exchanged after the date of the earliest period in which the entity first applies the modification.

- An amendment to IAS 41 Agriculture: the amendment removes the requirements in paragraph 22 of IAS 41 related to the exclusion of cash flows for taxes when measuring the fair value of an asset within the scope of IAS 41.

These amendments have had no impact on these consolidated financial statements of the Group.

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

As at the reference date of this document, the competent bodies of the European Union had not yet concluded the endorsement process necessary for the adoption of the amendments and principles described below.

- On 7 May 2021, the IASB published the *Amendments to IAS 12 Income Taxes: "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"*. The document aims to clarify the accounting of deferred taxes on specific transactions such as leases and "decommissioning bonds". The changes will come into force on 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 come into force on 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 on financial statements that are subject to measurement uncertainty" and that a change in an accounting estimate resulting from new information or new developments is not the correction of an error. The changes will come into force on 1 January 2023.

- During 2020 and 2022, the IASB published two amendments concerning *Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*. The documents aim to clarify how to classify payables and other short- or long-term liabilities even in the presence of financial covenants. The changes will come into force on 1 January 2024.

- With Regulation 2036/2021 of 19 November 2021, the European Commission adopted IFRS 17 Insurance contracts which will replace the existing IFRS 4. The new standard establishes the rules for recognizing, measuring, representing and disclosing insurance contracts; will be applied to all insurance contracts through a reference accounting model based on the discounting of expected cash flows, the disclosure of a *risk adjustment* and a *Contractual Service Margin (CSM).* The changes will come into force on 1 January 2023.

The Company is analysing the impacts deriving from these new standards, amendments and interpretations which do not currently appear to have significant effects for the Group.

MEASUREMENT CRITERIA ADOPTED

The most significant accounting standards and measurement criteria used for preparing 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 interest in the acquiree at fair value (so-called full goodwill method) or in proportion to the share of the minority interest in the acquiree's identifiable net assets (so-called partial goodwill method). Acquisition costs are expensed during the period 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 achieved in several phases, the investment previously held is recognized at fair value at the date control is acquired and any resulting gain or loss is recognized in the income statement.

In the case of put options granted to minority shareholders, the Group records a financial liability equal to the present value of the option exercise price. If the terms and conditions of the put option already give the Group access to the economic benefits associated with the share of capital optioned, the Group accounts for this share as if it had already been purchased and, therefore, at the time of initial recognition of the liability, this value it is reclassified from equity by reducing the minority share. The liability is subsequently remeasured at each closing date in accordance with the provisions of IFRS 9.

Goodwill is initially recognised at cost, represented by the excess of the amount 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, however, of the sale of part of the shareholdings held with a corresponding loss of control, the stake held is adjusted to the relative fair value and the new valuation of the same contributes to the formation of the capital gain / (loss) deriving from the sale transaction.

Intangible fixed assets

Intangible assets acquired separately are recorded under assets at purchase cost including directly attributable ancillary charges. Those acquired through business combination transactions are recorded 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 tested to detect any loss in value, when events or changes in the situation indicate that the book value cannot be realised.

After initial recognition, intangible fixed assets with a finite useful life are recorded net of the related accumulated depreciation and any permanent losses in value, determined with the same methods indicated for tangible fixed assets.

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

Intangible fixed assets with an indefinite useful life, which for the Group consist of the goodwill and brands of the companies acquired, are not subject to amortization but subjected to an impairment test in the manner defined in the related paragraph below.

Profits or losses deriving 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 recognized in the income statement at the time of the sale.

Brands acquired as part of business combinations are recognized at fair value at the date of the transaction.

The Group's brands have been considered assets with an indefinite useful life and, therefore, are not subject to a systematic depreciation process but are subject to verification at least annually aimed at identifying any reductions in value determined with the methods indicated in the section "Impairment (impairment)".

Other intangible assets

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 trade discounts and allowances. After initial recognition, intangible assets are accounted for at cost, net of accumulated amortization and any impairment losses determined in accordance with IAS 36.

Intangible fixed assets are subject to amortization, except when they have an indefinite useful life. Amortization is applied systematically over the useful life of the intangible asset according to the estimated economic use prospects. The residual value at the end of the useful life is assumed to be zero, except where there is a commitment from 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 development costs for new products or new production processes are recognized as assets only if all the following conditions are met:

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

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

The depreciation rates of intangible assets with a finite useful life are shown below on an annual basis:

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

Tangible assets

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

Depreciation is determined on a straight-line basis over the cost of the assets, based on their estimated useful life represented by the following percentage rates on an annual basis:

	Depreciation rate
Plant and machinery	11.5%
Equipment and cars	25%
Vehicles and internal means of 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 financial year-end and if, regardless of the depreciation 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 conditions for devaluation no longer exist, its original value is restored, adjusted only for 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 sale value and the residual book value) is recognized at income statement in the year of the aforementioned elimination.

Maintenance and repair costs, which are not capable of increasing the value and/or prolonging the residual life of the assets, are expensed in the period in which they are incurred; otherwise they are capitalised.

Right of use

When signing a contract, the Group assesses 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 consideration.

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 recognizes 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 commencement date of the lease, or the date on which the underlying asset is available for use. Right-of-use assets are measured at cost, net of accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liability. The cost of the right-of-use assets includes the amount of the lease liability recognised, the initial direct costs incurred and the lease payments made at the commencement date or before commencement, net of any incentives received. Right-of-use assets are amortized 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 that the lessee will exercise its call option, the lessee shall depreciate the asset. consisting of the right of use from the effective date until the end of the useful life of the underlying asset. Right-of-use assets are subject to impairment;

- a financial liability at the lease commencement date. The Group recognizes the lease liabilities measuring them at the present value of the payments due for the lease not yet paid at that date. Payments due include fixed payments (including payments that are fixed in substance) less any lease incentives receivable, variable lease payments that are index- or rate-dependent and amounts expected to be paid at residual value guarantee. 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 lease termination penalty payments, if the lease term takes into account the part of the Group of the lease termination option. Variable lease payments that do not depend on an index or a rate are recognized 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 incremental borrowing rate at the inception 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 take into account the payments made. Furthermore, the book value of lease payables is recalculated 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 which derive from a change in the index or rate used to determine such payments;

- separately classifies the contracts for which the unit value of the underlying assets does not exceed, indicatively, 5 thousand dollars when new (so-called low-value assets), such as computers, telephones and tablets, office and multifunction printers. For these contracts, the leasing instalments are recorded in the income statement on a straight-line basis, spread over the term of the contract.

Based on the requirements of the standard, the Group has adopted certain elements of professional judgement and the use of assumptions and estimates in relation to the contractual terms (lease terms) and the definition of the marginal borrowing rate. The main elements are summarized 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 deemed 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 incremental borrowing rate as a discount rate to discount payments for leasing contracts. This rate consists of the implicit interest rate of the contract, if easily determinable, or, alternatively, the average marginal loan rate of the Group's debt;
- the asset consisting of the right to use leased assets, in accordance with IFRS 16, is valued at cost including the present value of future payments discounted at the incremental borrowing rate as defined above, the initial direct costs incurred by the lessee, the prepaid leases and estimated costs for dismantling, removal and restoration. The value of the asset is systematically depreciated.

Impairment

As at each reporting date, the Group reviews the book value of its tangible and intangible assets to determine whether there are any indications that these assets have suffered 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 and the brand, are tested annually in order to determine whether there are any impairment losses regardless of the presence of indications of impairment.

The recoverable amount is the higher of the fair value, net of costs to sell, and the value in use. In determining the value in use, the estimated future cash flows are discounted to their current value using a rate after tax which reflects the current market assessments 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 the related book value, the latter is reduced to the lower recoverable value. An impairment loss is recognized in the income statement in the same period 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 deriving 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 impairment had not been made. The write-back of the value is charged to the income statement.

Investments in associated companies and other 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. Investments in associated companies are initially recognized at cost and subsequently valued using the equity method. The book value of these investments is aligned with the adjusted shareholders' equity, where necessary, to reflect the application of the IFRS and includes the recognition of the higher values attributed to the assets and liabilities and any goodwill identified at the time of the acquisition. In addition, the necessary adjustments are made to the financial statements of companies valued using the equity method to bring the valuation criteria into line 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; if, as a result of the losses, the Company valued using the method in question shows negative shareholders' equity, the book value of the investment is cancelled and any excess pertains to the Group, where the latter has undertaken to to fulfil the legal or implicit obligations of the investee company, or in any case to cover its losses, is recorded in a specific provision; changes in the equity of companies valued using the equity method not represented by the result of the income statement are recorded directly as an adjustment to the equity reserves. Unrealized gains generated on transactions between the Parent Company/Subsidiaries and the investee valued using the equity method are eliminated based on the value of the Group's share of the investee; unrealized losses are eliminated, except in the case in which they represent a reduction in value.

Equity investments in companies other than associates (generally with an ownership percentage of less than 20%) are valued at purchase cost, possibly reduced in the event of impairment. If any loss in value exceeds the book value of the investment, the value of the investment is written off and the portion of further losses is recognized as a liability fund if the Company is obliged to answer for it. The cost is reinstated in subsequent years if the reasons that gave rise to the write-downs no longer exist.

Inventories

Inventories are recorded at the lower of purchase cost (including accessory charges) or production cost and the presumable net realizable 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 share of general production costs defined on the basis of normal production capacity, excluding financial expenses.

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 the assets or liabilities deriving from contracts (hereinafter also "contracts") depends on the methodology with which the transfer of control to the customer of the good or service occurs: in the event that this occurs gradually as the good is built or the services are rendered, the assets are recorded on the basis of the value of the contractual considerations agreed, according to the cost to cost method, taking into account the state of progress achieved; if, on the other hand, the transfer of control takes place upon final delivery of the asset or completion of the provision of the promised services, the assets are recognized at purchase cost.

A contract is recognized as a single asset if it identifies a single contractual obligation, i.e., 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 recognized in the accounts as distinct assets deriving from the same contract with the customer.

Specifically, the “assets deriving from contracts” represented by the final inventories of work in progress, considering the costs incurred added to the recognized margins, are shown in the consolidated financial statements net of the contractual advances and payments received. If the contractual advances/down payments received exceed the value of the final inventories of work in progress, they are classified under “liabilities deriving from contracts”; otherwise, they will be classified in a specific asset item called “assets deriving from contracts”.

If it is expected that the completion of a contract may determine the onset of a loss in terms of industrial margin, this is recognized in its entirety in the period in which it becomes reasonably foreseeable and shown 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

Upon initial recognition, financial assets are classified on the basis of 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 the business model that the Group adopts for their management.

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

A financial asset is classified among assets valued at amortized cost if it is held within the framework of a business model whose objective is to collect the cash flows envisaged by the contract, represented solely by payments, envisaged on predetermined dates, of principal and interests. The valuation envisages the use of the effective interest criterion.

A financial asset is classified among assets measured at fair value with changes recognized in the comprehensive income statement if it is held within the framework of a business model whose objective is achieved both through the collection of contractual cash flows and the sale of the same and contractually provided for, on 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 reduction in value are recognized in the income statement in the result for the period; the remaining changes in fair value are recognized in the comprehensive income statement. Upon elimination, the cumulative change in fair value recognized 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 recognized in the income statement.

The category of financial assets measured at fair value with changes recognized 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 among the financial instruments the subsequent changes of which in fair value are recognized in the other components of the comprehensive income statement. This choice is made for each activity and is irrevocable.

Kitchen & Systems

CUBO DESIGN

Part of IDB Group from 2023

IDB signed an agreement to acquire Cubo Design in July 2022, which was subsequently finalised in January 2023, when the company effectively joined the Group. Cubo Design continues to be led by Antonio Arangiaro.

Write-off of financial assets

A financial asset is written off the financial statements when:

- the rights to receive cash flows from the asset are extinguished;
- the Group retains the right to receive cash 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 rewards 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 in accordance with IFRS 15. They are recognized at their nominal value reduced by a bad debt provision to reflect the estimate of expected credit losses. Expected losses are based on the difference between the contractual cash flows due in accordance with the contract and all cash flows that the Group expects to receive, including cash flows deriving from the enforcement of collateral held or other credit guarantees that are part part of the contractual conditions.

Write-downs against non-recoverable amounts are entered 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, payment delays and the objective situations of customers, also making use of the support of the lawyers appointed by the company to follow the dispute.

Cash and cash equivalents

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

Financial liabilities - Loans

The Group's financial liabilities include mortgages, loans and bank overdrafts, payables deriving from company acquisition transactions and derivative financial instruments.

All financial liabilities are valued at amortized cost. It follows that, if the interest rate of the transaction is not significantly different from the market rate, the payable is initially recorded for a value equal to the nominal value net of all the transaction costs and all the premiums, discounts and allowances directly deriving from the transaction that generated the payable. Such transaction costs, as ancillary expenses incurred for obtaining the loans, any commission and any difference between the initial value and face value at maturity are allocated over the term of the debt using the effective interest rate method.
When, on the other hand, it appears that the interest rate of the transaction which can be inferred from the contractual

conditions is significantly different from the market rate, the payable is initially recorded at a value equal to the present value of future financial 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 and costs that form part of the effective interest rate. Amortization at the effective interest rate is included in financial expenses in the income statement of.

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 recognized in the financial statements when they are extinguished or when all the risks and charges relating to them have been transferred to third parties.

Derivative instruments and accounting of hedging transactions

The Group's businesses are primarily exposed to financial risks deriving 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 a portion of its variable-rate debt into a fixed-rate one or limit its maximum value and designate the financial instruments that achieve this objective as cash flow hedges.

The Group does not hold derivative financial instruments of a speculative nature; however, in cases where the derivative financial instruments do not satisfy all the conditions envisaged for the accounting treatment of the hedging derivative financial instruments (hedge accounting) required by IFRS 9, the changes in the fair value of these instruments are recorded in the income statement as charges or financial income.

Derivative financial instruments are initially recognized 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 a firm commitment (except for a currency risk);

- cash flow hedges if they cover exposure to the variability of cash flows which is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or a currency risk in a firm commitment;

- hedging of a net investment in a foreign company (net investment hedge).

Upon initiation of a hedging transaction, the Group designates and formally documents the hedging relationship, to which it intends to apply hedge accounting, its risk management objectives and the strategy pursued. Documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk and how the entity intends to evaluate the effectiveness of the hedge in offsetting exposure to changes in the fair value of the hedged item or cash flows attributable to the hedged risk. These hedges are expected to be highly effective in offsetting the hedged item's exposure to changes in fair value or cash flows attributable to the hedged risk; the assessment of whether these hedges have actually proved to be highly effective is carried out on an ongoing basis during the years in which they were designated.

When financial instruments qualify for hedge accounting, the following accounting treatments apply:

- *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 recorded in the financial statements or of a highly probable forecast transaction and which could have effects on the income statement, the effective portion of the gains or losses on the financial instrument is recognized in equity; the cumulative profit or loss is reversed from equity and recorded in the income statement in the same period in which the hedged transaction affects the income statement; the gain or loss associated with a hedge or with that part of the hedge that has become ineffective are recorded in the income statement when the ineffectiveness is recognised;

- *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 in the financial statements attributable to a particular risk which may cause effects on the income statement, profit or loss deriving from subsequent assessments of the fair value of the hedging instrument are recognized in the income statement; the profit or loss on the hedged item, attributable to the hedged risk, is recognized as part of the book value of this item and as a contra 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 gains and losses, up to that moment recorded in equity, are recognized in the income statement when the related operation is performed. If the hedged transaction is no longer considered probable, the unrealized gains or losses suspended in equity are recognized 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 by reference to the market value for similar instruments.

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

- Level 1: financial assets and liabilities whose *fair value* is determined on the basis of quoted prices (unamended) on active markets for identical assets or liabilities;

- Level 2: financial assets and liabilities whose fair value is determined on the basis of inputs other than quoted prices referred to in Level 1, but observable directly or indirectly (such as mainly: market exchange rates at the reporting date, expected rate differentials between the currencies involved and volatility of the reference markets, interest rates);

- Level 3: financial assets and liabilities whose fair value is determined on the basis of input data which are not based on observable market data.

Write-off 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 from the same lender, under substantially different terms, or the terms of an existing liability are substantially changed, such exchange or modification is treated as a derecognition 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 liability extinguished and that entered into.

Trade payables

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

Provisions for risks and charges

Provisions for risks and charges are made when the Group has to meet a current obligation (legal or implicit) deriving from a past event, where an outlay of resources to satisfy the obligation is probable and a reliable estimate can be made about the amount of the obligation itself.

When the Group deems that a provision for risks and charges should be partially or wholly repaid or compensated (for example in the case of risks covered by insurance policies), the indemnity is recognized separately under assets and, only if the repayment is virtually certain, the cost of any provision goes to the income statement net of any repayment.

Provisions to the provisions in question require the use of estimates, based on historical experience in similar cases and on objective facts known at the date of preparation of the financial statements. With reference to potential liabilities for ongoing disputes, the estimate of which involves complex assessments, including of a legal nature and which are subject to a different 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 having regard to the considerations expressed by the Group's legal advisers.

For contracts the unavoidable costs of which connected with the fulfilment of the obligation are greater than the economic benefits that it is assumed will be obtainable from them, the current contractual obligation is accounted for and valued as a provision.

Post-employment benefits

Severance Indemnity is defined as a defined benefit obligation. The related cost is determined using the Projected Unit Credit Method, carrying out the actuarial valuations at the end of each year and charging them to the income statement. The liability reflected in the financial statements represents the present value of the obligation which will be recognized at the end of the employment contract.

The determination of the liability recorded in the financial statements in accordance with the aforementioned accounting standard involves making estimates based on statistical assumptions regarding the occurrence of future events, including subjective ones (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 dated 27 December 2006, the accounting provided for 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 (Complementary pension scheme or INPS funds) for companies with more than 50 employees. Consequently, the severance pay accrued after 31 December 2006 for these companies takes the form of 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 paid entirely to pension funds, the Group companies to which this law is applicable no longer have obligations towards the employee in the event of interruption of the employment relationship for the severance indemnities accrued after the entry into force of the amendment.

Recognition of revenues and income in the income statement

The item “Revenues” includes fees 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 of promised goods and/or services to the customer, excluding amounts collected on behalf of third parties. The Group recognizes revenue when it fulfils the obligation set out in the contract, i.e., when it transfers control of the goods or services to the customer.

On the basis of the five-phase model introduced by IFRS 15, the Group recognizes revenues when the following criteria are met:

1) the parties have approved the contract (in writing, orally or in accordance with other customary commercial practices) and have undertaken to fulfil their respective obligations; there is therefore an agreement between the parties which creates enforceable rights and obligations 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 payment terms of the goods or services to be transferred are identified;

4) the contract has commercial substance; and

5) it is probable that the Group will receive the consideration to which it will be 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 recognized on the basis of the temporary transfer of control of the goods and/or services to the customer. In the event that the transfer of control takes place as the asset is built or the services are rendered, the revenues are recognized “over time”, i.e., with the gradual progress 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 recognized “at a point in time”, i.e., at the moment of the 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 with the cost to cost method. When it is likely that the total costs of the whole-life contract exceed the total revenues corresponding to the whole-life, the potential loss is immediately recognized in the income statement.

Capital grants and operating grants are recognized 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 related nominal value is suspended amongst liabilities and credited to the income statement in proportion to the useful life of the assets to which they refer.

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

Costs and expenses

Costs are recognized in the income statement when they relate to goods and services sold or consumed during the period or by systematic allocation or when their future usefulness cannot be identified.

Dividends, financial income and charges

Distributed dividends constitute a movement in shareholders' equity in the period in which they are approved by the Shareholders' Meeting.

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

Financial income and charges are recognized on an accruals basis.

Income Tax

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

Current taxes are based on the taxable result for the period. Taxable income differs from the result reported in the income statement as it excludes positive and negative components which will be taxable or deductible in other years and also excludes items which will never be taxable or deductible. The current tax liability is calculated in accordance with the tax regulations in force at the balance sheet date.

Deferred taxes are taxes that are expected to be paid or recovered on temporary differences between the book value of assets and liabilities in the financial statements and the corresponding tax value. Deferred tax liabilities are generally recognized for all taxable temporary differences, while deferred tax assets are recognized to the extent that it is deemed probable that there will be future taxable results 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 on the basis of the tax rate that is expected to be in force at the time the asset is realized or the liability is extinguished. Deferred taxes are recognized directly in the income statement, with the exception of those relating to items recognized directly in equity, in which case the related deferred taxes are also recognized in equity.

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

Foreign currency transactions

Transactions in currencies other than the Euro are initially recognized at the exchange rates on the dates thereof. As at the date of the financial statements, monetary assets and liabilities denominated in the aforementioned currencies are converted at the exchange rates prevailing at that date. Non-monetary assets valued at historical cost denominated in foreign currency are converted at the exchange rates prevailing on the date of the transaction, without any adjustment to the period-end exchange rates; non-monetary items recognized at fair value in foreign currency are converted using the exchange rate on the date of determination of this value.

The exchange differences emerging from the settlement of monetary items and from the re-exposition of the same at the current exchange rates at the end of the period are charged to the income statement for the period.

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 budget. The estimates and assumptions used are based on experience and other factors considered relevant. The results that were finalized could therefore differ from these estimates. Estimates and assumptions are reviewed periodically 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 affects only that period, or even in subsequent periods if the revision affects both the current period and future results.

The estimates and assumptions are reviewed periodically and the effects of any changes made to them are reflected in the income statement in the period in which the estimate revision takes place, if the revision affects only that period, or in subsequent periods if the revision it affects both the current period and future periods. The Group has 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 Group's control. Any such changes are reflected in the assumptions when 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 (earn out) and of the exercise of the put options related to the business combination transactions finalized over the various years;
- the estimate of the phantom stock option granted to the Chief Executive Officer of the parent company;
- provisions for inventory obsolescence.

Goodwill and trademarks with an indefinite useful life

With specific reference to goodwill and trademarks, both of which have an indefinite useful life, they are subjected to impairment testing at least once a year; this verification requires an estimate of the value in use of the cash-generating unit to which the goodwill and the brand are attributed.

An impairment loss occurs when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset or a cash-generating unit in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal.

The calculation of the value in use is based on a discounted cash flow model. The cash flows are derived from the budget for the 3 years following the current one (2023-2025) and do not include restructuring activities for which the Group has not yet committed or significant future investments that will increase the results of the activity included in the cash flow generating unit being valued. The recoverable amount depends significantly on the discount rate used in the cash flow discounting model, as well as on the cash flows expected in the future and on the growth rate used for the extrapolation.

As at 31 December 2022, the book value of goodwill was Euro 71,679 thousand, whilst the value of trademarks was Euro 33,194 thousand. Further details are provided in the Note 2.

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

The acquisitions of Group companies completed in recent years and in 2022 usually take the form of a process that envisages the establishment of a vehicle company, aimed at acquiring 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 period of time at a price with predefined parameters. The earn out is in fact directly linked to the performance of the target company, normally EBITDA and the net financial position as contractually defined between the parties, parameters which may differ in the final balance with respect to the estimates contained in the business plan of the target company.

Acquisitions are sometimes totalitarian, but in some cases they provide for 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 stake also passes through a contractual definition which links its value to the actual company performance compared to those estimated in the business plan, with calculation parameters still contractually predefined between the parties (typically EBITDA and net financial position).

Interest accrues on both financial liabilities (payable for earn out and value of the put option), which take into account the debt rate of the parent company, but also the nature of the financial liability.

The estimate of the payable for earn out and the value of the put option may vary from one period to another, reflected in the income statement under financial expenses, depending strictly on the actual performance of the companies compared to those initially envisaged in the plan. For further details, please refer to Note 19 “Other financial liabilities” as well as to the indications contained in the following note commenting on financial risks.

Warehouse obsolescence

The Group companies adopt calculation methods aimed at estimating the inventory write-down provision, 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 rotation indices, calculated separately for the materials raw and finished products. The turnover rates are associated with devaluation percentages that reflect the specificity of the individual productions. These valuations inevitably present elements of subjectivity which can be reflected in the estimate of the provisions of the various Group companies. For further information, please see Note 7.

Use of estimates

The trend of the global economy, the context of political, economic and financial instability as well as the volatility of the financial markets could influence the performance of the Group, with possible negative effects on its economic, equity and financial situation. In the general macroeconomic framework, the uncertainties relating to (i) the trends in the real economy with regard to the recovery prospects following the COVID-19 pandemic, (ii) the impacts of the sanctions imposed worldwide as part of the conflict in be at the balance sheet date between the Federal Republic of Russia and Ukraine and (iii) the effects of climate change.

These financial statements contain estimates and assumptions made by the Group relating to assets and liabilities, costs, revenues, other total profits/losses and potential liabilities at the date of the financial statements. These estimates are based on hypotheses considered reasonable and realistic, on the basis of the information available at the time of the estimate, periodically reviewed and the related effects are reflected in the income statement in the period in which they occur.

Below is an indication of the most significant estimates used to prepare the financial statements as at 31 December 2022:

- Intangible and tangible fixed assets. Taking into consideration the most recent information available and the currently configurable scenarios, the Group has not identified the occurrence of elements that could lead to value adjustments of tangible assets or significant losses in value of intangible and tangible assets recorded in the financial statements. Please refer to the description in the following paragraphs regarding the control procedures (impairment tests) carried out as at 31 December 2022.

- Provision for bad debts Receivables are presented net of a bad debt provision estimated to take into account any losses that could compromise the recoverability of the receivables. The management periodically reviews the assumptions underlying the estimates used to prudentially make the aforementioned provisions, to take into account both the trend in receivables recorded and the macro-economic situation. For further information, please see Note 9.

- Inventories Inventories are shown net of write-down provisions for materials and finished products considered obsolete or slow-moving, taking into account their expected future use and their realizable value. For further information, please see Note 7.

- Provisions for risks and contingent liabilities. The Group makes various provisions relating to disputes or risks of various kinds, concerning different issues and subject to the jurisdiction of different countries. These provisions were valued on the basis of updated information that took into account possible effects deriving from the current context. For further information, please see Note 15.

- Put & call and earn out options. Financial payables include the best estimate of the present value of the earn outs and put & calls stipulated with the minority shareholders of the acquired companies. These financial liabilities are remeasured at each period end or when the event that provides for their liquidation occurs and the related effects are reflected in the income statement under financial income or charges, together with the estimate of the discounting cost of the aforementioned financial liabilities. For further information, please see Note 19.

- *Phantom stock option*. Financial payables include the best estimate of the current value of the incentive plan due to the company's CEO. This financial liability is remeasured at each period end or when the event that provides for its liquidation occurs and the related effects are reflected in the income statement under financial income or expenses, together with the estimate of the discounting cost. For further information, please see Note 19.

Segment information

The parent company does not have any traded securities, however it is in the process of issuing financial instruments listed on the Milan Stock Exchange. It therefore prepared the following sector regulations, as required by IFRS 8.

The accounting standard IFRS 8 Operating segments requires that detailed information be provided for each operating segment, understood as a component of an entity whose operating results are periodically reviewed by top management for the purpose of adopting decisions regarding the resources to be allocated and of performance evaluation.

The organization of the IDB Group at the reference date of the financial statements is divided into three operating sectors or strategic business areas ("ASA"), as defined at an operational level by the management, and a residual one (mainly attributable to the parent company with holding function):

- Furniture: dedicated to the design, production (both internally and through third-party manufacturers) and marketing of furniture products (indoor and outdoor), mainly dedicated to the living area. At the reference date of the financial statements, the activity is concentrated at Gervasoni S.p.A., Meridiani S.r.l., Saba Italia S.r.l. and Gamma Arredamenti International S.p.A.;

- Lighting: dedicated to the design, production (both internally and through third-party manufacturers) and marketing of high quality designer lighting products. As at the reference date of the financial statements, Davide Groppi S.r.l., Flexalighting S.r.l. and Flexalighting North America Ltd.;

- Luxury Contract: dedicated to the design and installation of custom-made and commissioned furniture for luxury brand shops, residences and high-end hotels, commissioned and in collaboration with renowned architects and designers. As at the date of the financial statements, this ASA is concentrated and active at Cenacchi International S.r.l. and Modar S.p.A.;

- Other: consists of the minor companies (IDB UK Ltd., IDB Suzhou Co. Ltd., IDB USA Corp.), as well as by the parent company Italian Design Brands S.p.A.

Following the completion of the acquisition of the majority of the share capital of Cubo Design S.r.l. which took place in January 2023 and better described in the events following the closing of the financial statements, the Group's activity will be divided into a fourth operating segment, "Kitchens and Systems", dedicated to the design, production and marketing of solutions for modular kitchens and systems , within which the Binova and Miton Cucine brands will initially operate, attributable to the company Cubo Design S.r.l.

The strategic business area is typically the reference unit with which the Group monitors the performance of its business and is characterized by the homogeneity of the reference markets, without however having an independent organization.'

Income statement by strategic business area

The breakdown of the income statement by strategic business area as at 31 December 2021 and 31 December 2022 is shown below, where intra-segment revenues (almost exclusively attributable to commercial relations with the Group's foreign subsidiaries belonging to the "Other" operating segment) were subject to elimination for an amount equal to Euro 248 thousand:

values are expressed in €/1000	Furniture	Lighting	Luxury contract	Other	31/12/2021
Sales revenues for goods and services	83,789	21,110	39,348	(77)	144,171
Other revenues	1,834	226	1,320	147	3,527
Total revenues	**85,623**	**21,337**	**40,668**	**70**	**147,698**
Procurement of raw materials	(32,327)	(7,966)	(13,422)	(17)	(53,732)
Costs for services and use of third-party assets	(24,751)	(4,664)	(15,738)	(2,326)	(47,479)
Staff costs	(11,502)	(3,049)	(8,178)	(932)	(23,662)
Provisions and depreciation	(85)	(17)	(20)	-	(122)
EBITDA (*)	**16,957**	**5,641**	**3,311**	**(3,205)**	**22,705**
Amortization and write-downs of fixed assets	(2,920)	(661)	(4,340)	(135)	(8,056)
Operating profit/(loss)	**14,038**	**4,980**	**(1,029)**	**(3,340)**	**14,649**
Financial income					8,723
Financial expenses					(8,599)
Profit/(loss) before taxes resulting from continuing operations					**14,773**
Income tax					(3,370)
Net profit/(loss)					**11,402**

values are expressed in €/1000	Furniture	Lighting	Luxury Contract	Other	31/12/2022
Sales revenues for goods and services	105,793	24,545	68,289	857	199,484
Other revenues	1,718	205	128	49	2,101
Total revenues	**107,511**	**24,750**	**68,417**	**907**	**201,585**
Procurement of raw materials	(43,321)	(8,930)	(25,237)	(752)	(78,240)
Costs for services and use of third-party assets	(29,345)	(5,155)	(20,264)	(6,362)	(61,126)
Staff costs	(14,625)	(3,783)	(10,391)	(1,568)	(30,367)
Provisions and depreciation	(81)	(11)	(27)	-	(120)
EBITDA (*)	**20,139**	**6,870**	**12,498**	**(7,776)**	**31,732**
Amortization and write-downs of fixed assets	(3,975)	(760)	(4,372)	(194)	(9,302)
Operating profit/(loss)	**16,164**	**6,110**	**8,126**	**(7,970)**	**22,430**
Financial income					4,592
Financial expenses					(25,890)
Result before taxes resulting from continuing operations					**1,132**
Income tax					(7,064)
Net profit/(loss)					**(5,932)**

(*) EBITDA is an interim result, determined gross of depreciation and write-downs of tangible and intangible assets, financial expenses 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.

The revenues of the “Furniture” and “Lighting” operating segments in 2022 are up compared to 2021 (+26% and +16% respectively), which was already a year of good performance compared to the previous one, conditioned by the pandemic, deriving from both internal and external growth. In fact, both operating segments also benefited from growth deriving from the change in the scope of consolidation. Specifically, in the Furniture sector, the acquisition of Gamma Arredamenti International led to an increase in revenues of Euro 13,571 thousand, while the consolidation of Flexalighting North America had a positive effect on revenues in the lighting sector for Euro 1,826 thousand. The internal growth of the two sectors on a like-for-like basis would therefore be 10% and 8%, respectively.

The recovery of the “Luxury Contract” is decidedly significant, with an increase in total revenues of 74%, which benefited both from the restart of projects previously put on standby due to Covid and from the recovery of new investment projects.

The increase in revenues is reflected in EBITDA, as defined by the Group, and primary indicator of its economic performance.

Both “Furniture” and “Lighting” show a clear increase in absolute value, with an incidence on turnover of 19% and 28% respectively, with an increase of 19% and 22% compared to the previous year. But the most significant growth in EBITDA is recorded by the “Luxury Contract”, whose EBITDA grows to 18% of revenues, against 8% in the previous year.

The negative contribution to EBITDA of the “Other” strategic business area should be highlighted, above all due to the effect of costs for non-recurring services relating to the IPO and company acquisition process incurred in the period and recognized in the income statement, totalling Euro 1,979 thousand.

Balance sheet by strategic business area

The breakdown of the balance sheet by strategic business area as at 31 December 2021 and as at 31 December 2022 is shown below, where intra-segment receivables and payables (almost exclusively attributable to commercial relations with the Group's foreign subsidiaries belonging to the "Other") have been subject to elision:

values are expressed in €/1000	**Furniture**	**Lighting**	**Luxury Contract**	**Other**	**31/12/2021**
Intangible fixed assets	44,924	13,856	51,990	4	110,774
Right of use	9,701	1,046	4,931	489	16,167
Tangible fixed assets	2,483	577	2,373	189	5,621
Equity investments and other non-current assets	3,087	847	484	1,206	5,624
Non-Current Assets	**60,194**	**16,325**	**59,778**	**1,888**	**138,185**
Inventories and contract assets	9,464	3,463	3,920	15	16,862
Trade receivables	9,703	3,023	6,028	2	18,756
Trade advances and contract liabilities	(5,446)	(870)	(11,144)	-	(17,460)
Trade payables	(16,977)	(3,253)	(8,292)	88	(28,434)
Net operating working capital	**(3,256)**	**2,363**	**(9,488)**	**105**	**(10,275)**
Other current liabilities	(4,959)	(1,506)	(2,640)	(117)	(9,222)
Other current assets	1,748	205	1,117	228	3,298
Net working capital	**(6,467)**	**1,062**	**(11,011)**	**217**	**(16,199)**
Provision for risks and severance indemnity	(4,066)	(827)	(3,246)	(77)	(8,216)
Other non-current liabilities	(2,854)	(640)	(5,848)	-	(9,341)
Net invested capital	**46,807**	**15,921**	**39,673**	**2,028**	**104,429**
Net financial debt					(40,334)
Shareholders' Equity					(64,095)
Funding sources					**(104,429)**

values are expressed in €/1000	Furniture	Lighting	Luxury Contract	Other	31/12/2022
Intangible fixed assets	66,223	18,975	48,680	4	133,881
Right of use	15,468	1,146	4,428	3,326	24,368
Tangible fixed assets	11,156	689	2,247	185	14,277
Equity investments and other non-current assets	3,892	310	604	2,146	6,952
Non-Current Assets	**96,738**	**21,121**	**55,959**	**5,660**	**179,478**
Inventories and contract assets	14,359	5,477	4,684	47	24,567
Trade receivables	13,132	3,386	5,114	199	21,831
Trade advances and contract liabilities	(7,540)	(879)	(10,225)	(289)	(18,933)
Trade payables	(20,801)	(3,467)	(12,080)	(1,021)	(37,369)
Net operating working capital	**(850)**	**4,517**	**(12,507)**	**(1,064)**	**(9,904)**
Other current liabilities	(3,954)	(1,187)	(3,527)	(2,697)	(11,365)
Other current assets	2,523	430	1,561	1,003	5,516
Net working capital	**(2,281)**	**3,760**	**(14,473)**	**(2,758)**	**(15,753)**
Provision for risks and severance indemnity	(4,724)	(875)	(2,933)	(92)	(8,624)
Other non-current liabilities	(6,668)	(599)	(4,944)	(5)	(12,216)
Net invested capital	**83,064**	**23,407**	**33,608**	**2,805**	**142,885**
Net financial debt					(84,105)
Shareholders' Equity					(58,780)
Funding sources					**(142,885)**

Overall, we note the significant growth in non-current assets, mainly linked to corporate acquisitions completed in the period, as well as the size of the net operating working capital which continues to present a negative value of Euro 9,904 thousand (Euro -10,275 thousand as at 31 December 2021) , both as a result of the financial dynamics of the collection of receivables and payment of debts, but above all due to the ability of the companies in the "Luxury Contract" sector to obtain financial advances, which involve a structurally negative net working capital.

In "Furniture", the increase in non-current assets is linked to the acquisitions of Gamma Arredamenti International and SUR, the latter subsequently merged into Gervasoni in December 2022, described in the Note 1. Operating working capital continues to show a negative value deriving from the financial dynamics of the collection of receivables and payment of payables, and shows a positive change mainly due to the effect of the increase in the value of inventories mainly due to the change in the consolidation area (+ Euro 880 thousand).

The increase in non-current assets in "Lighting" is linked to the acquisition of Flexalighting North America described in Note 1. Operating working capital is positively influenced by the increase in the value of inventories mainly due to the change in the scope of consolidation (+ Euro 767 thousand).

The decrease in non-current assets in the "Luxury Contract" mainly depends on the amortization of the customer relationship, while the net working capital at 31 December 2022, structurally negative and further decreasing compared to the previous year, confirming the ability of the companies of the sector to obtain important contractual advances from its customers and the increase in orders acquired.

It should be noted that in the "Other" operating segment, net working capital decreased due to the increase in trade payables as at 31 December, also linked to costs for non-recurring services relating to the IPO process incurred during the period.

Earnings per share

The Group does not currently have ordinary shares or potential ordinary shares traded. The voluntary information on the basic and diluted earnings per share issued and available to shareholders required by IAS 33 is provided below, without however considering the capital transactions deriving from the possible listing of the company, expected during the year 2023 currently not defined by the Board of Directors of the parent company.

values are expressed in €/1000	2021	2022
Number of Shares	20,216,740	20,216,740
Net income	11,402	(5,932)
Earnings/(loss) per basic share	0.56	(0.29)
Earnings/(loss) per diluted share	0.56	(0.29)

FINANCIAL RISK MANAGEMENT

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

- credit risk in relation to normal customer relationships;
- 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 Group's commercial purchase and sale activity in currencies other than the reporting currency;
- interest rate risk, relating to the cost of borrowing from the financial system;
- risk of remeasurement of financial liabilities for earn outs, put & call options and phantom stock options;
- market risk, with particular reference to the risk of changes in the price of materials and the consequent maintenance of product sales margins.

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

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

Credit risk

Credit risk is connected to the counterparty's inability to fulfil its obligations and is essentially related to sales. Given the sector of activity, the customer portfolio of the Group companies is divided into numerous subjects, often of small size, and therefore the exposure is limited. With reference to the subsidiary Cenacchi International S.r.l. it should be noted that the same operates on the world market with renowned customers. In this regard, the concentration with regard to various subjects attributable to a single economic subject with which the relations of the company management are very consolidated should be noted; in particular, the turnover in question amounts to Euro 18.3 million as at 31 December 2022.

Credit risk is managed through the careful and timely monitoring of customers and through the attribution to each of a credit limit, if exceeded, the supply can be interrupted. However, the risk is limited; for many EU customers and all non-EU customers, the Group companies normally require advance payment or guarantees. Furthermore, in the event of significant exposures linked to important supplies, the Group, in some cases, resorts to credit insurance with a leading insurance company. For the purposes of preparing the period-end financial statements, the positions, if individually significant, for which an objective condition of partial or total uncollectability is identified, are subject to individual write-down. For receivables that are not individually written down, the Group applies a simplified approach in calculating expected losses, recognizing them in full at each reference date. The Group has defined a system based on historical and statistical information, revised to consider prospective elements with reference to the specific types of debtors and their economic context, as a tool for determining expected losses.

The Group's maximum exposure to credit risk is equal to the book value recorded in the financial statements, gross of the bad debt provision, totalling Euro 23,242 thousand as at 31 December 2022 and Euro 20,443 thousand as at 31 December 2021.

Trade balances as at 31 December 2022, totalling Euro 21,831 thousand, include current receivables of Euro 18,609 thousand and past due receivables of Euro 3,222 thousand, of which Euro 2,230 thousand within 90 days and Euro 993 thousand beyond 90 days, net of the related write-down fund.

The amount of insured or guaranteed receivables as at 31 December 2022 is equal to Euro 483 thousand.

Trade balances as at 31 December 2021, totaling Euro 18,756 thousand, include current receivables of Euro 16,366 thousand and past due receivables of Euro 2,390 thousand, of which Euro 1,947 thousand within 90 days and Euro 442 thousand beyond 90 days, net of the related write-down fund.

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

For further information, please refer to Note 9.

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 connected to the cash flows generated and absorbed by current operations and to the consequent need to access financing to support the expansion of the operating activity. Liquidity risk is connected to the cash flows generated and absorbed by current operations and to the consequent need to access financing to support the expansion of the operating activity.

The evolution of financial flows and the use of credit lines is closely monitored by the Group Finance Department 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 secured for a significant part by medium-long term loans and unused credit lines intended for current management granted by leading banking institutions. Specifically, as at 31 December 2022, the Group has cash and cash equivalents of Euro 42,978 thousand and has unused bank lines of credit. At the same date, the total nominal financial debt to third parties amounted to approximately Euro 127,083 thousand, of which Euro 41,590 thousand to banks and Euro 85,493 thousand to others, of which Euro 109 thousand to shareholders for loans, Euro 60,830 for put & call options , earn out for the benefit of minorities and phantom stock options for the benefit of directors and Euro 24,537 for payables to lessors (IFRS 16). The portion with a maturity of less than 12 months is equal to Euro 53,657 thousand, of which Euro 10,778 thousand due to banks, Euro 39,728 thousand for put & call and earn out options, Euro 3,152 thousand for payables on leases (IFRS 16).

Exchange rate risk

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

The Group is exposed to a limited extent to risks deriving from exchange rate fluctuations which may affect the economic result and shareholders' equity in consideration of the fact that the main transactions are in Euros and that the net investments in foreign entities (translation risk) of the Group are limited. Since the receipts and payments in the US dollar partially offset each other, the currency risk is contained, and therefore it was not deemed necessary to operate exchange hedges. There is virtually no use of currencies other than the Euro, US Dollar and Pound Sterling in commercial transactions.

The following table illustrates the sensitivity to a possible change in the exchange rate of the US dollar and the pound sterling, with all other variables held constant. The effect on the Group's pre-tax result is due to changes in the fair value of the monetary assets and liabilities existing at the end of the period, whilst that on the pre-tax shareholders' equity also includes the effect of the translation of the net assets/liabilities of the consolidated companies foreign. The Group's exposure to exchange rate changes for all other foreign currencies is intangible.

values are expressed in €/1000	-10%	-5%	+5%	+10%
Exchange rate gain/(loss) resulting from fluctuations in the euro/US dollar exchange rate	298	141	(128)	(243)
Exchange rate gain/(loss) resulting from fluctuations in the euro/UK sterling exchange rate	82	39	(35)	(67)
Total	**379**	**180**	**(163)**	**(310)**

Interest Rate Risk

Interest rate risk can be defined as the risk that changes in market interest rates lead to 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, of the Interest Rate Swap type.

As at 31 December 2022, the Group had a financial exposure to banks for loans in various technical forms for a total amount of Euro 41,590 thousand, on which variable interest rates accrue which in 2022 ranged between 0, 79% and 4.95%, as well as cash and cash equivalents for Euro 42,978 thousand.

Against this exposure, Interest Rate Swap contracts are in place for a total residual notional amount of Euro 4,866 thousand.

These contracts have a decreasing 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 euros):

Notional	Expiry	Amount	Type of contract	Mark to Market
Unicredit Linea amortising	30/09/2024	1,729	IR Swap	50
Unicredit Linea bullet	31/03/2025	500	IR Swap	34
Unicredit Linea bullet	31/10/2025	1,000	IR Swap	81
Unicredit Linea amortising	30/09/2025	917	IR Swap	44
Unicredit Linea amortising	30/06/2024	720	IR Swap	20
Total		**4,866**		**228**

The following table shows the sensitivity to a possible change in interest rates on that portion of floating rate payables and loans, after the effects of hedge accounting. With all other variables kept constant, and therefore on the basis of the value of the financial debt with banks at the end of the period and the repayment flows envisaged in the respective amortization plans, this positive or negative change in interest rates would lead to higher or lower income and expenses financial assets gross of the tax effect as shown below:

values are expressed in €/1000	-500BP	-250BP	+250BP	+500BP
(Lower) / Higher financial income	(0)	(0)	0	0
Lower / (Higher) financial expenses	1,021	951	(11)	(576)
Total	**1,021**	**951**	**(11)**	**(575)**

Risk of remeasurement of financial liabilities for earn outs, put & call options and phantom stock options

Financial payables include the best estimate of the present value of the earn outs and put & calls entered into with the minority shareholders of the companies acquired, as well as the phantom stock option due to the company's chief executive officer. The earn out and put & call values are directly connected to the achievement of specific economic and financial targets by the acquired companies (generally EBITDA and contractually defined NFP) in the periods following the acquisition of control. The value of the phantom stock option also depends in turn on the overall value of the parent company at a given liquidation event and is therefore correlated to the evolution of the Group's EBITDA and NFP. These financial liabilities are remeasured at each period end or when the event that provides for their liquidation occurs and the related effects are reflected in the income statement under financial income or charges, together with the estimate of the discounting cost of the aforementioned financial liabilities.

For the sensitivity analysis on the risk of remeasurement of earn outs, put & call options and phantom stock options, an increase or decrease of 10% of EBITDA contractually envisaged in the various years of the plan concerned was assumed, as well as a conversion of EBITDA into NFP equal to 60%. The related effects in terms of net profit before tax are summarized in the following table:

values are expressed in €/1000*	Actual	EBITDA +10%	EBITDA -10%
Earn out	7,024	7,103	6,944
Put & Call and Phantom stock option	53,807	56,369	51,247
Total	**60,830**	**63,472**	**58,192**

* EBITDA to NFP conversion rate estimated at 60%.

Price Risk

The purchase lists normally have an annual duration, while the sales lists incorporate and tend to neutralize increases on purchases. Even in the presence of an inflationary scenario during the year, the impact of the increase in raw material prices remains limited, also due to the ability of the Group companies to adjust the sales price lists in this sense and maintain the margins unchanged.

MACROECONOMIC INFORMATION AND COVID UPDATE

The trend of the global economy, the context of political, economic and financial instability as well as the volatility of the financial markets could influence the performance of the Group, with possible negative effects on its economic, equity and financial situation. In the general macroeconomic framework, the uncertainties relating to (i) the trends in the real economy with regard to the recovery prospects following the COVID-19 pandemic, (ii) the impacts of the sanctions imposed worldwide as part of the conflict in be at the balance sheet date between the Federal Republic of Russia and Ukraine and (iii) the risks associated with climate change.

Risks associated with the COVID-19 (so-called Coronavirus) pandemic

The Group has specifically and promptly adopted and kept under constant monitoring the application and compliance with the measures required of employers for the safety of workers, the contrast and the containment of the spread of the Covid virus in the workplace in application of the primary legislation and secondary, both nationally and locally, issued for the health emergency as well as shared regulatory protocols.

The Group's business model is not particularly exposed to this emergency, as demonstrated since the beginning of this phenomenon, and a marked improvement in the global health situation is being recorded with a gradual return to normal, even if a possible worsening cannot be ruled out of the situation that may to some extent have an impact on the normal management of operating activities and therefore on the economic-financial results.

In any case, the Group constantly monitors the performance of the business in order to promptly identify the appropriate corrective and/or mitigation actions.

Lighting

FLEXALIGHTING

Part of IDB Group from 2020

As of 31st December 2022, the company exports to 60 countries worldwide and has more than 250 dealer customers. Revenues increased from Euro 4,289 thousand in 2020 to Euro 9,185 thousand in 2022 (including revenues of the subsidiaries Borman Lighting S.r.l. and Flexalighting North America), with a CAGR of 46,0%. The 2022 revenues of Flexalighting S.r.l. alone, without the contribution of Borman Lighting S.r.l. and Flexalighting North America, amounted to 6,313 thousand, with a CAGR compared to 2020 revenues of 21.3%. EBITDA was Euro 1,293 thousand in 2020 and Euro 3,187 thousand in 2022 (including the EBITDA of Borman Lighting S.r.l. and Flexalighting North America), with a CAGR of 57.0%.

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 equity).

The capital management objectives are mainly linked to obtaining a strong credit rating, in order to support operational activities, and growth also externally and to maximize shareholder value.

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

values are expressed in €/1000	31/12/2021	31/12/2022
Net financial debt	40,334	84,105
Group net equity	64,095	58,780
NFP/Group shareholders' equity ratio	**0.63**	**1.43**

The change in the ratio is connected both to the increase in net financial debt as a result of the acquisitions completed in 2022, and to the decrease in shareholders' equity, the result of which is significantly influenced by the financial component of the remeasurement of the put & call options.

The management of the Group's capital aims, among other things, to ensure that the covenants associated with interest-bearing loans and loans, 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 financing. As at 31 December 2022, the covenants valid on the loans granted by Unicredit to the parent company IDB, the subsidiaries Cenacchi International S.r.l., Davide Groppi S.r.l., Saba Italia S.r.l., Modar S.p.A., Flexalighting S.r.l. and Gamma Arredamenti International S.p.A. and on the loan granted by Intesa Sanpaolo to the subsidiary Meridiani S.r.l. For further information, please refer to Note 16.

There were no changes to the objectives, policies or processes during the periods ending 31 December 2022 and 31 December 2021, nor significant corporate transactions occurred in the two periods.

Risks associated with the global geopolitical situation

The Group is exposed to risks associated with the current and future global, European and Italian political-economic situation, also aggravated by the recent political and military tensions in Ukraine, whose evolution and whose political and economic impacts are still uncertain and difficult to assess. Therefore, it cannot be excluded that the occurrence and/or persistence of any phenomena of economic recession and/or political instability as well as any future negative repercussions, even significant ones, on the global, European and/or national economy, could determine a weakening of the demand for the Group's products, with possible negative effects on the activity and prospects as well as on the economic, equity and financial situation of the Group itself.

The global geopolitical situation is experiencing a moment of extreme tension and complexity especially due to the conflict between Russia and Ukraine. This dramatic event, which took place in an already critical situation caused by the pandemic, further stimulated inflationary phenomena and speculative dynamics, with particular reference to energy and raw material prices. The Group has very limited involvement in the areas affected by the conflict and its business model is not particularly exposed to the inflationary phenomena of raw materials or to higher energy costs; however, it cannot be excluded that the persistence of this situation could lead to pressure on margins or impacts on the propensity to consume durable goods.

Risks associated with climate change

In preparing the Consolidated Financial Statements, management assessed the impact of ongoing climate change, the considerations of which did not have an impact on the estimates and valuations recorded in the financial statements given the type of business and the production factors used; in particular, it is currently believed that climate change will not have a significant impact (unless there are regulatory changes that cannot be foreseen or conceivable to date), also due to the numerous actions taken by the Group companies to counter it.

Aware of the importance and strategic value of a responsible and sustainable activity in the medium and long term, the IDB Group decided some time ago to position itself with respect to the issue of sustainability and to voluntarily communicate its environmental, social and governance performance to its stakeholders (ESG) of the Group. Indeed, IDB recognizes the importance of building fair and lasting relationships with all its stakeholders, of which sharing attitudes and commitment to sustainable business is a fundamental part.

ANALYSIS OF THE BREAKDOWN OF THE MAIN ITEMS OF THE STATEMENT OF FINANCIAL POSITION AS OF 31ST DECEMBER 2022

Comments on the asset items

1. Business combinations

Acquisition of SUR S.r.l.

On 21 February 2022, IDB, through the subsidiary Gervasoni S.p.A., acquired 100% of the share capital of SUR S.r.l., a company dedicated to representation and agency activities.

The price initially envisaged for the acquisition is broken down as follows:

a) consideration at the time of the acquisition Euro 670 thousand;
b) deferred consideration as an earn-out, to be settled in the 2023-2025 financial years based on the shipments of products on the sales contracts concluded in the 2022-2024 financial years and estimated at the acquisition date at Euro 561 thousand.

With a deed dated 15 December 2022, the extraordinary merger operation was carried out, approved by both companies participating in the operation with resolutions of the respective shareholders' meetings held on 6 October 2022. Since the capital of the incorporated company, SUR S.r.l., is entirely held by the incorporating company, Gervasoni S.p.A., the operation was carried out as a direct merger without the need for a share swap. It should be noted that the legal effects of this transaction start from 31 December 2022, while the accounting and tax effects started retroactively from 1 January 2022. The following table shows the details of the assets and liabilities, respectively acquired and taken on at the acquisition date:

(Amounts in €/000)	Book values at the acquisition date	Allocation	Total values at fair value
ASSETS			
Intangible fixed assets	-	1,708	1,708
Customer relations		*1,708*	*1,708*
Pre-paid tax assets	4		4
Income tax receivables	57		57
Other current assets	4		4
Cash and cash equivalents			-
TOTAL ASSETS	**65**	**1,708**	**1,774**
LIABILITIES			
Deferred taxes liabilities		477	477
Other current liabilities	53		53
TOTAL LIABILITIES	**53**	**477**	**530**
TOTAL NET ASSETS ACQUIRED (A)			1,244
ACQUISITION FEE (B)			1,244
GOODWILL FROM BUSINESS COMBINATION (C = B - A)			(0)
Cash and cash equivalents acquired (D)			-
Earn out differed payments (E)			573
PAYMENTS MADE FOR ACQUISITION (B - (D + E))			**670**

The consolidated financial statements of 31st December 2022 of the IDB Group include the result of the company SUR S.r.l. for the period elapsed from the acquisition date.

Acquisition of control of Flexalighting North America Ltd.

On 9 May 2022 IDB, through the subsidiary Flexalighting S.r.l. acquired a further 1% stake in the share capital of Flexalighting North America Ltd. (already 50% owned) which promotes and sells Flexalighting products in the North American market.

The expected price to be settled at the time of the acquisition of the 1% stake is Euro 405 thousand.

At the same time as the acquisition, a put & call agreement was stipulated between Flexalighting and the selling shareholders for the transfer of the remaining 49% stake in Flexalighting North America Ltd. The agreement provides that:

- the minority shareholders will have the right to transfer ("put option") to the IDB Group, which will have the obligation to purchase its shareholdings in the company, in the following ways:
  - 15% in 2025
  - 15% in 2026
  - 19% in 2027

for a consideration calculated on the basis of the average EBITDA of the two-year period preceding the exercise of the option, to which a multiplication factor is applied and the net financial position at the end date of the year preceding the exercise of the right is deducted from the result;

- if the minority shareholders do not exercise the put option, the IDB Group will have the right to purchase ("call option") 49% of the share capital from them, which they will have the obligation to sell, for a price determined with the same method of calculating the put option.

On the basis of this combination of put & call options, in the consolidated financial statements the shareholding expressed by the Group was equal to 100%. At the same time, the financial liability at fair value relating to the purchase of the 49% minority interest was recognized among other non-current financial liabilities, totalling Euro 3,277 thousand at the acquisition date.

The consolidated financial statements at December 31, 2022 of the IDB Group include the result of the company Flexalighting North America Ltd. for the period that has elapsed since the acquisition date. From that date to 31 December 2022, the revenues from the sale of goods and services of Flexalighting North America Ltd. amount to Euro 1,836 thousand, whilst the positive result accrued in the period is equal to Euro 197 thousand.

If the acquisition of the company had taken place at the beginning of the period 2022, the revenues from the sale of goods and services would amount to Euro 2,912 thousand, whilst the result for the entire period would be positive for Euro 525 thousand.

The following table shows the details of the assets and liabilities, respectively acquired and taken on at the acquisition date:

(Amounts in €/000)	Book values at the acquisition date	Allocation	Total values at fair value
ASSETS			
Right of use	124		124
Property, plant and equipment	73		73
Inventories	552		552
Trade receivables	268		268
Cash and cash equivalents	374		374
TOTAL ASSETS	**1,391**	**-**	**1,391**
LIABILITIES			
Financial payables	563		563
Trade payables	110		110
Other current liabilities	7		7
TOTAL LIABILITIES	**680**	**-**	**680**
TOTAL NET ASSETS ACQUIRED (A)			711
ACQUISITION FEE (B)			4,099
FINANCIAL INCOME FROM RE-MEASUREMENT PREVIOUSLY OWNED NON-CONTROL SHARE (C)			2,288
GOODWILL FROM BUSINESS COMBINATION AND FROM RE-MEASUREMENT OF PREVIOUSLY OWNED NON-CONTROL SHARE (D = B + C - A)			5,675
Cash and cash equivalents acquired (E)			374
Previously held equity investment (F)			417
Put&Call Deferred Payments (G)			3,277
PAYMENTS MADE FOR ACQUISITION (B - (E+ F + G))			**31**

The acquisition of control of Flexalighting North America Ltd. led to the need to remeasure at fair value the value of the previous 50% held by the company and recorded in the financial statements of the direct parent company Flexalighting at cost value of Euro 417 thousand. This recognition resulted in the recognition of financial income of Euro 2,281 thousand, determined on the basis of an estimate of the fair value of the company and the purchase prices of the investment, as also determined when allocating the total price of the recent transaction.

Acquisition of Gamma Arredamenti International S.p.A.

On 1 June 2022, IDB, through the vehicle set up for this purpose Fingamma S.p.A. (55% owned by IDB and 45% by the former shareholders of Gamma Arredamenti International S.p.A.), acquired 100% of the share capital of Gamma Arredamenti International S.p.A., a company specialized in the production of sofas, armchairs and other furnishing components mainly in leather, with a subsidiary in the USA, Gamma Arredamenti International Inc. (100% subsidiary), which promotes Gamma products on the North American market, maintains relationships with the main local customers and manages customs clearance and logistics on behalf of Gamma, which sells directly on the market.

The price envisaged for the acquisition is broken down as follows:

a) consideration at the time of the acquisition Euro 21,424 thousand (IDB share + minority shareholder);

b) deferred consideration as an earn-out, to be settled in 2023 after the approval of the 2022 Financial Statements based on the average EBITDA achieved by Gamma in the years 2021-2022 and estimated at the acquisition date at Euro 4,524 thousand as the maximum contractually envisaged and discounted amount to take into account the time factor.

At the same time as the acquisition, a put & call agreement was stipulated between IDB and the selling shareholders for the transfer of the residual 45% stake in Fingamma S.p.A. The agreement provides that in 2026, after the approval of the Gamma 2025 consolidated financial statements:

- the minority shareholders will have the right to transfer ("put option") to IDB, which will have the obligation to purchase, their shares in the company (with payment of the price in cash or by exchange of IDB shares), for a consideration calculated on the basis of the average consolidated EBITDA of the two-year period preceding the exercise of the option, to which a multiplication factor is applied and the net financial position at the end of the year of the year preceding the exercise of the right is deducted from the result;

- if the minority shareholders do not exercise the put option, IDB will have the right to purchase ("call option") 45% of the share capital of Fingamma S.p.A. by them, who will have the obligation to sell, for a consideration determined with the same calculation methods as the put option.

On the basis of this combination of put & call options, in the consolidated financial statements the shareholding expressed by the Group was equal to 100%. At the same time, the financial liability at fair value relating to the purchase of the 45% minority interest was recognized among other non-current financial liabilities, totaling Euro 7,314 thousand at the acquisition date.

Subsequently, on 27 December 2022 the reverse merger of Fingamma S.p.A. was executed. into Gamma Arredamenti International S.p.A., on the basis of the merger project dated 4 October 2022, registered for the merged company with the Milan-Monza Brianza Business Register (protocol no. 544923/2022) and for the merged company with the Romagna Business Register- Forlì-Cesena and Rimini on 6 October 2022 (reference no. 68834/2022). The aforementioned merger transaction had been approved by both companies participating in the transaction with resolutions of the respective shareholders' meetings held on 19 October 2022, with accounting and tax effectiveness backdated to.

The consolidated financial statements as at 31 December 2022 of the IDB Group include the result of the companies Gamma Arredamenti International S.p.A., Gamma Arredamenti International Inc. and the former Fingamma S.p.A. for the period elapsed from the date of acquisition and incorporation.

From the acquisition date to 31 December 2022, the revenues from the sale of goods and services of the companies Gamma Arredamenti International S.p.A. and Gamma Arredamenti International Inc. amount to Euro 13,571 thousand, while the net result accrued since the acquisition date is negative for Euro 64 thousand.

If the acquisition of the two companies had taken place at the beginning of the period 2022, the revenues from the sale of goods and services would amount to Euro 24,766 thousand, whilst the result for the entire period would be positive for Euro 1,713 thousand.

The following table shows the details of the assets and liabilities, respectively acquired and taken on at the acquisition date, the valuation of which was made by an independent expert:

(amounts in €/000)	Book values at the acquisition date	Allocation	Total values at fair value
ASSETS			
Intangible fixed assets	11	11,317	11,328
Trademarks	*11*	*6,956*	*6,967*
Models		*4,362*	*4,362*
Right of use	912		912
Property, plant and equipment	7,103	1,039	8,142
Deferred tax assets	224		224
Other non-current assets	582		582
Inventories	4,204		4,204
Trade receivables	1,695		1,695
Other current assets	2,537		2,537
Cash and cash equivalents	4,859		4,859
TOTAL ASSETS	**22,126**	**12,357**	**34,482**
LIABILITIES			
Post-employment benefits	208		208
Provisions for liabilities and charges	635		635
Financial payables	2,182		2,182
Deferred taxes liabilities		3,448	3,448
Trade payables	3,626		3,626
Income tax payables	1,808		1,808
Other current liabilities	3,600		3,600
TOTAL LIABILITIES	**10,251**	**3,448**	**13,699**
TOTAL NET ASSETS ACQUIRED (A)			20,783
ACQUISITION FEE (B)			29,977
GOODWILL FROM BUSINESS COMBINATION (C = B - A)			9,193
Cash and cash equivalents acquired (D)			4,859
Earn out differed payments (E)			4,524
Put&Call Deferred Payments (F)			7,314
PAYMENTS MADE FOR ACQUISITION (B - (D + E + F))			**13,280**

All the allocations of the assets and liabilities acquired through the business combinations illustrated at the acquisition date took place on a provisional basis and may be reviewed within 12 months of the acquisition date, should elements emerge that could allow for a better price allocation paid.

2. Intangible fixed assets

The breakdown and changes in intangible assets as at 31 December 2021 and 31 December 2022 are shown below:

values are expressed in €/1000	Goodwill	Trademarks	Models	Customer relations	Other intangible assets	Total
initial gross value	57,119	26,221	12,445	33,159	3,617	132,560
initial accumulated depreciation	-	-	(6,128)	(8,959)	(2,082)	(17,169)
initial net book value 01/01/2021	**57,119**	**26,221**	**6,317**	**24,199**	**1,534**	**115,391**
changes during the period						
acquisitions			29		206	235
business combinations						-
disposals					(1)	(1)
other changes		0	0		(859)	(859)
depreciation for the period	0	(0)	(874)	(3,316)	(315)	(4,506)
other changes - fund			0		513	513
total changes for the period	**0**	**(0)**	**(845)**	**(3,316)**	**(456)**	**(4,617)**
final gross value	57,119	26,220	12,474	33,159	2,962	131,935
final accumulated depreciation			(7,002)	(12,275)	(1,885)	(21,161)
final net book value 31/12/2021	**57,119**	**26,220**	**5,472**	**20,883**	**1,078**	**110,774**

values are expressed in €/1000	Goodwill	Trademarks	Models	Customer relations	Other intangible assets	Total
initial gross value	57,119	26,220	12,474	33,159	2,962	131,935
initial accumulated depreciation			(7,002)	(12,275)	(1,885)	(21,161)
initial net book value 01/01/2022	**57,119**	**26,220**	**5,472**	**20,883**	**1,078**	**110,774**
changes during the period						
acquisitions		10	19		480	510
business combinations	14,868	6,967	4,362	1,708		27,905
disposals					(169)	(169)
other changes	(308)	(3)	(27)	(0)	(160)	(498)
depreciation for the period			(1,130)	(3,458)	(309)	(4,898)
business combinations (fund)						-
fund disposals due to divestments					169	169
other changes - fund			1		87	89
total changes for the period	**14,560**	**6,974**	**3,225**	**(1,750)**	**99**	**23,108**
final gross value	71,679	33,194	16,828	34,867	3,114	159,682
final accumulated depreciation			(8,131)	(15,733)	(1,937)	(25,801)
final net book value 31/12/2022	**71,679**	**33,194**	**8,697**	**19,133**	**1,176**	**133,881**

Intangible assets as at 31 December 2022 amounted to Euro 133,881 thousand, compared to Euro 110,774 thousand in the previous year, with an increase of Euro 23,108 thousand deriving almost exclusively from the values attributed to intangible fixed assets at the time of the business combination of the companies SUR S.r.l., Flexalighting North America Ltd., Gamma Arredamenti S.p.A. and Gamma Arredamenti Inc., described in Note 1.

Trademarks and goodwill are considered assets with an indefinite useful life and are therefore not depreciated and are therefore subjected to an impairment test.

Specifically, all the brands registered in the IDB Group are considered to have an indefinite useful life on the basis of the provisions of the IAS 38 accounting standard, especially taking into account the reputation, the economic performance, the characteristics of the reference market, and the level of investments and initiatives marketing support. The business plan approved by the Group confirms these management assumptions.

The models and customer relationships were considered to have a finite useful life, with an amortization period of 5 to 10 years for the former and 10 years for the latter.

As at 31 December 2022, the IDB Board of Directors conducted specific control procedures (impairment tests) of the recoverable value of intangible assets with an indefinite useful life (represented in the items “Goodwill” and “Trademarks”) recognized in its consolidated balance sheet. It should be noted that a fairness opinion has been prepared by an independent third party expert who does not report any loss in value for any company of the Group.

The impairment test as at 31 December 2022 was carried out on the value of the Group’s goodwill and brands referring to the following Cash Generating Units (CGU)[1]: (i) Gervasoni; (ii) Meridians; (iii) Cenacchi International; (iv) Davide Groppi; (v) Saba Italy; (vi) Fashion; (vii) Flexalighting; (viii) Gamma Arredamenti International, taking into account the capital invested in the parent company and the results of the latter, in its role of strategic management, coordination and control of the Group.

The plan (“business plan”) used to carry out the impairment test, from which the cash flows subject to discounting were obtained, was approved by the Board of Directors on 15 March 2023. The set of documents underlying the impairment test consists of the consolidated statement of financial position as at 31 December 2022 and the economic and financial plan for the period 2023-2025, from which the Net Invested Capital for each CGU and the cash flows were derived object of updating.

The business plan and the relative strategy review have been prepared by the management and

i) the related assumptions are consistent with actual past results and the historical trend of the reference market;
ii) the objectives of the plan are aligned with the current performance and
iii) the growth (“CAGR”) contained in the business plan is in line with the expected growth in the reference markets.

The estimate of the recoverable value of the group of assets being analysed was conducted according to the notion of value in use. The value in use of a group of assets is understood to mean the present value of future cash inflows and outflows that are expected to derive from the continuing use of the group of assets, discounted at an appropriate discount rate that reflects the estimates market currents about the time value of money and the specific risks of the group of assets in question.

To estimate the value in use, the Board of Directors used the explicit cash flows of the 2023-2025 economic-financial plans; it also considered an indefinite time horizon for estimating the terminal value of the single CGU. This time horizon was used by the Board of Directors for the test as at 31 December 2022 in line with the useful life of goodwill and trademarks recorded in the financial statements. It should be noted that, in the test carried out at the end of the previous

1. The *cash generating unit* (CGU) identified for the purpose of recovering the brands and goodwill corresponds to the company acquired (and its respective subsidiaries) as a whole.

year (31 December 2021), the management had adopted a more conservative and prudential approach to the estimate of the terminal value, considering only the cash flows that spanned a finite time horizon, normally 15 years overall. As a result of this, a sensitivity analysis was in any case carried out, maintaining the finite time horizon previously adopted, in order to exclude any critical recovery of the value of the assets being analysed, essentially by conducting a double test.

The determination of the value in use is in fact particularly sensitive to the following hypotheses: (i) revenue trend; (ii) margins; (iii) discount rate; (iv) growth rate used to extrapolate cash flows beyond the forecast period.

The method applied to estimate the value in use of assets is the Discounted Cash Flow ("DCF") method which estimates the value of invested capital ("Enterprise Value") as the present value of its future operating cash flows, discounted at a rate equal to the weighted average cost of capital ("WACC").

The assumptions used for each CGU are illustrated subsequently and methodologically they do not differ from those used when preparing the annual financial statements as at 31 December 2021, except for the time horizon for estimating the terminal value, reflecting in any case the different results envisaged by the new plan approved by the Board of Directors of the Parent Company, as well as the update of the variables used to determine the WACC and the growth rate g.

It should be hereby noted that the Board of Directors has not become aware of any indicator, endogenous or exogenous, such as to lead to the assumption that there is a loss in value of the goodwill recorded or of the book value relating to the trademarks. It should be noted that, as at that date, no negative differences had been identified between the final results and the expected trends at the time of the acquisition of the various companies, confirmed by the business plan approved by the Board of Directors on 15 March 2023.

Below is the breakdown of the calculation of the WACC divided by CGU:

As at 31 December 2022	**Gervasoni**	**Meridiani**	**Cenacchi International**	**Davide Groppi**	**Saba Italia**	**Modar**	**Flexalighting**	**Gamma Arredamenti International**
Risk Free rate	4.26%	4.26%	4.26%	4.26%	4.26%	4.26%	4.26%	4.26%
Equity market risk premium	5.94%	5.94%	5.94%	5.94%	5.94%	5.94%	5.94%	5.94%
Beta Unlevered	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95
D/E Target	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43
Tax rate	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%
Relevered Beta	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26
Additional risk premium	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Cost of equity (Ke)	**13.74%**	**13.74%**	**13.74%**	**13.74%**	**13.74%**	**13.74%**	**13.74%**	**13.74%**
Cost of gross debt	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%
Tax rate	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%
Cost of debt (Kd)	**4.70%**	**4.70%**	**4.70%**	**4.70%**	**4.70%**	**4.70%**	**4.70%**	**4.70%**
E/(E+D)	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%
D/(E+D)	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
WACC	**11.04%**	**11.04%**	**11.04%**	**11.04%**	**11.04%**	**11.04%**	**11.04%**	**11.04%**

It should be noted that the WACCs used to estimate the recoverable value of each CGU as at 31 December 2021 were between 9.02 and 9.19%, deriving from an estimate of the cost of capital and debt lower than that restated as at 31 December 2022.

With reference to the growth rate (g rate), the Board of Directors has conservatively and prudentially maintained a rate of 1%, consistent with that used for the impairment test carried out as at 31 December 2021.

The value obtained by discounting the plan cash flows carried out according to the parameters described for each CGU was adjusted by the negative value deriving from the discounting of the cash flows of the parent holding company, appropriately broken down. The value thus obtained was compared with the net invested capital of the individual CGUs obtained from the data as at 31 December 2022, including the book value relating to goodwill and brands or to intangible assets with an indefinite useful life.

Below is a summary of the results of the impairment test:

CGU	Book value of goodwill	Book value of trademarks	Total intangible assets with an indefinite useful life	Recoverable value with indefinite life
Gervasoni	10,012	13,158	23,170	49,361
Meridiani	8,203	4,598	12,801	26,558
Cenacchi Int.	22,312	5	22,317	48,629
Davide Groppi	2,604	4,459	7,063	29,274
Saba Italia	197	3,992	4,189	22,743
Modar	8,633	7	8,640	17,075
Flexalighting	10,526	19	10,545	18,936
Gamma Arredamenti Int.	9,192	6,956	16,148	24,465
Total	**71,679**	**33,194**	**104,873**	**237,041**

The recoverable value of goodwill and trademarks, equal to Euro 237,041 thousand, was obtained as the difference between the enterprise value and the net invested capital of all the CGUs (Euro 38,012 thousand), determined by excluding the book value of goodwill and brands, but including the invested capital of the controlling holding company. This results in an excess of the recoverable value over the book value totalling Euro 132,168 thousand.

The reconciliation between the book net invested capital and the net invested capital used for the purposes of the impairment test is shown below:

CGU-Holding	Net invested capital excluding intangible assets with an indefinite useful life	Total intangible assets with an indefinite useful life	Net invested capital
Gervasoni	5,629	23,170	28,799
Meridiani	5,188	12,801	17,989
Cenacchi Int.	2,910	22,317	25,227
Davide Groppi	2,162	7,063	9,225
Saba Italia	4,116	4,189	8,305
Modar	(1,999)	8,640	6,641
Flexalighting	3,278	10,545	13,823
Gamma Arredamenti Int.	10,715	16,148	26,863
Holding IDB	6,013	-	6,013
Total	**38,012**	**104,873**	**142,885**

The sensitivity analyses carried out by the company as at 31 December 2022 confirm that, even if the parameters of the WACC and the reference growth rate were to vary within a range deemed possible by the parent company, there would be a positive excess of the recoverable amount compared with the carrying amount load for each CGU.

Also the sensitivity analysis carried out assuming a finite useful life for the calculation of the terminal value, in line with what was carried out by the Board of Directors for the impairment test as at 31 December 2021, would have highlighted an excess of the recoverable value still higher than that calculated at that date, totalling Euro 63,195 thousand.

3. Right of use

The breakdown and changes in the rights of use as at 31 December 2021 and as at 31 December 2022, identified as an independent item in the statement of financial position starting from 2022, are shown below:

values are expressed in €/1000	**Rights of use**	**Total**
initial gross value	21,405	21,405
initial accumulated depreciation	(3,910)	(3,910)
initial net book value 01/01/2021	**17,494**	**17,494**
changes during the period		
acquisitions		-
business combinations		-
Increase of right of use	866	866
disposals		-
other changes	214	214
depreciation for the period	(2,407)	(2,407)
business combinations (fund)		-
other fund changes		-
total changes for the period	**(1,328)**	**(1,328)**
final gross value	22,484	22,484
final accumulated depreciation	(6,318)	(6,318)
final net book value 31/12/2021	**16,167**	**16,167**

values are expressed in €/1000	Rights of use	Total
initial gross value	22,484	22,484
initial accumulated depreciation	(6,318)	(6,318)
initial net book value 01/01/2022	**16,167**	**16,167**
changes during the period		
acquisitions		-
business combinations	1,386	1,386
Increase of right of use	10,164	10,164
disposals	(566)	(566)
other changes	(138)	(138)
depreciation for the period	(2,802)	(2,802)
business combinations (fund)	(351)	(351)
fund disposals due to sales	561	561
other fund changes	(53)	(53)
total changes for the period	**8,201**	**8,201**
final gross value	33,330	33,330
final accumulated depreciation	(8,963)	(8,963)
final net book value 31/12/2022	**24,368**	**24,368**

Leased assets are recorded on the basis of the value of the right of use in application of IFRS 16. Depreciation was determined on the basis of the estimated duration of each contract, carried out taking into account the renewal clauses which can be exercised by the Group without the need to obtain the consent of the counterparty. These contracts essentially concern real estate for office use and warehouses and showrooms for industrial use. The change in the rights of use recognized in the financial statements during the year refers to new property lease contracts (an industrial plant and two showrooms) and to the values attributed at the time of the business combination of the companies Flexalighting North America Ltd., Gamma Arredamenti S.p.A. and Gamma Arredamenti Inc., described in the Note. 1.

At the reporting date, there are no contracts in place that present guarantees for the residual value or commitments for contracts that have not yet begun. The Group has no sub-lease agreements in place with third parties. No sale or leaseback transactions were carried out during the year. The amounts recorded in the income statement for the two periods are shown below:

values are expressed in €/1000	31/12/2021	31/12/2022
Depreciation of right-of-use assets	2,407	2,802
Interest expense due to leasing	427	481
Lease costs - short term leasing	737	747
Total costs recorded in the income statement	**3,571**	**4,030**

The change is attributable to the new lease agreements entered into during the year, described above.

4. Tangible assets

The following tables summarize the movements that occurred in 2021 and 2022 in tangible assets:

values are expressed in €/1000	Land and buildings	Plant and machinery	Equipment	Other	Total
initial gross value	829	7,392	1,938	6,326	16,485
initial accumulated depreciation	(80)	(5,332)	(1,633)	(4,387)	(11,433)
initial net book value 01/01/2021	**748**	**2,060**	**305**	**1,939**	**5,053**
changes during the period					
acquisitions	290	194	178	793	1,455
business combinations					-
Disposals		(11)	(5)	(75)	(92)
other changes	343	(100)	0	641	885
depreciation for the period	(78)	(321)	(129)	(614)	(1,143)
other fund changes	(87)	11	5	(466)	(536)
total changes for the period	**468**	**(227)**	**48**	**279**	**568**
final gross value	1,462	7,475	2,111	7,685	18,733
final accumulated depreciation	(246)	(5,642)	(1,757)	(5,467)	(13,112)
final net book value 31/12/2021	**1,216**	**1,833**	**354**	**2,218**	**5,621**

values are expressed in €/1000	Land and buildings	Plant and machinery	Equipment	Other	Total
initial gross value	1,462	7,475	2,111	7,685	18,733
initial accumulated depreciation	(246)	(5,642)	(1,757)	(5,467)	(13,112)
initial net book value 01/01/2022	**1,216**	**1,833**	**354**	**2,218**	**5,621**
changes during the period					
acquisitions	363	224	248	1,172	2,007
business combinations	9,276	1,554	699	1,174	12,703
Disposals	(4)	(32)	(21)	(866)	(923)
other changes	(15)	(2)	(1)	141	123
depreciation for the period	(255)	(437)	(177)	(732)	(1,602)
business combinations (fund)	(2,009)	(987)	(617)	(878)	(4,492)
fund disposals due to divestments	1	32	16	845	895
other fund changes	7	0	(0)	(61)	(54)
total changes for the period	**7,363**	**352**	**146**	**795**	**8,656**
final gross value	11,082	9,220	3,035	9,306	32,643
final accumulated depreciation	(2,502)	(7,034)	(2,536)	(6,294)	(18,366)
final net book value 31/12/2022	**8,579**	**2,186**	**499**	**3,013**	**14,277**

The most significant changes in 2022 refer to the items “Land and Buildings” and “Other”, in particular to leasehold improvements made during the year, and to the values attributed in the business combination of the companies Flexalighting North America Ltd., Gamma Arredamenti S.p.A., Gamma Arredamenti Inc. and Fingamma S.p.A., the latter merged into Gamma Arrendamenti S.p.A. during the month of December 2022, as described in the Note 1.

5. Equity investments

Equity investments amount to Euro 883 thousand and show a decrease of Euro 351 thousand compared to the previous year due to the purchase (and subsequent line-by-line consolidation) of the majority of the company Flexalighting North America Ltd., described in the Note 1.

values are expressed in €/1000	equity Investments in associated companies	other equity Investments	Total
initial value 01/01/2022	**1,228**	**6**	**1,234**
changes during the period			-
acquisitions			-
disposals			-
other changes			-
business combinations	(416)	0	(415)
equity method valuations	65		65
total changes	**(351)**	**0**	**(351)**
final value 31/12/2022	**877**	**6**	**883**

The equity investments in associated companies refer 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 'additional share equal to 80% to reach the majority under contractually predefined conditions, closely linked to company performance. The company is valued using the equity method starting from the acquisition date and, taking into account the results for the period and the goodwill identified at the time of acquisition, the investment was revalued during the year by Euro 65 thousand.

6. Other non-current assets

The accounting item of Euro 3,445 thousand includes the receivable from insurance companies for payments of the provision for severance indemnities of directors of Euro 1,820 thousand, balanced by the same amount in the provisions as pertaining to the directors themselves, the guarantee deposits of Euro 1,023 thousand, financial assets valued at fair value relating to derivative contracts of Euro 254 thousand and other receivables of Euro 178 thousand.

values are expressed in €/1000	Balance as of 31st December 2021	Business combinations	Changes	Balance as of 31st December 2022
Guarantee deposits	350	12	661	1,023
Receivables from insurance companies	1,220	500	100	1,820
Receivables from associated companies	200	(200)		-
Derivative contracts			254	254
Restricted cash and cash equivalents			170	170
Other receivables	138	70	(29)	178
total	**1,908**	**381**	**1,155**	**3,445**

7. Inventories

Inventories as of 31st December 2022 amount to:

values are expressed in €/1000	Balance as of 31st December 2021	Business combinations	Changes	Balance as of 31st December 2022
Raw materials	4,730	2,983	2,687	10,401
Semi-finished products	2,755	387	676	3,818
Finished products	7,042	1,386	(1,496)	6,933
Advanced payments	431		979	1,410
total	**14,959**	**4,756**	**2,847**	**22,561**

As can be seen from the table above, the overall increase mainly refers to the business combinations item and to the combined effect of volumes and prices resulting from the increase in the Group's turnover compared to the previous year.

The amount of inventories is adjusted by an inventory write-down provision of Euro 1,812 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 of 31st December 2021	Business combinations	Increase	Use	Balance as of 31st December 2022
Raw materials	355	298	145		799
Semi-finished products	16		2	(1)	16
Finished products	793		204	(0)	997
Inventory write-downs	**1,164**	**298**	**351**	**(1)**	**1,812**

The fund's movements are closely linked to the evolution of the rotation indices of obsolete or slow-moving stocks.

8. Contract assets

values are expressed in €/1000	Balance as of 31st December 2021	Business combinations	Changes	Balance as of 31st December 2022
Contract assets	434		1,571	2,005
total	**434**	**-**	**1,571**	**2,005**

As can be seen from the table above, the overall increase mainly refers to the progress of the orders linked to the performance of the business and the timing of their delivery.

Assets deriving from contracts valued on the basis of the progress of the works total Euro 1,281 thousand, while those for which revenues are recognized upon final delivery of the asset or upon completion of the provision of services (at at point of time) amount to a total of Euro 724 thousand.

The breakdown of the value of the gross contract work in progress and the advances to reduce the same is shown below:

values are expressed in €/1000	Balance as of 31st December 2021	Business combinations	Changes	Balance as of 31st December 2022
Contract assets (gross value)	599		1,989	2,588
Advance payments from customers	(164)		(418)	(582)
Contract assets (net value)	**434**	**-**	**1,571**	**2,005**

9. Trade receivables

The breakdown of and changes in trade receivables are shown below:

values are expressed in €/1000	Balance as of 31st December 2021	Business combinations	Changes	Balance as of 31st December 2022
Trade receivables from third parties	18,756	1,963	1,112	21,831
Trade receivables from associated companies	-			-
Total trade receivables	18,756	1,963	1,112	21,831

Trade receivables amounting to Euro 21,831 thousand refer to receivables deriving from the company's core business and are recognized net of a total write-down of Euro 1,411 thousand.

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

values are expressed in €/1000	Balance as of 31st December 2021	Business combinations	Increases	Use	Balance as of 31st December 2022
Provision for bad debts	1,687	44	114	(434)	1,411

The ageing of trade receivables is also attached, net of the write-downs made, to highlight the delay period, specifically for past due positions.

			expired						
customer ageing	to expire	tot. expired	1-30 days	31-60 days	61-90 days	91-120 days	121-150 days	more than	total
2021	16,366	2,390	1,397	238	313	154	106	183	18,756
2022	19,986	1,846	1,087	320	114	84	17	225	21,831

10. Income tax receivables

The breakdown of and changes in the item are shown below:

values are expressed in €/1000	Balance as of 31st December 2021	Business combinations	Changes	Balance as of 31st December 2022
Income tax receivables	298	357	(34)	621

The item of Euro 621 thousand mainly refers to the IRAP tax advances paid and various tax credits relating to the individual Group companies.

11. Other current assets

values are expressed in €/1000	Balance as of 31st December 2021	Business combinations	Changes	Balance as of 31st December 2022
Other current assets	3,000	2,193	(297)	4,895

The item amounts to Euro 4,895 thousand and consists of VAT receivables for Euro 2,552 thousand, miscellaneous credits deriving from payments made during the year but accruing at a later date for Euro 1,347 thousand and advances to service suppliers for Euro 622 thousand thousands.

12. Cash and cash equivalents

Cash and cash equivalents amount to Euro 42,978 thousand and consist of bank deposits and cash, not subject to any restrictions. The financial trend of the Group's liquidity is shown analytically in the statement of cash flows to which reference is made.

values are expressed in €/1000	Balance as of 31st December 2021	Business combinations	Changes	Balance as of 31st December 2022
Cash and cash equivalents	33,327	5,232	4,418	42,978

13. Shareholders' equity

The changes in shareholders' equity as at 31 December 2022 are illustrated in the Statement of Changes in Shareholders' Equity, to which reference is made.

Share capital

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

Other shareholders' equity components

At the end of 2022, the share premium reserve of Euro 3,563 thousand deriving from the capital increase in the years 2016-2018, retained earnings and other reserves, including the reserve for translation differences, for Euro 40,343 thousand, the Cash flow hedge reserve positive for Euro 174 thousand, which is recognized as a balancing entry to the recognition of the mark to market, net of the related tax effect, of the contracts stipulated 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)/gains on severance indemnities are also recorded in the other components of equity. The amount, net of the related tax effect, is positive for Euro 416 thousand.

The result for the year amounts to Euro -5,932 thousand.

It should be noted that within the item "Retained earnings", against the tax realignment operations carried out in the year ended 31 December 2020 pursuant to Legislative Decree no. 104 of 2020 (the so-called August decree) and subsequent amendments and additions, reserves subject to a tax suspension restriction are recorded for Euro 19,549 thousand. Specifically, the Group companies, 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 tax values of the brands and models, provided they were already recorded in the 2019 financial statements, to the statutory values, 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 of Euro 5,622 thousand was released and a substitute tax of Euro 605 thousand was allocated. The tax suspension reserve pursuant to Article 110 of Legislative Decree 104/2020 of Euro 19,549 thousand derives from the tax values subject to realignment, net of the substitute tax due.

Comments on liability items

Non-current liabilities

14. Post-employment benefits

This item, equal to Euro 5,124 thousand as at 31 December 2022, includes the non-current portion of the severance indemnity due to employees. In 2022 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 method prescribed by IAS 19 for defined benefit plans, changed as follows:

values are expressed in €/1000	Post-employment benefits 2021	Post-employment benefits 2022
Initial provision	4,988	5,575
Accruals	616	696
Interest	14	2
Actuarial (profits)/losses)	254	(863)
Other changes	6	61
Business combinations		208
Benefits paid	(303)	(554)
total	**5,575**	**5,124**

As already highlighted in the section on applied accounting standards, following the provisions on severance indemnities brought about by the 2007 Finance Law and the related implementing decrees, the Group, in compliance with the choices made by employees regarding the allocation of their severance indemnities accrued from January 2007, provides for the periodic payment of the same to the funds indicated, remaining obligated to the employees only for 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 severance indemnity is carried out on the basis of the "accrued benefits" method using the "Projected Unit Credit" (PUC) criterion as set out in paragraphs 67-69 of IAS 19. The reference actuarial model for severance indemnity valuation is based on various demographic and economic assumptions. For some of the hypotheses used, where possible, reference best practice was taken into account.

The economic technical bases used are shown below.

Hypothesis	31/12/2021	31/12/2022
Annual discount rate	0.98%	3.77%
Annual inflation rate	1.75%	2.30%
Annual post-employment benefit increase rate	2.81%	3.23%
Annual wage increase rate	1.00%	1.00%

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

15. 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 2022:

values are expressed in €/1000	Balance as of 31st December 2021	Business combinations	Changes	Balance as of 31st December 2022
Severance indemnity fund	1,220	542	58	1,820
Provision for agents' indemnities	1,196	94	69	1,359
Provision for risks of legal proceedings	139		92	231
Other	86		4	90
total	**2,641**	**635**	**223**	**3,500**

The provision for directors' severance pay reflects the payments revalued as at 31 December 2022 that the Group will disburse; the accounting entry is balanced with the item entered in the assets "Other non-current assets" which represents the receivable from the Insurance Company. The provision for agents' indemnities reflects the appreciation of the risk associated with the possible interruption of the mandate granted to agents in the cases provided for by law, and was set aside on the basis of the provisions of the Collective Economic Agreement and civil law.

16. Banks loans

The composition and changes in payables to banks are shown below, with a breakdown of the short-term and long-term portion:

values are expressed in €/1000	Balance as of 31st December 2021	Business combinations	Changes	Balance as of 31st December 2022
Unicredit 10.375 ML	6,053		(3,488)	2,565
Unicredit 2 ML	498		(498)	-
Simest 0.48 ML	426		51	477
Unicredit 2.6 ML	785		(136)	648
Unicredit 1.3 ML	1,302		14	1,316
BPER DL 0.5 ML	498		(40)	458
Frie no. 22280 0.8 ML	173		(115)	58
Intesa DL 1.75 ML	1,746		(177)	1,569
Intesa DL 1.25 ML	1,247		(127)	1,121
Simest 0.48 ML	426		51	477
Unicredit 0.5 ML	501		0	502
Unicredit 3.6 ML	2,912		(694)	2,218
Intesa A 3.7 ML	559		(559)	-
Intesa B 2 ML	2,011		(4)	2,007
Intesa C 1 ML	151		(151)	-
Intesa DL 1.9 ML	1,898		(233)	1,665
Intesa DL 1.1 ML	1,099		(135)	964
Banco Desio DL 0.75 ML	747		(29)	718
BPM 1 ML	403		(403)	-
Simest 0.48 ML	476		2	477
Mediocredito 2 ML	1,153		(181)	972
Unicredit A 5 ML	3,722		(763)	2,959
BPM 0.6 ML	202		(202)	-
Intesa DL 1 ML	668		(444)	224
Credem DL 1 ML	834		(220)	614
Simest 0.48 ML	434		42	477
Unicredit B 2 ML	2,015		15	2,030
BPM 0.8 ML	322		(322)	-
Simest 0.48 ML	426		51	477
Mediocredito 1 ML	-	401	(109)	292
Simest 0.4 ML	-	320	(81)	239
Intesa 0.6 ML	-	600	5	605
Unicredit A 11.03 ML	-		8,709	8,709
Unicredit B 4 ML	-		3,954	3,954
Unicredit BTC	-		2,000	2,000
Derivative contracts	88		(88)	-
Short-term advance payments	76		724	800
total	**33,851**	**1,321**	**6,417**	**41,590**

values are expressed in €/1000	Balance as of 31st December 2021	More than 1 year	from 1 to 5 years	More than 5 years	Balance as at 31st December 2022	More than 1 year	from 1 to 5 years	More than 5 years
Unicredit 10.375 ML	6,053	1,508	4,545		2,565	836	1,729	
Unicredit 2 ML	498	498			-			
Simest 0.48 ML	426		308	118	477		477	
Unicredit 2.6 ML	785	142	571	72	648	140	508	
Unicredit 1.3 ML	1,302			1,302	1,316		1,316	
BPER DL 0.5 ML	498	40	458		458	123	335	
Frie no. 22280 0.8 ML	173	115	58		58	58		
Intesa DL 1.75 ML	1,746	178	1,568		1,569	433	1,136	
Intesa DL 1.25 ML	1,247	127	1,120		1,121	309	811	
Simest 0.48 ML	426		308	118	477		477	
Unicredit 0.5 ML	501	0	501		502		502	
Unicredit 3.6 ML	2,912	727	2,185		2,218	716	1,502	
Intesa A 3.7 ML	559	559			-			
Intesa B 2 ML	2,011	2,011			2,007	2,007		
Intesa C 1 ML	151	151			-			
Intesa DL 1.9 ML	1,898	436	1,462	(0)	1,665	470	1,195	
Intesa DL 1.1 ML	1,099	135	964		964	272	692	
Banco Desio DL 0.75 ML	747	30	718		718	184	534	
BPM 1 ML	403	403			-			
Simest 0.48 ML	476		356	120	477		477	
Mediocredito 2 ML	1,153	196	791	166	972	202	770	
Unicredit A 5 ML	3,722	823	2,899	(0)	2,959	851	2,108	
BPM 0.6 ML	202	202			-			
Intesa DL 1 ML	668	444	224		224	224		
Credem DL 1 ML	834	220	614		614	222	392	
Simest 0.48 ML	434		316	118	477		477	
Unicredit B 2 ML	2,015		2,015		2,030		2,030	
BPM 0.8 ML	322	322			-			
Simest 0.48 ML	426		308	118	477		477	
Mediocredito 1 ML	-				292	145	147	
Simest 0.4 ML	-				239	80	160	
Intesa 0.6 ML	-				605		394	212
Unicredit A 11.03 ML	-				8,709	706	5,805	2,198
Unicredit B 4 ML	-				3,954			3,954
Unicredit BTC	-				2,000	2,000		
Derivative contracts	88	88			-			
Short-term advance payments	76	76			800	800		
total	**33,851**	**9,430**	**22,290**	**2,131**	**41,590**	**10,778**	**24,449**	**6,363**

The increase in debt of Euro 7,739 thousand mainly derives from the acquisition of the company Gamma, for which the Group has taken out long-term loans for a nominal amount of Euro 14,824 thousand.

During the year, new loans were contracted for Euro 15,624 thousand and principal debts repaid for Euro 9,276 thousand.

The table below shows the loans divided by category:

values are expressed in €/1000	**Balance as of 31st December 2021**	**Business combinations**	**Raising of loans**	**Repayments/ Payments**	**Other changes**	**Balance as of 31st December 2022**
Bank loans:						
Loans for acquisitions	17.598	-	14.824	(5.711)	(21)	26.690
So-called Liquidity Decree Loans	8.738			(1.415)	9	7.332
Other financing	7.515	1.321	800	(2.150)	82	7.568
Total	**33.851**	**1.321**	**15.624**	**(9.276)**	**69**	**41.590**

Acquisition loans 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**	**Limits**
Unicredit 10.375 ML 30.09.25	NFP/EBITDA	< 2.0
Unicredit 10.375 ML 30.09.25	NFP/SE	< 1.0
Unicredit 3.9 ML 28.02.27	NFP/EBITDA	< 3.0
Unicredit 3.9 ML 28.02.27	NFP/SE	< 1.5
Unicredit 0.5 ML 31.05.25	NFP/EBITDA	< 2.2
Unicredit 0.5 ML 31.05.25	NFP/SE	< 1.0
Unicredit 3.6 ML 30.06.25	NFP/EBITDA	< 2.5
Unicredit 3.6 ML 30.06.25	NFP/SE	< 1.3
Intesa 2 ML 31.08.23	NFP/EBITDA	< 2.5
Intesa 2 ML 31.08.23	NFP/SE	< 1.1
Unicredit A 5.0 ML 30.06.26	NFP/EBITDA	< 2.0
Unicredit A 5.0 ML 30.06.26	NFP/SE	< 1.2
Unicredit B 2.0 ML 31.10.25	NFP/EBITDA	< 2.3
Unicredit B 2.0 ML 31.10.25	NFP/SE	< 1.0
Unicredit 15.03 ML 30.06.29	NFP/EBITDA	< 4.0
Unicredit 15.03 ML 30.06.29	NFP/SE	< 2.2

The reference quantities are contractually defined. In the event of non-compliance with the same, the Banks could exercise the right to request early repayment, for the residual portion, of the loans disbursed. All the covenants envisaged on existing loans have been respected with reference to the financial statements closed on 31 December 2022.

The table below illustrates the main characteristics of the loans:

no.	values are expressed in €/1000	initial amount	residual amount	start date	end date
	Medium-/long-term loans for the period				
1	Unicredit 10.375 ML	10,375	2,565	14/09/17	30/09/25
2	Unicredit 2 ML	2,000	-	23/09/19	30/06/22
3	Simest 0.48 ML	480	477	11/06/21	31/12/27
4	Unicredit 2.6 ML	2,600	648	13/02/20	28/02/27
5	Unicredit 1.3 ML	1,300	1,316	13/02/20	28/02/27
6	BPER DL 0.5 ML	500	458	13/08/20	13/08/26
7	Frie no. 22280 0.8 ML	838	58	13/04/12	01/01/23
8	Intesa DL 1.75 ML	1,750	1,569	03/07/20	03/07/26
9	Intesa DL 1.25 ML	1,250	1,121	14/07/20	14/07/26
10	Simest 0.48 ML	480	477	19/05/21	31/12/27
11	Unicredit 0.5 ML	500	502	15/05/18	31/05/25
12	Unicredit 3.6 ML	3,600	2,218	13/06/19	30/06/25
13	Intesa A 3.7 ML	3,700	-	30/05/16	31/08/22
14	Intesa B 2 ML	2,000	2,007	30/05/16	31/08/23
15	Intesa C 1 ML	1,000	-	30/05/16	31/08/22
16	Intesa DL 1.9 ML	1,900	1,665	30/06/20	30/06/26
17	Intesa DL 1.1 ML	1,100	964	29/06/20	30/06/26
18	Banco Desio DL 0.75 ML	750	718	12/10/20	10/10/26
19	BPM 1 ML	1,000	-	04/06/20	30/06/22
20	Simest 0.48 ML	480	477	11/06/21	31/12/27
21	Mediocredito 2 ML	2,000	972	03/08/17	31/10/27
22	Unicredit A 5 ML	5,000	2,959	05/06/19	30/06/26
23	BPM 0.6 ML	600	-	19/05/20	31/05/22
24	Intesa DL 1 ML	1,000	224	11/06/20	11/06/23
25	Credem DL 1 ML	1,000	614	31/07/20	31/07/25
26	Simest 0.48 ML	480	477	16/04/21	31/12/27
27	Unicredit B 2 ML	2,000	2,030	24/10/18	31/10/25
28	BPM 0.8 ML	800	-	20/05/20	30/06/22
29	Simest 0.48 ML	480	477	19/05/21	31/12/27
30	Mediocredito 1 ML	1,000	292	15/01/18	31/12/24
31	Simest 0.4 ML	400	239	24/05/18	31/12/25
32	Intesa 0.6 ML	600	605	31/01/22	31/01/30
33	Unicredit A 11.03 ML	8,824	8,709	01/06/22	30/06/29
34	Unicredit B 4 ML	4,000	3,954	01/06/22	30/06/29
35	Unicredit BTC	2,000	2,000	01/06/22	01/03/23
36	Derivative contracts		-		
37	Short-term advance payments		800		
	total	**92,340**	**41,590**		

It should be recalled that, as already indicated in the paragraph "Financial risk management", derivative contracts were stipulated to hedge the interest rate risk, for a notional value of approximately Euro 4.9 million, decreasing in proportion to the repayments of the related loans.

Below is provided at Group level, 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 quotations observable directly from active regulated markets;
- Level 2 – financial instruments at fair value determined on the basis of formulas and methodologies which use values mainly inferable from regulated active markets;
- Level 3 – financial instruments at fair value determined on the basis of calculation methods based on data unobservable in regulated markets.

Interest rate swap derivative contracts for hedging interest rates recorded at fair value can be classified in hierarchical level number 2 of fair value measurement and total + Euro 228 thousand.

Lastly, level 3 includes financial liabilities for earn-outs equal to Euro 7,023 thousand at 31 December 2022.

During the period there were no transfers from Level 1 to Level 2 or to Level 3 and vice versa.

17. Other financing

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

values are expressed in €/1000	Balance as of 31st December 2021	Business combinations	Increases	Decreases	Payments	Balance as of 31st December 2022
Other financing	1,582	234		(108)	(1,582)	125
Financial payables to lessors	16,160	978	10,716	(290)	(3,025)	24,537
Other financial liabilities	22,068	15,677	23,536		(450)	60,830
total	**39,809**	**16,888**	**34,251**	**(399)**	**(5,057)**	**85,493**

The breakdown of other lenders is shown below:

values are expressed in €/1000	Balance as of 31st December 2021	short-term	long-term	Balance as of 31st December 2022	short-term	long-term
Vendor Loan	1,582	82	1,500	-		
Shareholder's loans	-			109		109
Other financing	-			16		16
total	**1,582**	**82**	**1,500**	**125**	**-**	**125**

During 2022, the so-called Vendor Loan to the companies Elpi S.r.l. and Fourleaf S.r.l., established under the contract for the sale of Gervasoni S.p.A. between the seller Il Castello S.p.A. and the former buyer Fingerva S.p.A.

Payables to shareholders for loans derive from the acquisition of Flexalighting North America Ltd.

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

values are expressed in €/1000	Balance as of 31st December 2021	short-term	long-term	Balance as of 31st December 2022	short-term	long-term
IFRS 16 financial lease payables	16,160	2,007	14,152	24,537	3,152	21,386
total	**16,160**	**2,007**	**14,152**	**24,537**	**3,152**	**21,386**

The amount was determined by discounting the rents envisaged by the existing lease contracts, in particular the real estate ones.

The increase for the year refers to business combinations and new real estate lease contracts for office and industrial use.

As regards the Group's net financial debt, the financial information on a voluntary basis prepared according to the format required by the CONSOB communication, updated with the provisions of ESMA guideline 32-382-1138 dated 4 March 2021 as implemented by the CONSOB attention call no. 5/21 dated 29 April 2021, expressing the intention to bring its supervisory practices into line with the aforementioned ESMA guidelines.

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

values are expressed in €/1000	Balance as of 31st December 2021	Balance as of 31st December 2022	Changes
A Cash	33,327	42,978	9,651
B Cash equivalent	-	-	-
C Other current financial assets	-	-	-
D Liquidity (A + B + C)	**33,327**	**42,978**	**9,651**
E Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)	(18,202)	(42,880)	(24,678)
F Current portion of non-current financial debt	(9,430)	(10,778)	(1,347)
G Current financial indebtedness (E + F)	**(27,633)**	**(53,657)**	**(26,025)**
H Net current financial indebtedness (G - D)	**5,694**	**(10,679)**	**(16,374)**
I Non-current financial debt (excluding current portion and debt instruments)	(46,026)	(73,425)	(27,399)
J Debt instruments	-	-	-
K Non-current trade and other payables	-	-	-
L Non-current financial indebtedness (I + J + K)	**(46,026)**	**(73,425)**	**(27,399)**
M Total financial indebtedness (H + L)	**(40,332)**	**(84,105)**	**(43,773)**

In this regard, attention should be drawn 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) cash equivalents or (iii) derivative instruments used for hedging purposes;

b) the “financial debt” includes the remunerated debt (i.e., the interest-bearing debt) which includes, among other things, the financial liabilities relating to short and/or long-term lease contracts, indicated separately;

c) the item “ Non-current trade and other payables” possibly includes unpaid payables, which have a significant implicit or explicit financing component (for example, payables to suppliers with a maturity of more than 12 months) and any other non-interest bearing loans.

The total value of the financial debt according to ESMA guidelines and that adopted by the IDB Group is equal to Euro 84.1 million.

18. Deferred taxes

The tables below show the movements in deferred tax liabilities and assets (the latter recorded under non-current assets in the statement of financial position) during 2022 with evidence of the nature of the temporary differences that generated them.

Deferred tax assets

values are expressed in €/1000	Balance as of 31st December 2021	Business combinations	Increases	Decreases	Balance as of 31st December 2022
Depreciation	63		73	(9)	126
Goodwill	346		27	(34)	338
Bad debt provision	319			(97)	222
Inventory write-downs	319	83	96		499
IAS 19 Severance indemnity	262	5		(273)	(6)
IFRS 16 Leases	212	0	61	(8)	264
Derivative financial instruments	21			(21)	0
Agent indemnity	84		10	(7)	87
Employee and director benefits	120		80	(84)	115
Revaluations	434		4	(135)	304
Phantom stock option	215		385		600
Others	88	135	831	(595)	75
total	**2,482**	**224**	**1,567**	**(1,263)**	**2,624**

The deferred tax assets recorded under assets under the item “Deferred tax assets” include the benefit of costs temporarily recovered for tax purposes. In fact, the requirements for the recognition of deferred tax assets envisaged by IAS 12 were deemed to be met.

The item “Other” mainly consists of deferred taxation generated by the remeasurement of the financial debt for phantom stock options.

Deferred taxes liabilities

values are expressed in €/1000	Balance as of 31st December 2021	Business combinations	Increases	Decreases	Balance as of 31st December 2022
Trademarks	2,941	1,941		-	4,882
Models	558	1,217		(148)	1,627
Customer relations	5,842	477		(965)	5,354
Land and Buildings	-	290			290
Amortised cost	(10)		10		-
Derivative financial instruments	-		55		55
Others	10			(1)	9
total	**9,341**	**3,924**	**65**	**(1,114)**	**12,216**

As shown in the table, deferred taxes mainly refer to the tax effect on the allocation of part of the price paid for the acquisition (PPA) of 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., SUR S.r.l. (subsequently merged into Gervasoni) and Gamma Arredamenti International S.p.A. as an increase in the value of intangible assets, as already described in the Note 2.

The increase in the item “Land and buildings” is mainly generated by the tax effect on the allocation of part of the price paid for the acquisition (PPA) of Gamma Arredamenti International S.p.A. a revaluation of the value of the land, as already described in the Note 2.

19. Other financial liabilities

The breakdown of and changes in financial liabilities are shown below:

values are expressed in €/1000	Balance as of 31st December 2021	short-term	long-term	Balance as of 31st December 2022	short-term	long-term
Earn out	1,968	441	1,527	7,023	6,662	361
Payables for put options and phantom stock options	20,099	15,672	4,427	53,807	33,066	20,741
total	**22,068**	**16,113**	**5,955**	**60,830**	**39,728**	**21,102**

values are expressed in €/1000	Balance as of 31st December 2022	More than 1 year	from 1 to 5 years	More than 5 years
Earn out	7,023	6,662	361	
Payables for put options and phantom stock options	53,807	33,066	20,741	
total	**60,830**	**39,728**	**21,102**	**-**

The payable for earn out recognized as at 31 December 2022 refers to the sellers of the companies Flexalighting North America, SUR and Gamma Arredamenti International and constitutes the update of the best possible estimate of the deferred payment, predefined at the acquisition date and accounted for at fair value as at 31 December 2022. The earn out is in fact directly linked to the performance of the acquired company, normally EBITDA and the net financial position as contractually defined between the parties, parameters which may differ in the final balance with respect to the estimates contained in the business plan of the target company.

Payables for put options and phantom stock options amount to Euro 60,830 thousand as at 31 December 2022 and refer to the fair value of the liability for the exercise of the put option (in favour of the seller) & call option (in favour of the

Furniture

saba

Part of IDB Group from 2018

As of 31st December 2022 the company exports, through a distribution network of around 700 dealers, to more than 70 countries worldwide. Revenues increased from Euro 16,078 thousand in 2018 to Euro 25,674 thousand in 2022, with a CAGR of 12.4%. EBITDA was Euro 2,012 thousand in 2018 and Euro 3,847 thousand in 2022, with a CAGR of 17.6%.

Group) for the 'purchase of the residual stake referring to 41.28% of Cenacchi International, 43% of the residual stake referring to Davide Groppi, 25% of the residual stake of Modar, 49% of Flexalighting and Flexalighting North America and 45% of the International furniture range. Even the purchase value of the minority stake through the put option passes through a contractual definition that links its value to the actual company performance compared to those estimated in the business plan, with calculation parameters still contractually predefined between the parties (typically EBITDA and net financial position).

The overall increase in payables during the period (Euro 38,762 thousand) reflects the posting of the value of the options envisaged for the business combinations completed in 2022 (Euro 15,677 thousand), the exercise of the earn out (Euro 450 thousand), the portion of interest accrued (Euro 1,096 thousand) and the remeasurement of the payable for the options and phantom stock options existing as at 31 December 2021 for Euro 22,439 thousand, which resulted in an increase in the value of the same in relation to the evolution of expected results compared to those estimated at the end of the previous year, reflected in the income statement under net financial income/charges of Euro 20,834 thousand and Euro 1,604 thousand under costs for services, as highlighted in the following paragraphs.

20. Trade payables

The item amounts to Euro 37,369 thousand.

The total amount of payables is can be fully liquidated within 12 months.

values are expressed in €/1000	Balance as of 31st December 2021	Business combinations	Changes	Balance as of 31st December 2022
Trade payables	28,434	3,736	5,200	37,369
total	**28,434**	**3,736**	**5,200**	**37,369**

With reference to the trade payables item, the Group does not resort to any form of "supply chain financing".

The ageing of trade payables is also attached to highlight the delay period, especially for overdue positions.

supplier ageing	to expire	tot. expired	1-30 days	31-60 days	61-90 days	91-120 days	121-150 days	expired more than	total
2021	27,988	446	93	28	75	102	91	58	28,434
2022	36,348	1,021	697	23	22	102	2	176	37,369

21. Tax payables

values are expressed in €/1000	Balance as of 31st December 2021	Business combinations	Changes	Balance as of 31st December 2022
income tax payables	2,107	1,804	(1,691)	2,219
total	**2,107**	**1,804**	**(1,691)**	**2,219**

The balance sheet item increases as a result of business combinations in the period. Specifically, it should be noted that, on 4 October 2018, the Company entered into a national tax consolidation agreement pursuant to Articles 117 et seq. of Presidential Decree 917, 22 December 1986 ("TUIR") with the subsidiaries Gervasoni, Meridiani and Cenacchi International; from 2020 Davide Groppi, Saba Italia and Modar are also a part thereof and, from 2021, Flexalighting.

22. Other current liabilities

values are expressed in €/1000	Balance as of 31st December 2021	Business combinations	Changes	Balance as of 31st December 2022
Other tax payables	921	124	271	1,316
Payables to staff and social security institutions	4,995	778	(240)	5,533
Contract liabilities	9,676		549	10,225
Other payables	7,514	901	2,590	11,005
total	**23,106**	**1,803**	**3,170**	**28,079**

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

Other payables mainly consist of other advances received from customers for Euro 8,707 thousand; the remaining amount of Euro 2,298 is made up of accrued expenses and deferred income for Euro 507 thousand, withholding taxes, payables to Directors for Euro 514 thousand and other corporate bodies and other payables.

Contractual liabilities deriving from contracts amount to Euro 10,225 thousand. The details of the advances net of the value of the progress of the related contract work in progress are shown below:

values are expressed in €/1000	Balance as of 31st December 2021	Business combinations	Changes	Balance as of 31st December 2022
Advance payments from customers	10,152		3,444	13,597
Contract assets	(476)		(2,896)	(3,372)
Contract liabilities	**9,676**	**-**	**549**	**10,225**

Analysis of the breakdown of the main income statement items

23. Sales revenues for goods and services

The breakdown of sales revenues by area of destination and by strategic business area is shown below:

values are expressed in €/1000	2021	2022
Italy sales revenues	38,144	42,792
EU sales revenues	45,995	54,249
Non-EU sales revenues	60,032	102,443
Total	**144,171**	**199,484**

values are expressed in €/1000	2021	2022
Furniture sales revenues	83,789	105,793
Lighting sales revenues	21,110	24,545
Luxury contract sales revenues	39,348	68,289
Other sales revenues	(77)	857
Total	**144,171**	**199,484**

The item amounts to Euro 199,484 thousand. The main markets are Italy, France, Germany, the United States, Canada, China, the United Kingdom and Switzerland. The Group is present in over 80 countries with over 1,500 customers.

24. Other revenues

Other income amounts to Euro 2,101 thousand. They consist of recovery of expenses for Euro 943 thousand from customers (chargebacks of expenses and services) and from suppliers (chargebacks for non-compliant supplies); from contingent assets and capital gains for Euro 198 thousand; from operating and capital grants for Euro 300 thousand; from other income not included in the previous items for Euro 660 thousand.

values are expressed in €/1000	2021	2022
Expense recovery	271	943
Contingencies and capital gains	904	198
Grants for current expenses	1,243	300
Other revenues	1,110	660
Total	**3,527**	**2,101**

The change in the item operating grants mainly depends on the fact that in 2021 the Group had obtained non-repayable SIMEST grants pursuant to Law Decree 34/2020 (so-called “Relaunch Decree) for Euro 960 thousand.

25. Procurement of raw materials

The total budget item amounts to Euro 79,762 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	2021	2022
Raw materials and Semi-finished products	21,413	47,927
Purchase of finished products	17,884	22,474
Others	15,786	9,361
Total	**55,082**	**79,762**

26. Staff costs

The item amounts to a total of Euro 30,367 thousand and consists of wages and salaries, social security contributions, severance indemnities (including the portion subsequently paid to social security funds) and other costs.

values are expressed in €/1000	2021	2022
Wages and salaries	17,230	22,202
Social security costs	4,904	6,109
Severance indemnity	1,175	1,489
Others	353	567
Total	**23,662**	**30,367**

The number of employees in force during the 2022 financial year was 555 units.

	2021	2022
Executives Managers	8	11
Managers and employees	242	296
Manual workers	159	242
Other employees	1	6
Total	**410**	**555**

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

The total balance sheet item amounts to Euro 60,296 thousand and includes commercial costs, industrial costs, administrative and general costs, the cost of use of third-party assets for which it was not necessary to apply IFRS 16.

values are expressed in €/1000	2021	2022
Use of the use of third-party assets	737	747
Commercial costs	19,622	24,466
Industrial costs	16,557	19,947
Directors' fees	5,017	6,079
Remuneration of Statutory Auditors and Auditing Firm	312	1,464
Consultancy	1,199	3,690
Insurance	540	655
Utilities	693	1,199
Other administrative and general costs	2,407	2,050
Total	**47,083**	**60,296**

For the period in question, the directors’ fees amount to Euro 6,079 thousand, including the portion accrued for the phantom stock option guaranteed to the Chief Executive Officer.

The increase in the consultancy item is mainly attributable to non-recurring costs related to the IPO for a total value of Euro 1,979 thousand. A portion (equal to a total of Euro 443 thousand) has currently been recognized among other current assets, in relation to the proposed stock exchange listing of the company and the issue of new shares which, if completed, will result in a reclassification of these assets reduction of the capital increase.

The breakdown of the Independent Auditors’ fees is as follows:

values are expressed in €/1000	2021	2022
Parent company statutory audit	22	114
Statutory audit of the Group companies	123	163
Parent company certification services		960
Certification services to Group companies		28
Other services provided to the parent company by the audit firm	74	88
Other services provided to the parent company by other network companies		61
Total	**219**	**1,414**

28. Other operating costs

The item, which amounts to Euro 829 thousand, includes some residual costs not included in the previous items, including membership fees, local taxes such as the TARI and advertising tax, credit losses, capital losses and contingent liabilities.

29. Provisions and depreciation

The item, equal to Euro 120 thousand, mainly refers to the provision for bad debts (equal to Euro 114 thousand as at 31 December 2022) in the Note 9.

30. Amortization, depreciation and write-downs of fixed assets

Please refer to Notes 2 and 4. There were no write-downs of fixed assets made necessary in the period.

31. Financial income and charges

Financial income, equal to Euro 4,592 thousand, mainly refers to the difference emerging from the remeasurement of the 50% stake in Flexalighting North America for Euro 3,698 thousand (for which reference is made to the Note 1), to exchange rate gains for Euro 807 and, residually, to cash discounts applied by suppliers, interest income accrued on current accounts and interest income from customers.

Financial expenses of Euro 25,890 thousand mainly consist of interest from banks for Euro 1,104 thousand, from other lenders as shown in the table, exchange losses for Euro 752 thousand, figurative interest relating to the debt for the purchase of the minority interests of Cenacchi International, Davide Groppi, Modar, Flexalighting and Gamma Arredamenti International on the basis of the put & call option contracts in place for Euro 1,096 thousand, as well as the changes in the value of the put & call option agreements for Euro 22,347 thousand.

Financial income

values are expressed in €/1000	2021	2022
Financial income from banks	7	4
Active supplier discounts	30	18
Income for value adjustments on financial liabilities	8,169	3,698
Others	518	872
Total	**8,723**	**4,592**

Financial expenses

values are expressed in €/1000	2021	2022
Interest on ordinary mortgages	1,320	1,097
Interest on subsidised loans (Frie)	4	7
Interest to third parties (vendor loan)	51	18
Financial charges for value adjustments on financial liabilities	4,202	22,347
Financial charges on lease payments (IFRS 16)	427	481
Notional interest on options and earn outs	2,352	1,096
Others	243	844
Total	**8,599**	**25,890**

32. Taxes

The breakdown of the item is shown below:

values are expressed in €/1000	2021	2022
Current taxes	4,852	8,104
Advanced taxes	(856)	64
Deferred taxes	(626)	(1,104)
Total	**3,370**	**7,064**

For changes in deferred tax assets and liabilities, please refer to the information included in the Note 18 of the corresponding balance sheet items, as well as to the indications provided in the 13 “Shareholders’ Equity”.

The table below shows the reconciliation of the current tax burden with the theoretical tax burden:

values are expressed in €/1000	IRES (Corporate Income Tax)	%	IRAP (Regional Income Tax)	%
Income before tax	1,132		22,430	
Theoretical tax	272	*24.0%*	875	*3.9%*
Total taxable temporary differences	3,936		4,193	
Total taxable permanent differences	21,955		14,893	
Consolidated taxable income	27,023		41,516	
Effective tax	**6,486**	***>100%***	**1,619**	***7.2%***

33. Other items of the statement of comprehensive income

The other components of the comprehensive income statement concern the changes in the Cash Flow Hedge Reserve, in relation to the fair value measurement of derivative instruments to hedge financial risks from changes in interest rates. These are instruments of the 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, changes in fair value are recognized directly in shareholders’ equity, net of the related tax effect.

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

The changes in the two components described are positive for Euro 241 thousand and Euro 656 thousand, respectively, both net of the tax effect.

34. Related parties

values are expressed in €/1000	revenues	costs for lease payments without application of IFRS 16	costs for services	financial income/ (charges)
Il Castello S.p.A.	4	467		
Elpi S.r.l.	1			(9)
Fourleaf S.r.l.	1			(9)
Directors			6,187	
Ir-Ma S.r.l.		410		
C.G. Immobiliare S.r.l.		211		
Total	**5**	**1,089**	**6,187**	**(18)**

values are expressed in €/1000	guarantee deposits	non-current liabilities	other payables
Elpi S.r.l.			
Ir-Ma S.r.l.	100		
Directors		(2,558)	(536)

The Group companies have lease contracts in place with related parties, the fees for which are paid in advance, the cost of which for the year amounts to Euro 1,089 thousand, specifically Euro 467 thousand towards Il Castello S.p.A., Euro 211 thousand towards C.G. Immobiliare S.r.l. and Euro 410 thousand to Ir-Ma S.r.l.

The item "Directors" includes the fees and the portion of the phantom stock option for the period.

35. Commitments and Guarantees

As at 31 December 2022, the Group has not issued guarantees to anyone; pledged the quotas or shares of the subsidiaries to the banks that granted the loans to them as highlighted in the Note. Subsequent events 16.

36. Subsequent events

It should be noted that the Group is pursuing its external growth strategy and during the month of July 2022, IDB signed an agreement for the acquisition of a 60% stake in Cubo Design S.r.l., a company that designs, produces and distributes kitchens and systems. On 16 December 2022, the company Fincubo S.r.l., held by IDB S.p.A., was established for the purpose of acquiring the majority of the share capital of Cubo Design S.r.l., a company operating in the "Kitchens and Systems" sector, completed in January 2023.

Milan, 15 March 2023

For the Board of Directors
The CEO
Andrea Sasso

Lighting

Axolight

Part of IDB Group from 2021

Joined IDB at the end of 2021 through the Group's acquisition of a 20% minority stake in the company's capital. Today Axolight is led by Giuseppe Scaturro, CEO since 2017.

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Italian Design Brands S.p.A.

Consolidated financial statements as at December 31, 2022

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010

EY S.p.A.
Viale Appiani, 20/b
31100 Treviso

Tel: +39 0422 358811
Fax: +39 0422 433026
ey.com

Building a better working world

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010
(Translation from the original Italian text)

To the Shareholders of
Italian Design Brands S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Italian Design Brands Group (the Group), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Italian Design Brands S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Italian Design Brands S.p.A. or to cease operations, or have no realistic alternative but to do so.

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The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

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

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated January 27, 2010

The Directors of Italian Design Brands S.p.A. are responsible for the preparation of the Report on Operations of Italian Design Brands Group as at December 31, 2022, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the consolidated financial statements of Italian Design Brands Group as at December 31, 2022 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of the Group as at December 31, 2022 and complies with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated January 27, 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Treviso, March 16, 2023

EY S.p.A.
Signed by: Mauro Fabbro, Auditor

This report has been translated into the English language solely for the convenience of international readers.

Editorial Project Coordination
ITALIAN DESIGN BRAND S.p.A.

Art Direction and Graphic Project
COMMON

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Italian Design Brands

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