ANNUAL FINANCIAL REPORT 2023

IDB
Italian Design Brands

Italian Design Brands

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Next page arrow icon Click on this to take you to the next page in the PDF.

ANNUAL FINANCIAL REPORT 2023

(Courtesy translation)

Italian Design Brands

CONTENTS

HIGHLIGHTS 2023

THE EXCELLENCE OF ITALIAN DESIGN AND CRAFTSMANSHIP IN A SINGLE GROUP

Portfolio of excellence
11 companies • 14 brands

4 Strategic Business Areas
- Furniture
- Kitchen & Systems
- Lighting
- Luxury Contract

Global presence
Retail partners wolrdwide +4.500

People
+800 people

FINANCIAL HIGHLIGHTS

The main financial highlights of the Group (expressed in thousands of euro) are shown below, based on the assumption that the acquisition of Cubo Design S.r.l., the consolidation of Axo Light S.r.l. and the acquisition of Turri S.r.l. took place on 1 January 2023, compared with the 2022 figures, also prepared assuming that the acquisitions of Gamma Arredamenti International S.p.A. and Flexalighting North America Ltd. had occurred on 1 January 2022.

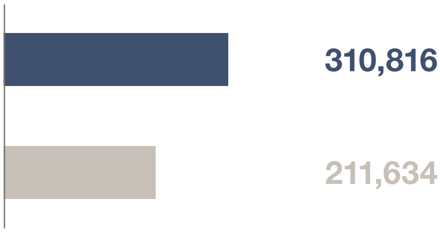
In addition:

- The EBITDA was determined without considering non-recurring costs (adjusted EBITDA);
- EBIT was calculated gross of the amortisation and depreciation of intangible assets with a finite useful life recorded during PPA (Purchase Price Allocation) (adjusted EBIT);
- The net result, on the other hand, was determined without the positive and negative economic effects of imputed charges and the remeasurement of put & call options and earnouts due to minority shareholders (Adjusted net result).

values are expressed in €/1000

2023 2022

Revenue



EBITDA

EBIT

Gross result

Net result

ESEF (EUROPEAN SINGLE ELECTRONIC FORMAT) COMPLIANCE

The consolidated financial statements as at 31 December have been prepared in the XHTML format and have been marked in accordance with the provisions of the European Commission's Delegated Regulation (EU) 2019/815 and subsequent versions on regulatory technical standards relating to the specification of the European Single Electronic Format (ESEF).

Some information contained in the notes to the consolidated financial statements when extracted from the XHTML format in an XBRL instance, due to certain technical limitations may not be reproduced identically to the corresponding information viewable in the consolidated financial statements in XHTML format.

CORPORATE BODIES

Board of Directors[1]	
Andrea Sasso	Chairman and CEO
Giorgio Gobbi	Executive Director
Paolo Colonna	Director
Giovanni Tamburi (*) (**)	Director
Alessandra Rollandi	Director
Piero Generali	Director
Alessandra Stea	Director
Giovanni Gervasoni	Director
Cristina Finocchi Mahne (*) (**) (***)	Independent Director
Lea Lidia Lavitola (*) (**) (***)	Independent Director and Lead Independent Director
Paola Mungo (***)	Independent Director

Board of Statutory Auditors[2]	
Filippo Annunziata	Chair and Statutory Auditor
Marzia Nicelli	Standing Auditor
Fabio Buttignon	Standing Auditor

Supervisory Body[3]
Fausto De Angelis
Nicola Traverso
Anna Maria Magro

Independent Auditors[4]
EY S.p.A.

1. In In office until the approval of the financial statements for the year as at 31 December 2025.
2. In office until the approval of the financial statements for the year as at 31 December 2025.
3. In office until the approval of the financial statements for the year as at 31 December 2024.
4. In office until the approval of the financial statements for the year as at 31 December 2031.

(*) Member of the Human Resources and Remuneration Committee.
(**) Member of the Nomination Committee.
(***) Member of the Control and Risks Committee, Related-Party Transactions and Sustainability.

LETTER TO SHAREHOLDERS

Dear shareholders,
The year 2023 was also marked by complex and unpredictable events, such as persisting inflation and the Russian-Ukrainian conflict, in addition to the ongoing conflict in the Middle East, confirming strong instability at macroeconomic and geopolitical levels.

Nevertheless, the IDB Group once again ended a record year with revenues of EUR 310.8 million (up compared to 2022), thanks to the positive organic growth of the Group's companies, most of which ended the year with historically high turnover, with an overall organic growth of 3.9% compared to the previous year, and two new acquisitions. This all occurred against the backdrop of a consolidation phase on the part of the market, which, following the accelerated growth recorded in the two-year period between 2021 and 2022, shows a forecast of a substantially stable closure.

Despite the investments made to support development, the year was also excellent in terms of margins, closing with an adjusted EBITDA of EUR 54.3 million, equal to 17.5% of revenues, and an adjusted net profit of EUR 25.6 million, equal to 8.2% of revenues.

The year was full of brilliant results but also of significant challenges, first and foremost the listing on Euronext Milan, concluded on 18 May 2023. The listing has been on the agenda ever since IDB was founded, and we are very proud to have completed a very successful transaction for which the Group took first place in the "Fundraising on the Equity Market" category in the eleventh edition of the "Premio per la migliore strategia di utilizzo del mercato dei capitali" (Award for the best strategies on capital markets), promoted by Equita and sponsored by Università Bocconi and Borsa Italiana (Italian Stock Exchange). IDB is now the first design group listed in Italy.

Among the year's highlights, there was, as usual, no shortage of M&A transactions. In fact, during the third quarter, the Group signed agreements to increase its stake in Axo Light S.r.l. to 51.0% (a company in which IDB had already acquired an initial minority stake in 2021) and finalised the acquisition of a majority stake in Turri 2k S.r.l., a company owned by Turri, a historic high-end furniture brand.

There was also no lack of investment, first and foremost on the internationalisation front, which saw the continuation of a strong push into the North American market where, in October, the new headquarters of IDB USA Corp. and two new flagship stores dedicated to the Meridiani and Davide Groppi brands opened in New York, right in the heart of Manhattan.

These grand openings were preceded by the launch of the "IDB FOR ARTS" project, created to bear testament to the common thread that links the excellence of our brands to the world of art, and with the aim of making the different souls of the Group's companies embrace iconic works of art. The first piece of the collection, Arnaldo Pomodoro's prestigious work "Rotante

THE SUCCESS OF IDB CONFIRMS THE STRENGTH OF THE PROJECT, WHICH PURSUES THE GROWTH AND DEVELOPMENT OBJECTIVE OF THE COMPETENT, PASSIONATE TEAM AND THE GROUP, IN ORDER TO MAKE ITS OFFER EVEN MORE WELL STRUCTURED AND COMPLEMENTARY.

Massimo, III", was exhibited at the grand opening of the US spaces, after having made an initial stop at the new Meridiani flagship store in Milan on via Manzoni. The journey continues, and in 2024 there will also be important news.

The success of IDB confirms the strength of the project, which pursues the growth and development objective of the competent, passionate team and the Group, in order to make its offer even more well structured and complementary. The strength of the network of entrepreneurs and suppliers around us, combined with the intensive work of all IDB companies, has allowed us to continue our strategic development through important growth directives such as digitisation, business organisation and a focus on sustainability.

At the beginning of 2024, the environment remains complex and difficult to read. The relevant market is expected to be substantially stable, but we are confident that we will be able to continue to grow in hopes that the capital market, with which we now communicate directly, will also be able to enhance the Group's excellent capacity for value creation.

I would like to take this opportunity to thank all of our stakeholders for their continued support, especially our shareholders—both original and new—, our Board of Directors and, above all, all the people who are part of the day-to-day life of this truly fantastic Group.

Thank you all,

Andrea Sasso

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 was established in 2015 and is listed in Borsa Italiana. The Group is made up of small and medium-sized companies, but above all, **great people, united to witness the excellence of Made in Italy design and craftsmanship in the world**. Each reality is able to bring to the group material synergies such as resources, experience, entrepreneurial spirit and a global approach and mentality to business.

The Group

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

Furniture

GERVASONI 1882 — 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.

TURRI The Italian way to beauty — High-end interior furniture for dining, living and sleeping areas, including bespoke interior projects.

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.


Rothko

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.

2015-2023 - 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.
Join IDB Group

2020

Flexalighting S.r.l.
Join IDB Group

2021

Axolight S.r.l.
Join IDB Group

2022

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

2023

IDB
Debut in Piazza Affari

Turri 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).

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

AS AT 31 DECEMBER 2023

Italian Design Brands S.p.A. (hereinafter also "IDB") is based in Milan at Corso Venezia, 29 and is listed on the Italian Stock Exchange.

This report accompanying the consolidated financial statements for the year ended 31 December 2023 provides an analysis of the financial year of the Italian Design Brands Group, which was established in 2015 following the first corporate acquisition of Gervasoni S.p.A.

Subsequently over the years, the IDB Group has continued its growth through external lines by completing additional 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 in Axo Light S.r.l. (in 2021) and the purchase of additional shares in order to acquire control of Axo Light S.r.l.; Gamma Arredamenti International S.p.A. (in 2022); and finally during the 2023 financial year, Cubo Design S.r.l. and Turri S.r.l.
The above-mentioned business combination transactions aim to promote an Italian design pole in the furniture and lighting segment. Since 2023, its scope has also included high-end modular kitchen solutions and systems that can implement dimensional, organisational, managerial, strategic and distribution synergies, which allow IDB to compete internationally in a segment where Italy has a competitive advantage and excellent creative and product skills.

Regarding the acquisition transactions during the 2023 financial year, the following should be noted:

- the acquisition of Cubo Design S.r.l. and its subsidiary, Nian Design S.r.l. on 31 January 2023, by means of special-purpose vehicle Fincubo S.r.l. (60% held by IDB and 40% by former shareholders of Cubo Design S.r.l.), IDB acquired the entire share capital of Cubo Design S.r.l., a company specialised in the production of modular kitchens, with its subsidiary, Nian Design S.r.l., specialised in the processing of marble for kitchen manufacturing. On 26 June 2023, the reverse merger of Fincubo S.r.l. into Cubo Design S.r.l. was carried out on the basis of the merger project dated 22 May 2023. This merger was approved by both companies involved in the operation by means of resolutions of their respective shareholders' meetings held on 24 May 2023, with retroactive accounting and tax effects from 1 January 2023;
- the purchase on 18 July 2023 of an additional 31% of shares in Axo Light S.r.l. and the consequent control of this company, compared with the previous joint control;
- the acquisition on 29 September 2023, through the newly formed Finturri S.r.l., which is 51% owned, of the entire capital of Turri 2K S.r.l., which in turn wholly owns Turri UK Ltd., Turri ISA Corp. and Shanghai Turri Furnitures. It should be noted that on 22 December 2023, the reverse merger of Finturri S.r.l. into Turri 2K S.r.l. and the simultaneous change of name to Turri S.r.l. was completed, on the basis of the merger plan dated 13 November 2023. The aforementioned merger was approved by both companies involved in the merger by means of resolutions of their respective shareholders' meetings held on 16 November 2023.

The consolidated financial statements of the Group and the separate financial statements of the Parent Company as at 31 December 2023 have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union.

On 18 May 2023, the Initial Public Offering (IPO) of the Company's ordinary shares concluded, aimed at the admission to trading of the ordinary shares on Euronext Milan, a regulated market organised and managed by Borsa Italiana S.p.A. (hereinafter, the "Quotation"). The proceeds deriving from IPO were used mainly to support the organic growth and non-organic growth. For more information, please refer to paragraph "Italian Design Brands S.p.A. on the **stock exchange**" below.

MACROECONOMIC AND SECTORAL CONTEXT

For 2023, there was a decrease in turnover in the wood-furniture sector (-8.1%)[5] after two years of growth; the factor behind this negative trend is mainly domestic demand, which, after two years of exceptional growth due to both a price effect and quantity effect, suffered an initial setback. Even with this negative trend, the 2023 turnover figure is still above both 2019 and 2021 levels.

Foreign markets were particularly affected by the performance of the United States, which, after two years of above-average growth in which it had overtaken Germany, recording a slowdown in exports. Another country weighing negatively on total exports is China, which had already seen a modest +1% in 2022 against an average of +12.6% in previous years.

In particular, the Furniture macrosystem, after approaching a turnover of EUR 29 billion in 2022, recorded a decline in 2023 estimated at around 3.4% and a very limited difference between the domestic market (-3.2%) and exports (-3.6%). The Wood macrosystem, on the other hand—which had shown greater momentum in the post-pandemic years (+25.8% growth in 2019 compared to +18.9% for Furniture)—recorded an even more marked decline in turnover (-11.6%).

Thanks to the role played by home furnishings in recent years and the boost provided by the numerous tax incentives in place, the two-year period between 2021 and 2022 was decidedly extraordinary for the Furniture System. The decline in 2023, estimated at around 4%, therefore occurred against a backdrop of sales returning to normal in Italy, as well as the contraction of the residential market.

After the growth in 2022 (+7.1%), production turnover in the Lighting System fell by -3%; growth in exports (+1%), which account for 80% of the total turnover of Italian companies, was also limited. On the other hand, sales on the domestic market (-16.2%) and imports (-19%) decreased due to fewer purchases from China and consumption on the market (18.1%).

After approaching the EUR 3 billion mark in 2022 (thanks to an excellent trend in both production for the domestic market and exports), Kitchens remained substantially at the same levels in 2023, in contrast with other Furniture segments. In fact, production turnover recorded a moderate contraction (-2%) caused by the decline in production for Italy (-3%). Exports were stable (in January–October, the top two markets—France and the United States—recorded +0.1% and +5.8% respectively); imports increased (52%), although not significantly, due to increased purchases from Germany.

Regarding price trends during 2023, the ISTAT index of industrial producer prices shows a +1.2% increase for the Wood code in the period between January and November compared to the same period in 2022. On the other hand, as far as Furniture prices are concerned, there was an increase (+6.5%) between January and November.

With reference to the Group's performance during the year 2023, it should be noted that the IDB Group has a significant presence in all the main world markets, in particularly Italy, the European Union and North America; moreover, the differentiation of the offer attributable to the four different strategic business areas constitute elements of stabilisation and, therefore, of risk containment, including geopolitical risks, which may impact some markets more than others.

5. Centro Studi Federlegno Arredo Eventi S.p.A., *Preliminary accounts 2023 Filiera Legno-Arredo*, January 2024.

PROGRESS OF GROUP MANAGEMENT

The consolidated financial statements from an economic standpoint show revenues and other income of EUR 292.319 million, an operating result of EUR 35.114 million (after depreciation and amortisation of tangible assets totalling EUR 16.997 million) and a positive result for the year of EUR 28.130 million, to the determination of which net financial income totalling EUR 2.235 million and income tax totalling EUR 9.218 million contributed.

To this result, the negative adjustment of EUR 694 thoudand is to be made. This results from the adjustment of the year-end value of hedging financial instruments net of taxes and the translation reserve related to the conversion of foreign financial statements in currencies other than the euro, actuarial losses and other movements totalling EUR 546 thousand. The result of the comprehensive income statement is therefore a profit of EUR 26.891 million.

Lighting

davide groppi

Part of IDB Group since 2018

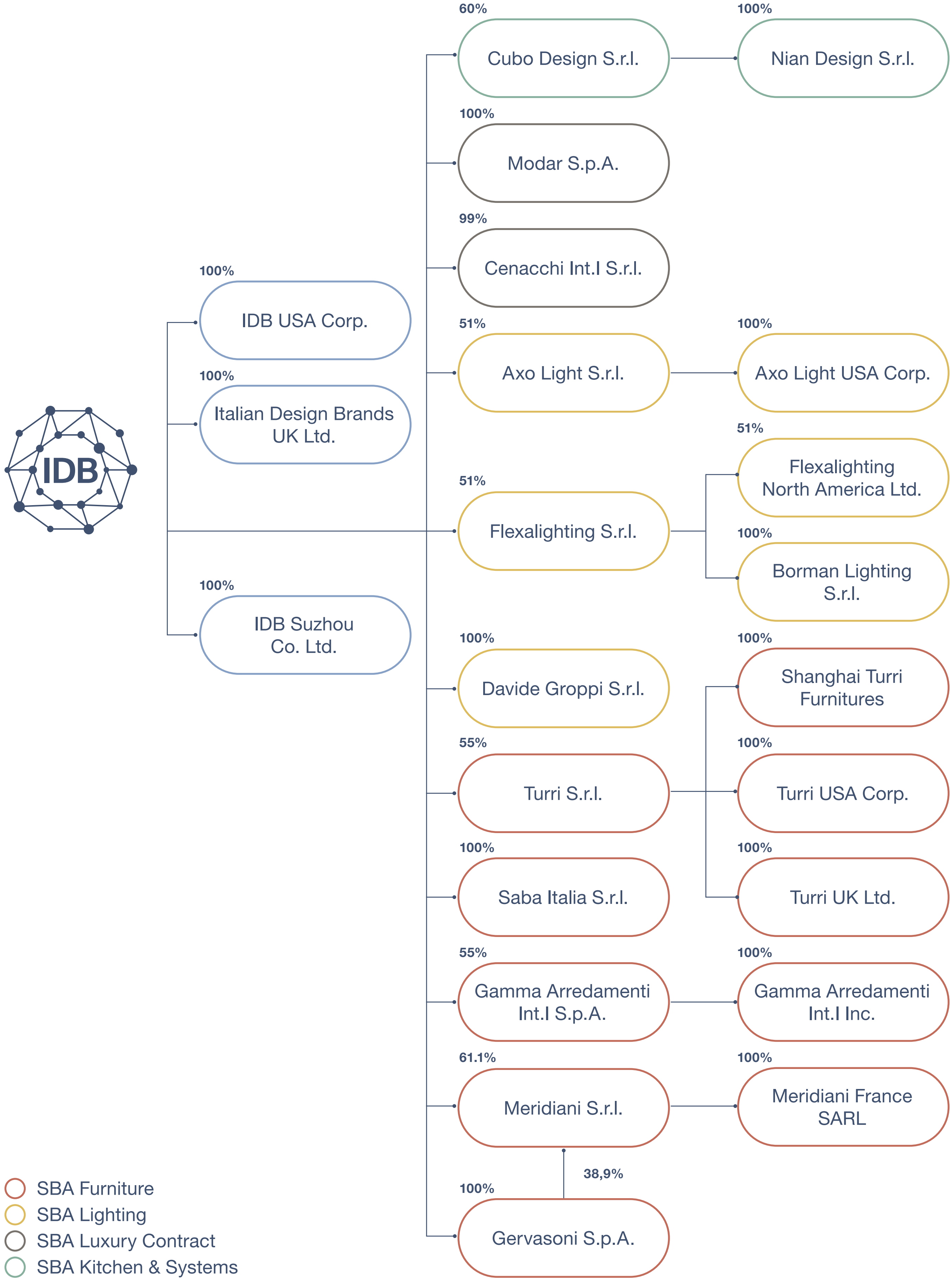
Starting from a small workshop in the historic center of Piacenza, Davide Groppi has been inventing and producing extremely innovative lamps for over 40 years. Today Davide Groppi is - worldwide - synonymous with creativity, originality, the highest quality of light, and a wonderful design that is increasingly recognizable for its uniqueness. Davide Groppi's lamps are created, precisely, from the need to give shape to peculiar needs and meanings, inspired by art, sometimes by magic and jest, with a very rare craftsmanship in their making.

OPERATING CONDITIONS AND BUSINESS DEVELOPMENT

IDB S.p.A. holds the entire available capital of Gervasoni S.p.A. (30% are treasury shares), controls 100% of Meridiani S.r.l., which in turn fully controls Meridiani France SARL, 99% of Cenacchi International S.r.l., 100% of Davide Groppi S.r.l, the entire capital of Saba Italia S.r.l. and 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.; 51% of Axo Light S.r.l.; 55% of Gamma International S.p.A., which in turn fully controls Gamma International Inc.; 60% of Cubo Design S.r.l., which in turn fully controls Nian Design S.r.l.; 51% of Turri S.r.l., which in turn fully controls Turri UK Ltd., Turri USA Corp. and Shanghai Turri Furnitures. Let us recall that Cenacchi International S.r.l., Flexalighting S.r.l., Flexalighting North America Ltd., Gamma Arredamenti S.p.A., Cubo Design S.r.l., Axo Light S.r.l. and Turri S.r.l. were fully consolidated due to the put options that may be exercised by the minority shareholders and call options in favour of the Company, with the consequent obligation to purchase the units/shares held at predefined conditions.

The Group's companies belong to the strategic business areas, hereinafter also referred to as “A.S.A.”, and coincide with the operating segments provided for in IFRS 8, i.e. furniture, lighting, luxury contracts and kitchens and systems (the latter actually became operational during the 2023 financial year, with the acquisition of Cubo Design S.r.l.).

Graphically, the structure of the Group as at 31 December 2023 is as follows:



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

a) In 2023, Gervasoni presented sales in line with those achieved in 2022; the relevant markets are Italy (21%), Europe (43%) and non-EU (36%);

b) Meridiani reported a sales trend in line with that achieved in the 2022 financial year; the relevant markets are Italy (20%), Europe (43%) and non-EU (37%);

c) the company Cenacchi International recorded an increase in revenue, including the change in contract work in progress, of about 26% over the previous year. Sales are mainly to contract customers; the relevant markets are Italy (19%), Europe (22%) and non-EU (59%) (mainly the United States);

d) Davide Groppi increased its turnover by around 10% during the period; the relevant markets are Italy (47%), Europe (27%) and non-EU (26%);

e) the company Saba Italia's turnover decreased slightly over the period by about 12%; the relevant markets are Italy (46%), Europe (28%) and non-EU (27%);

f) the company Modar recorded an increase in revenue, including the change in contract work in progress, of about 24% during the year compared to the previous year; the relevant markets are Italy (18%), Europe (12%) and non-EU (70%) (of which 68% relates to sales in the United States);

g) the company Flexalighting increased its turnover during the period by about 5% compared to 2022; the relevant markets are Italy (46%), Europe (36%) and non-EU (18%). The Canadian subsidiary Flexalighting North America, on the other hand, increased its turnover compared to 2022, with sales mainly in the Canadian market;

h) The company Gamma has achieved a lower turnover compared to 2022, mainly outside Europe and Italy (94%), of which 37% in the United States and 22% in China;

i) the relevant markets of the company Cubo Design, which was acquired in January 2023, are Italy (approximately 47%), Europe (approximately 27%) and non-EU (approximately 26%);

j) the relevant markets of the company Axo Light, which was acquired in July 2023, are Europe (approximately 45%), non-EU (approximately 29%) and Italy (approximately 26%);

k) the company Turri, which was acquired in September 2023, sells mainly to the non-EU market, which accounts for about 85% of its turnover.

Furniture

GERVASONI
1882

Part of IDB Group since 2015

Managed by brothers Giovanni and Michele Gervasoni, furnish solutions of various kinds, designing, producing and marketing pieces of the highest quality, both indoor and outdoor, for residences, charming hotels and luxury contract.
Very Wood operates within Gervasoni and is a collection of classic products linked to “Made in Italy,” but re-interpreted in a modern key for contemporary environments, capable of satisfying the most famous and sophisticated architects.

The summary figures of the Group companies are presented here; it should be noted that the figures do not take account of intercompany eliminations and are presented in accordance with international accounting standards.

amounts are shown in €/1,000	Revenue and change in work in progress	EBITDA	EBIT	Net profit	Net financial position, banks
IDB S.p.A.	-	(7,193)	(7,412)	13,790	(5,559)
Gervasoni S.p.A.	37,616	8,549	7,415	5,650	197
Meridiani S.r.l.	28,665	4,621	3,429	2,199	789
Cenacchi Int. S.r.l.	39,902	12,116	9,446	6,637	14
Davide Groppi S.r.l.	18,143	4,207	3,630	2,558	(857)
Saba Italia S.r.l.	22,483	2,507	1,505	894	1,013
Modar S.p.A.	45,285	6,926	5,155	3,513	(2,619)
Flexalighting S.r.l.	7,002	2,492	2,360	744	1,004
Flexa. North America Ltd.	3,034	600	474	178	(231)
Gamma Arr. Int. S.p.A.	19,676	2,389	1,255	37	13,013
Cubo Design S.r.l.	52,339	10,277	4,936	1,617	13,797
Axo Light S.r.l.	1,519	213	78	30	881
Turri S.r.l.	11,200	4,454	3,914	2,502	(5,721)
Other companies	7,792	(47)	(1,070)	(1,285)	(1,524)
Aggregated total	**294,655**	**52,111**	**35,114**	**39,091**	**14,197**
Consolidation entries (*)	*(7,305)*	-	-	*(10,960)*	-
Consolidated total	**287,350**	**52,111**	**35,114**	**28,130**	**14,197**

(*) Eliminations made in respect of commercial transactions and intra-group services and dividend payments in 2023, as described below.

In particular, as a result of the above, the figure for the holding company's net bank financial position includes the balances of the Group's cash pooling relationships, limited to the member companies.

ECONOMIC AND FINANCIAL POSITION OF THE GROUP

To gain the best understanding of the Group's situation and operating performance, the tables below show a brief analysis of the consolidated financial statements, made up of the reclassified income statement, the reclassified statement of financial position and a series of financial statement ratios.

Italian Design Brands S.p.A. prepares the consolidated financial statements as at 31 December 2023 and the comparative financial statements as at 31 December 2022 by applying IAS/IFRS. They include the data of its 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., IDB USA Corp., Gamma Arredamenti International S.p.A., Cubo Design S.r.l, Axo Light S.r.l. and Turri 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., Nian Design S.r.l., Axo Light USA Corp., Turri UK Ltd., Turri USA Corp. and Shanghai Turri Furnitures.

The IDB Group uses alternative performance indicators (hereinafter "Non-GAAP measures") in line with ESMA's guidelines on "alternative performance indicators" (ESMA Guidelines/2015/1415, adopted by Consob in Communication No 92543 of 3 December 2015), published on 5 October 2015, to enable a better assessment of operating performance.

The indicators represented are not identified as accounting measures under IFRSs and should therefore not be considered as alternative measures to those provided in the model financial statements for assessing the performance of the Group and its financial position. The Group considers that the financial information set out below is an additional important benchmark for assessing the Group's performance, as it allows for more analytical monitoring of the Group's economic and financial performance.

Since such financial information is not a measure that can be determined by the underlying accounting standards for the drawing up of consolidated financial statements, the criterion applied for its determination may not be consistent with that adopted by other groups and therefore such data may not be comparable with any data presented by such groups.

The definition of these alternative performance indicators is as follows.

Added value is defined as the sum of revenue and other income less the sum of costs for the purchases of raw materials, changes in inventories, costs for services and use of third-party goods and other operating costs.

EBITDA is defined as the sum of the net profit for the year, plus the profit (loss) of discontinued assets, plus income taxes, financial income and charges, plus amortisation, depreciation and write-downs of fixed assets.

Adjusted EBITDA is defined as the sum of net profit for the year, plus the profit (loss) of discontinued assets; income taxes; financial income and expenses; amortisation, depreciation and write-downs of fixed assets and excluding non-recurring costs/revenues or special items.

EBIT is defined as the sum of net profit for the year, plus the profit (loss) of discontinued assets, plus income taxes, financial income and charges.

Adjusted EBIT is defined as the sum of net profit for the year, plus the profit (loss) of discontinued assets, plus income taxes, financial income and charges, excluding non-recurring costs/revenues and amortisation and depreciation of intangible assets with a finite useful life, models and customer lists, recorded during Purchase Price Allocation (PPA), and which are due to terminate at the end of the relevant depreciation process.

The **adjusted net result from operating assets** is defined as the net result from operating assets excluding (i) non-recurring costs/revenues; (ii) amortisation and depreciation of intangible assets with a finite useful life, models and customer lists, recorded during Purchase Price Allocation (PPA), and which are due to terminate at the end of the relevant amortisation process; (iii) the effects of the remeasurements of put & call options and earn-outs; and (iv) the related tax effects.

Working capital is calculated as the net balance of customer relationships, supplier relationships, inventories and assets and liabilities arising from contracts, customer advances, while net working capital is calculated by adding to operating working capital income taxes credits and other current assets and liabilities.

Invested capital is calculated as the balance between net working capital, non-current assets, liabilities for employee benefits, and provisions for risks and charges and other non-current liabilities.

The **net financial position** is represented by financial debts, net of cash and other cash equivalents.

The income statement is reclassified in multiple-step format to show the gross operating profit (EBITDA) generated by the Group, namely the difference between revenues and costs associated with the purchase/transformation/sales cycle, regardless of amortisation, depreciation and write-downs, the financing methods adopted and the level of taxation.

Reclassified income statement

	31/12/2022		31/12/2023		Change	
amounts are shown in €/1,000	amount	%	amount	%	amount	%
Revenue	199,484	100.0%	287,350	100.0%	87,866	44.0%
Other income	2,101	1.1%	4,969	1.7%	2,868	136.5%
Total revenues and income	**201,585**	**101.1%**	**292,319**	**101.7%**	**90,734**	**45.0%**
External operating costs	(139,366)	-69.9%	(195,698)	-68.1%	(56,332)	40.4%
Added value	**62,219**	**31.2%**	**96,621**	**33.6%**	**34,402**	**55.3%**
Staff costs	(30,367)	-15.2%	(44,122)	-15.4%	(13,755)	45.3%
Provisions and write-downs	(120)	-0.1%	(388)	-0.1%	(269)	224.3%
Gross operating profit (EBITDA)	**31,732**	**15.9%**	**52,111**	**18.1%**	**20,378**	**64.2%**
Amortisation, depreciation and write-downs of fixed assets	(9,302)	-4.7%	(16,997)	-5.9%	(7,695)	82.7%
Operating profit (EBIT)	**22,430**	**11.2%**	**35,114**	**12.2%**	**12,683**	**56.5%**
Financial result	(21,298)	-10.7%	2,235	0.8%	23,533	-110.5%
Gross result	**1,132**	**0.6%**	**37,348**	**13.0%**	**36,216**	**3198.3%**
Income tax	(7,064)	-3.5%	(9,218)	-3.2%	(2,154)	30.5%
Group consolidated net result	**(5,932)**	**-3.0%**	**28,130**	**9.8%**	**34,062**	**-574.2%**

Revenue increased substantially in 2023 compared with 2022, from EUR 199.5 million to EUR 287.4 million. This represents an increase of EUR 87.9 million, around 44%, which includes around EUR 22.1 million in organic growth and around EUR 65.8 million due to the acquisitions during 2023.

The Group's revenues by type of activity (strategic business area — SBA) and by geographic area in 2023 and in the previous year are broken down as follows:

- a growth in the furniture and lighting sector of 13% and 18% respectively, with the change in the former partly related to the acquisition completed in 2023 of Turri S.r.l. and in the latter, mainly due to organic growth;
- a 25% growth in luxury contract SBA;
- a further penetration of the Group in non-EU markets, and in particular in the United States, still mainly linked to the recovery of luxury contracts, and an increase in revenues generated in the Italian market mainly related to the acquisition of Cubo Design S.r.l., which led to the Group's entry into the Kitchen and Systems SBA.

Strategic business area

	31/12/2022	31/12/2023
Furniture	105,793	119,413
Lighting	24,545	28,854
Luxury Contract	68,289	85,187
Kitchen and Systems	-	52,273
Other	857	1,623
Total	**199,484**	**287,350**

	31/12/2022	31/12/2023
Italy	42,792	78,146
EU	54,249	71,990
Non-EU	102,443	137,214
Total	**199,484**	**287,350**

EBITDA, as defined by the Group and a primary indicator of economic performance, is EUR 52.1 million in 2023 compared to EUR 31.7 million in 2022, with an increase of 64.2% and a percentage on revenues rising from 15.9% in 2022 to 18.1% in 2023. This growth is due to the slight increase in the ratio of added value to turnover and a lower share of staff costs and operational external costs in turnover.

EBIT increased from EUR 22.4 million to about EUR 35.1 million, an increase of EUR 12.7 million, despite a slight increase in the ratio of fixed asset depreciation and amortisation to revenues.

The change recorded in the financial result compared to the previous year was mainly due to the positive economic effects of the remeasurement of figurative financial charges for put & call options and earnouts of minority shareholders; these effects were negative in 2022. For more information on the composition of financial result and the change compared to last year, please refer to the notes to the financial statements.

Income taxes show a total tax burden of EUR 9.2 million compared to EUR 7.1 million in the previous year.

The impact on pre-tax profit is particularly high in 2022, especially in relation to the taxation profile of the net financial income recognised in the period as a result of the remeasurement of put & call options and earnouts, and the imputed interest accruing thereon.

Finally, the net profit for the year amounted to EUR 28.1 million compared to the EUR 5.9 million loss for the previous year.

Considering the importance of some non-recurring economic components on the results for the year and the unique way in which the IDB Group was formed, the Group's management also wants to highlight the following economic values: Adjusted EBITDA, adjusted EBIT and adjusted net result. In particular, adjusted EBITDA is calculated without reflecting non-recurring costs and revenues, essentially taking into account, during the two years compared, the incentive plans for directors (recorded under costs for services), costs related to the IPO process for the share in the income statement and costs related to the acquisition of new companies. Adjusted EBIT was calculated gross of both non-recurring costs and amortisation and depreciation of intangible assets with a finite useful life (models and customer lists) recorded during Purchase Price Allocation (PPA) and that will terminate at the end of the relevant depreciation process. Finally, the adjusted net result is that which would have resulted in the absence of non-recurring costs/revenues, of the amortisation on certain intangible assets with a finite useful life as well as without considering the positive and negative economic effects resulting from the remeasurement of imputed financial charges for put & call options and earnouts of minority shareholders.

Reclassified income statements are briefly presented, comparing actual and adjusted profit and loss accounts based on the management view:

		31/12/2022		31/12/2023
	Effective data	**Adjusted data**	**Effective data**	**Adjusted data**
Revenue	199,484	199,484	287,350	287,350
Other income	2,101	2,101	4,969	4,741
Total revenues and income	**201,585**	**201,585**	**292,319**	**292,091**
External operating costs	(139,366)	(135,172)	(195,698)	(192,868)
Added value	**62,219**	**66,413**	**96,621**	**99,223**
Staff costs	(30,367)	(30,167)	(44,122)	(44,122)
Provisions and write-downs	(120)	(120)	(388)	(388)
Gross operating profit (EBITDA)	**31,732**	**36,126**	**52,111**	**54,713**
Amortisation, depreciation and write-downs of fixed assets	(4,715)	(4,715)	(10,555)	(10,555)
Amortisation, depreciation and write-downs of fixed assets arising from the PPA process	(4,588)	-	(6,442)	-
Operating profit (EBIT)	**22,429**	**31,412**	**35,114**	**44,157**
Financial result	(21,298)	(1,553)	2,235	(5,353)
Gross result	**1,131**	**29,859**	**37,348**	**38,804**
Income tax	(7,064)	(9,225)	(9,218)	(10,866)
Group consolidated net result	**(5,933)**	**20,633**	**28,130**	**27,938**

EBITDA as at 31 December 2023 amounted to 18.1% of revenues for the period, which increased by 44% compared to the previous year. Net of non-recurring costs of EUR 2.602 million in 2023 and EUR 4.096 million in 2022, EBITDA (adjusted) stands at 19% of revenues as at 31 December 2023 compared to 18% as at 31 December 2022.

The reconciliation of the above values is shown below. Starting with the actual amounts, the components taken into account to calculate the adjusted values as at 31 December 2022 and 31 December 2023 are listed below:

	Actual figures 31/12/2022	Non-recurring income and costs	PPA depreciation, amortisation and write-downs	Remeasurement of put & call options and earn-outs	Adjusted figures 31/12/2022
Revenue	199,484				199,484
Other income	2,101				2,101
Total revenues and income	**201,585**	-	-	-	**201,585**
External operating costs	(139,366)	4,194			(135,172)
Added value	**62,219**	**4,194**	-	-	**66,413**
Staff costs	(30,367)	200			(30,167)
Provisions and write-downs	(120)				(120)
Gross operating profit (EBITDA)	**31,732**	**4,394**	-	-	**36,126**
Amortisation, depreciation and write-downs of fixed assets	(4,715)				(4,715)
Amortisation, depreciation and write-downs of fixed assets arising from the PPA process	(4,588)		4,588		-
Operating profit (EBIT)	**22,429**	**4,394**	**4,588**	-	**31,412**
Financial result	(21,298)	41		19,704	(1,553)
Gross result	**1,131**	**4,435**	**4,588**	**19,704**	**29,859**
Income tax	(7,064)	(1,055)	(1,106)		(9,225)
Group consolidated net result	**(5,933)**	**3,380**	**3,483**	**19,704**	**20,633**

As at 31 December 2022, the adjusted EBITDA was determined without considering non-recurring costs including incentive plans, which were recorded under costs for services in the amount of EUR 1.979 million, costs related to the IPO process and costs related to the acquisition of new companies totalling EUR 2.215 million, and other staff-related leaving incentive costs of EUR 200 thoudand. Adjusted EBIT was calculated gross of the amortisation and depreciation of intangible assets with a finite useful life recorded during PPA (Purchase Price Allocation) in the amount of EUR 4.588 million. The adjusted net result, on the other hand, was determined without the positive and negative economic effects of imputed charges and the remeasurement of put & call options and earnouts due to minority shareholders. The above adjustments resulted in a lower overall tax burden of EUR 2.161 million, of which EUR 1.055 million related to non-recurring costs and EUR 1,106 related to the amortisation and depreciation of intangible assets recorded during PPA.

	Actual figures 31/12/2023	Non-recurring income and costs	PPA depreciation, amortisation and write-downs	Remeasurement of put & call options and earn-outs	Adjusted figures 31/12/2023
Revenue	287,350				287,350
Other income	4,969	(228)			4,741
Total revenues and income	**292,319**	**(228)**	**-**	**-**	**292,091**
External operating costs	(195,698)	2,830			(192,868)
Added value	**96,621**	**2,602**	**-**	**-**	**99,223**
Staff costs	(44,122)				(44,122)
Provisions and write-downs	(388)				(388)
Gross operating profit (EBITDA)	**52,111**	**2,602**	**-**	**-**	**54,713**
Amortisation, depreciation and write-downs of fixed assets	(10,555)				(10,555)
Amortisation, depreciation and write-downs of fixed assets arising from the PPA process	(6,442)		6,442		-
Operating profit (EBIT)	**35,114**	**2,602**	**6,442**	**-**	**44,157**
Financial result	2,235			(7,588)	(5,353)
Gross result	**37,348**	**2,602**	**6,442**	**(7,588)**	**38,804**
Income tax	(9,218)	(427)	(1,221)		(10,866)
Group consolidated net result	**28,130**	**2,175**	**5,221**	**(7,588)**	**27,938**

As at 31 December 2023, instead, adjusted EBITDA was determined without considering non-recurring costs including costs related to the IPO process, proceeds from the payment of incentive plans made during 2023 following the IPO process and costs related to the acquisition of new companies totalling EUR 2.602 million, while adjusted EBIT was calculated gross of the amortisation and depreciation of intangible assets with a finite useful life recorded during PPA for EUR 6.442 million. Finally, the adjusted net result was determined without considering the positive and negative effects of imputed charges and the remeasurement of put & call options and earnouts due to minority shareholders. The above adjustments resulted in a higher overall tax burden of EUR 1.648 million, composed of EUR 427 thousand associated with non-recurring costs and EUR 1.221 million related to the amortisation and depreciation of intangible assets.

In order to capture the overall size achieved by the Group, a full-year economic statement is presented. This is drawn up on the assumption that the acquisition of Cubo Design S.r.l. and the subsidiary Nian Design S.r.l., the consolidation of Axo Light S.r.l. and the subsidiary Axo Light USA Corp. and the acquisition of Turri S.r.l., with subsidiaries Turri UK Ltd, Turri USA Corp. and Shanghai Turri Furniture, took place on 1 January 2023, but without considering the possible effects of the transaction on financial charges, compared with the income statement for 2022, which was also prepared assuming that the acquisitions of Gamma Arredamenti International S.p.A., the subsidiary Gamma Arredamenti International Inc. and Flexalighting North America Ltd. had taken place on 1 January 2022.

Full income statement

	31/12/2022		31/12/2023		Change	
amounts are shown in €/1,000	full	full adjusted	full	full adjusted	full	full adjusted
Revenue	211,634	211,634	310,816	310,816	99,181	99,181
Other income	2,525	2,525	6,646	6,418	4,121	3,893
Total revenues and income	**214,159**	**214,159**	**317,461**	**317,233**	**103,302**	**103,074**
External operating costs	(146,600)	(142,406)	(215,945)	(213,023)	(69,345)	(70,617)
Added value	**67,559**	**71,753**	**101,517**	**104,210**	**33,957**	**32,457**
Staff costs	(32,450)	(32,250)	(49,448)	(49,448)	(16,998)	(17,198)
Provisions and write-downs	(120)	(120)	(446)	(446)	(326)	(326)
Gross operating profit (EBITDA)	**34,989**	**39,383**	**51,623**	**54,317**	**16,634**	**14,934**
Amortisation, depreciation and write-downs of fixed assets	(5,124)	(5,124)	(12,183)	(12,183)	(7,059)	(7,059)
Amortisation, depreciation and write-downs of fixed assets arising from the PPA process	(4,588)	-	(6,442)	-	(1,853)	-
Operating profit (EBIT)	**25,277**	**34,260**	**32,999**	**42,134**	**7,721**	**7,874**
Financial result	(21,203)	(1,458)	1,800	(5,788)	23,003	(4,330)
Gross result	**4,074**	**32,802**	**34,799**	**36,346**	**30,725**	**3,545**
Income tax	(7,801)	(9,962)	(9,137)	(10,785)	(1,336)	(822)
Group consolidated net result	**(3,727)**	**22,839**	**25,662**	**25,562**	**29,389**	**2,722**

Reclassified statement of financial position

The statement of financial position is reclassified in order to highlight the investment structure and the composition of the financing sources.

Reclassified statement of financial position

	31/12/2022		31/12/2023	
amounts are shown in €/1,000	**amount**	**%**	**amount**	**%**
Intangible assets	133,881	93.7%	243,635	88.5%
Right of use	24,368	17.1%	32,910	12.0%
Property, plant and equipment	14,277	10.0%	28,631	10.4%
Holdings and other non-current assets	6,952	4.9%	8,543	3.1%
Non-current assets (A)	**179,478**	**125.6%**	**313,719**	**113.9%**
Inventories	24,567	17.2%	41,646	15.1%
Trade receivables	21,831	15.3%	38,961	14.2%
Other current assets	5,516	3.9%	11,059	4.0%
Current assets (B)	**51,914**	**36.3%**	**91,665**	**33.3%**
Trade payables	(37,369)	-26.2%	(51,271)	-18.6%
Other current liabilities	(30,298)	-21.2%	(40,293)	-14.6%
Current liabilities (C)	**(67,667)**	**-47.4%**	**(91,564)**	**-33.3%**
Net working capital (D = B – C)	**(15,753)**	**-11.0%**	**102**	**0.0%**
Provisions for risk and severance pay	(8,624)	-6.0%	(11,944)	-4.3%
Other non-current liabilities	(12,216)	-8.5%	(26,551)	-9.6%
Medium-/long-term assets (liabilities) (E)	**(20,840)**	**-14.6%**	**(38,495)**	**-14.0%**
Net invested capital (A + D + E)	**142,885**	**100.0%**	**275,326**	**100.0%**
Shareholders' equity	**58,780**	**41.1%**	**154,378**	**56.1%**
Net financial position, banks	(1,388)	-1.0%	14,197	5.2%
Net financial position, others	85,493	59.8%	106,751	38.8%
Net financial position	**84,105**	**58.9%**	**120,948**	**43.9%**
Equity and debt	**142,885**	**100.0%**	**275,326**	**100.0%**

Net invested capital is mostly made up of intangible assets (models and ornamental designs, brands, customer lists and goodwill) resulting mainly from corporate acquisitions completed since the company was established.

In 2023, compared to 2022, net invested capital increased by EUR 132.441 million, deriving entirely from non-current assets (mainly intangible assets in the amount of EUR 109.754 million, property, plant and equipment assets in the amount of EUR 8.452 million and rights of use in the amount of EUR 14.354 million, net of the depreciation for the period), mainly due to the allocation of consolidation difference of the acquisitions of Cubo Design and Turri; net working capital, taking into account the new companies that joined the Group in 2023, amounted to EUR 102 thousand, compared to the negative value of EUR 15.753 million as at 31 December 2022. The change is mainly attributable to corporate acquisitions completed during the year.

Financing sources comprised 56% from equity and 44% from third-parties (5% from the banking system and 39% from other lenders), and showed a EUR 36.843 million increase in the net financial position during the year, attributable on one hand to the collection of proceeds from the listing process, and on the other hand, to the acquisitions during the period and the recognition and remeasurement of the put & call options of minority shareholders.

NET FINANCIAL POSITION

The net financial position, as defined and monitored by the Company's and the Group's management, breaks down as follows:

amounts are shown in €/1,000	Balance 31/12/2022	Balance 31/12/2023	Change
Short-term bank loans	10,778	20,422	9,645
Medium/long-term bank loans	30,812	63,852	33,040
Cash	(42,978)	(41,457)	1,521
Other current financial assets	-	(28,621)	(28,621)
NFP, banks	**(1,388)**	**14,197**	**15,585**
Current earn-out payable	6,662	7,560	898
Non-current earn-out payable	361	10,821	10,460
Current payable for purchase of minority shares through the exercise of the put option	33,066	-	(33,066)
Non-current payable for purchase of minority shares through the exercise of the put option	20,741	54,555	33,813
NFP, other than banks	**60,829**	**72,935**	**12,106**
Current financial payables to lessors	3,152	5,671	2,519
Non-current financial payables to lessors	21,386	28,030	6,644
NFP, payables to lessors (IFRS 16)	**24,537**	**33,700**	**9,163**
Other financial payables	126	114	(12)
NFP, total	**84,105**	**120,946**	**36,842**

The total NFP (net financial position) is made up of three components: i) indebtedness to banks in the amount of EUR 84.274 million, net of EUR 70.078 million in cash; ii) payables for the purchase of minority shares, earnouts and put & call options to related parties in the amount of EUR 72.935 million; iii) payables to lessors (IFRS 16 application) in the amount of EUR 33.7 million; iv) other financial payables in the amount of EUR 114 thousand.

Indebtedness to banks as at 31 December 2023 amounts to EUR 84.274 million and the increase compared to the previous period is mainly due to the acquisition of the companies Cubo Design S.r.l. and Turri S.r.l., for which the Group has obtained long-term financing for a nominal amount of EUR 50.806 million, and the payment of obligations to minority shareholders following the listing event. This indebtedness is expressed net EUR 41.457 million in cash and EUR 28.621 million in restricted cash and cash equivalents. The change in cash and cash equivalents is also attributable to the collection of net proceeds from the May 2023 IPO transaction, which led, *inter alia*, to investment in time deposits net of the payment of the Company's short-term financial obligations related to put & call options and the phantom stock option totalling EUR 32.956 million described in detail in the Explanatory notes to the Consolidated Financial Statements.

Furniture

TURRI®
The Italian way to beauty

Part of IDB Group since 2023

Leading company in high-end interior furniture for dining, living and sleeping areas, including bespoke interior projects, and with a strong vocation for international markets. Founded in 1925 in Carugo (CO), the company is now a recognized synonym for Made in Italy excellence. Turri's mission is to bring the art of living and beauty to every environment, through a product that knows how to stand out for its uncompromising quality and for the excellent combination of craftsmanship, uniqueness, and originality in the interpretation of modern and innovative solutions.

Financial payable are mainly due to:

1. Payables to banks of the following types:
   - bank debts related to acquisition transactions for a residual amount of EUR 61.4 million;
   - loans taken out in previous years to deal with the Covid-19 pandemic crisis, known as the Liquidity Decree; these were taken out by the companies Gervasoni, Meridiani, Modar, Cenacchi and Flexalighting for a total amount of EUR 5.1 million;
   - ordinary loans taken out by Group companies in the amount of EUR 17.7 million.
2. Payables for the purchase of minority shares in Cenacchi International S.r.l., Flexalighting S.r.l., Flexalighting North America Ltd., and Gamma Arredamenti International S.p.A., Cubo Design S.r.l., Axo Light S.r.l. and Turri S.r.l. through the exercise of put & call options and the deferred earnout payables for each acquisition amount to a total of EUR 72.9 million and represent the best possible estimate. The value was determined in accordance with the put & call agreements on the basis of the average projected EBITDA of the two financial years prior to the exercise of these options (based on the business plans prepared and approved by the company and the Group at the end of 2023), multiplied by the contractually agreed multiple, less the estimated NFP at the date of exercise of the options. The exercise of options and the payment of earnout payables have different maturities (EUR 7.6 million over the next 12 months, referring entirely to earnouts, and EUR 65.4 million from 2025 onwards, but not exceeding 5 years).
3. Payables to lessors in the amount of EUR 33.7 million is the present value of future rental costs until the expiry of the contracts (real estate contracts normally have a term of 6+6 years). The change in the year is attributable to both the payment of rents for a total principal amount of EUR 5.7 million and the recognition of payables for a total of EUR 15.1 million (attributable to business combinations in the amount of EUR 10.2 million, as well as new lease agreements).
4. Other financing of EUR 114 thousand.

The companies repaid, in line with their amortisation schedules and contractual obligations, EUR 23.3 million during 2023.

Individual bank loans to subsidiaries arising from acquisitions are secured by a pledge on the shares or units of the subsidiaries to which they were disbursed; known as the Liquidity Decree loans are secured by a public guarantee; loans to the parent company IDB S.p.A., whose residual debt amounts to EUR 24.4 million, are not secured, nor are the remaining ordinary loans to subsidiaries.

The amortisation schedule of the loans and the economic conditions at the best market levels are adequate for the Group's prospective cash flows.

With regard to the Net Financial Position, it should be noted that on 4 March 2021, ESMA (the European Securities and Markets Authority) published the guidelines on disclosure requirements under EU Regulation 2017/1129 (known as the "Prospectus Regulation"), which are applicable as of 5 May 2021.

With "Warning Notice No. 5/21" of 29 April 2021, Consob declared its intention to align its supervisory practices with the aforementioned ESMA Guidelines.

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

amounts are shown in €/1,000	Balance 31/12/2022	Balance 31/12/2023	Change
A Cash	42,978	41,457	(1,521)
B Cash equivalents	-	-	-
C Other current financial assets	-	28,621	28,621
D Cash and cash equivalents (A + B + C)	**42,978**	**70,078**	**27,100**
E Current financial debt (including debt instruments but excluding the current portion of non-current financial debt)	(42,880)	(13,231)	29,649
F Current portion of non-current financial debt	(10,778)	(20,422)	(9,645)
G Current financial indebtedness (E + F)	**(53,657)**	**(33,653)**	**20,004**
H Net current financial indebtedness (G - D)	**(10,679)**	**36,424**	**47,103**
I Non-current financial debt (excluding the current portion and debt instruments)	(73,425)	(157,372)	(83,947)
J Debt instruments	-	-	-
K Non-current trade and other payables	-	-	-
L Non-current financial indebtedness (I + J + K)	**(73,425)**	**(157,372)**	**(83,947)**
M Total financial indebtedness (H + L)	**(84,105)**	**(120,948)**	**(36,843)**

In this regard, please note the following aspects:

a) "Other current financial assets" includes financial assets (e.g. securities held for trading) that are not (i) cash, (ii) cash equivalents or (iii) derivative instruments used for hedging purposes;
b) "financial debt" includes remunerated debt (i.e. interest-bearing debt), which includes, among others, financial liabilities related to short-term and/or long-term lease agreements, which are disclosed separately;
c) "Non-current trade and other payables" includes any non-interest-bearing debt with a significant implicit or explicit financing component (e.g. trade payables with a maturity of more than 12 months), and any other non-interest-bearing loans.

The total value of net financial indebtedness according to ESMA guidelines and that adopted by the IDB Group is EUR 120.948 million.

KEY FINANCIAL/ECONOMIC INDICATORS

The profitability and financial ratios derived from the reclassified balance sheet and reclassified income statement presented above are as follows:

		31/12/2022		31/12/2023		31/12/2022 ADJ		31/12/2023 ADJ	
ROE	net result for the year / shareholders' equity	-5,932 / 58,780	-10.09%	28,130 / 154,378	18.22%	20,634 / 58,780	35.10%	27,938 / 154,378	18.10%
ROI	operating income (EBIT) / net invested capital	22,430 / 142,885	15.70%	35,114 / 275,326	12.75%	31,413 / 142,885	21.98%	44,157 / 275,326	16.04%
ROS	operating income (EBIT) / revenue	22,430 / 199,484	11.24%	35,114 / 287,350	12.22%	31,413 / 199,484	15.75%	44,157 / 287,350	15.37%
EBITDA/ Revenues	EBITDA / revenue	31,733 / 199,484	15.91%	52,111 / 287,350	18.13%	36,127 / 199,484	18.11%	54,713 / 287,350	19.04%
Debt coverage	net financial payables / EBITDA	-84,105 / 31,733	-2.65	-120,948 / 52,111	-2.32	-84,105 / 36,127	-2.33	-120,948 / 54,713	-2.21
Bank debt coverage	net bank loans / EBITDA	1,388 / 31,733	0.04	14,197 / 52,111	0.27	1,388 / 36,127	0.04	14,197 / 54,713	0.26
Current ratio	current assets / current liabilities	51,914 / 67,667	0.77	91,665 / 91,564	1.00	51,914 / 67,667	0.77	91,665 / 91,564	1.00
Financial indebtedness ratio	net financial payables / shareholders' equity	-84,105 / 58,780	-1.43	-120,946 / 154,378	-0.78	-84,105 / 58,780	-1.43	-120,946 / 154,378	-0.78

The adjusted income ratios, in particular ROE, ROI and ROS, show an increase compared to the last period.

The ratio of total financial debt exposure to adjusted EBITDA is around 2.21, while the ratio of financial debt to equity is 0.78 (1.43 in the previous year), as a result of both the increase in net financial indebtedness (the result of which is affected by both the increase in bank indebtedness and the financial component of remeasuring put & call options) and the capital increase carried out at the time of the stock market listing.

INVESTMENTS MADE BY THE GROUP

The following table provides a breakdown by category of the Group's investments in property, plant and equipment and intangible assets in the years ended 31 December 2022 and 2023:

amounts are shown in €/1,000	31/12/2022	% of total investments	31/12/2023	% of total investments
Land and buildings	363	2.9%	647	6.2%
Plants and machinery	224	1.8%	2,173	20.7%
Equipment	248	2.0%	289	2.8%
Other property, plant and equipment	1,172	9.2%	3,775	36.0%
Rights of use	10,164	80.1%	3,166	30.2%
Other intangible assets	480	3.8%	412	3.9%
Total	12,682		10,474	

Regarding investments made during 2023, the increase in the right of use , due to the new lease agreements stipulated for EUR 3.166 million, should be highlighted, particularly with regard to showrooms opened in Milan and New York. Capital expenditures amounting to about EUR 6.9 million concern improvements to third-party buildings and the purchase of durable goods of various kinds.

PERFORMANCE OF THE PARENT COMPANY IDB S.P.A.

The tables below show the situation of the parent company IDB S.p.A., prepared in accordance with international accounting standards:

Reclassified income statement

	31/12/2022		31/12/2023		Change	
amounts are shown in €/1,000	amount	%	amount	%	amount	%
Revenue	332	100.0%	332	100.0%	(0)	0.0%
Other income	22	6.7%	229	69.0%	207	930.4%
Total revenues and income	**354**	**106.7%**	**561**	**169.0%**	**207**	**58.4%**
External operating costs	(6,033)	-1817.0%	(6,297)	-1896.7%	(264)	4.4%
Added value	**(5,679)**	**-1710.3%**	**(5,736)**	**-1727.7%**	**(57)**	**1.0%**
Staff costs	(724)	-217.9%	(1,319)	-397.3%	(595)	82.3%
Provisions and write-downs	-	0.0%	-	0.0%	-	0.0%
Gross operating profit (EBITDA)	**(6,402)**	**-1928.2%**	**(7,055)**	**-2125.0%**	**(653)**	**10.2%**
Amortisation, depreciation and write-downs of fixed assets	(158)	-47.5%	(218)	-65.8%	(61)	38.6%
Operating profit (EBIT)	**(6,560)**	**-1975.6%**	**(7,273)**	**-2190.8%**	**(714)**	**10.9%**
Financial result	7,006	2110.0%	8,672	2611.9%	1,666	23.8%
Gross result	**446**	**134.4%**	**1,398**	**421.1%**	**952**	**213.3%**
Income tax	1,459	439.3%	1,634	492.3%	176	12.0%
Net profit/(loss)	**1,905**	**573.7%**	**3,032**	**913.4%**	**1,128**	**59.2%**

It should be noted that the parent company received dividends totalling EUR 10.6 million in 2023 (EUR 7.4 million in 2022) from the subsidiaries Gervasoni S.p.A. (EUR 2.5 million), Saba Italia S.r.l. (EUR 500 thousand), Meridiani S.r.l. (EUR 611 thousand), Cenacchi International Italia S.r.l. (EUR 4.0 million), Davide Groppi (EUR 2.5 million) and Modar S.p.A. (EUR 500 thousand).

As in the case of the consolidated financial statements, as well as for values relating to the parent company's balance sheet, the adjusted values were determined and the relevant values were reconciled.

		31/12/2022		31/12/2023
amounts are shown in €/1,000	**Effective data**	**Adjusted data**	**Effective data**	**Adjusted data**
Revenue	332	332	332	332
Other income	22	22	229	1
Total revenues and income	**354**	**354**	**561**	**333**
External operating costs	(6,033)	(2,450)	(6,297)	(4,253)
Added value	**(5,679)**	**(2,096)**	**(5,736)**	**(3,920)**
Staff costs	(724)	(724)	(1,319)	(1,319)
Provisions and write-downs	-	-	-	-
Gross operating profit (EBITDA)	**(6,402)**	**(2,819)**	**(7,055)**	**(5,239)**
Amortisation, depreciation and write-downs of fixed assets	(158)	(158)	(218)	(218)
Operating profit (EBIT)	**(6,560)**	**(2,977)**	**(7,273)**	**(5,458)**
Financial result	7,006	7,047	8,672	8,672
Gross result	**446**	**4,070**	**1,398**	**3,214**
Income tax	1,459	459	1,634	1,207
Net profit/(loss)	**1,905**	**4,529**	**3,032**	**4,421**

Adjusted EBITDA was determined without considering, in the item "Other income", EUR 228 thousand related to the release of the debt for the payment of the phantom stock option to directors following the IPO process and non-recurring costs totalling EUR 2.044 million related to the IPO process. It should be noted that non-recurring costs as at 31 December 2022 also included costs related to incentive plans for the Company's directors (amounting to EUR 1.604 million, in addition to IPO costs totalling EUR 1.979 million).

Below is a reconciliation of the figures from actual to adjusted values, as at 31 December 2022 and 31 December 2023.

amounts are shown in €/1,000	Actual figures 31/12/2022	Non-recurring costs	Stock options and phantom stock options	Adjusted figures 31/12/2022
Revenue	332			332
Other income	22			22
Total revenues and income	**354**	**-**	**-**	**354**
External operating costs	(6,033)	1,979	1,604	(2,450)
Added value	**(5,679)**	**1,979**	**1,604**	**(2,096)**
Staff costs	(724)			(724)
Provisions and write-downs	-			-
Gross operating profit (EBITDA)	**(6,402)**	**1,979**	**1,604**	**(2,819)**
Amortisation, depreciation and write-downs of fixed assets	(158)			(158)
Operating profit (EBIT)	**(6,560)**	**1,979**	**1,604**	**(2,977)**
Financial result	7,006		41	7,047
Gross result	**446**	**1,979**	**1,645**	**4,070**
Income tax	1,459	(552)	(448)	459
Net profit/(loss)	**1,905**	**1,427**	**1,197**	**4,529**

amounts are shown in €/1,000	Actual figures 31/12/2023	Non-recurring costs	Stock options and phantom stock options	Adjusted figures 31/12/2023
Revenue	332			332
Other income	229		(228)	1
Total revenues and income	**561**	**-**	**(228)**	**333**
External operating costs	(6,297)	2,044	-	(4,253)
Added value	**(5,736)**	**2,044**	**(228)**	**(3,781)**
Staff costs	(1,319)			(1,319)
Provisions and write-downs	-			-
Gross operating profit (EBITDA)	**(7,055)**	**2,044**	**(228)**	**(5,239)**
Amortisation, depreciation and write-downs of fixed assets	(218)			(218)
Operating profit (EBIT)	**(7,273)**	**2,044**	**(228)**	**(5,458)**
Financial result	8,672			8,672
Gross result	**1,398**	**2,044**	**(228)**	**3,214**
Income tax	1,634	(491)	64	1,207
Net profit/(loss)	**3,032**	**1,553**	**(164)**	**4,421**

Reclassified statement of financial position

	31/12/2022		31/12/2023	
amounts are shown in €/1,000	amount	%	amount	%
Intangible assets	6	0.0%	9	0.0%
Right of use	648	1.6%	535	0.5%
Property, plant and equipment	181	0.5%	598	0.6%
Holdings and other non-current assets	39,897	100.4%	103,124	97.8%
Non-current assets (A)	**40,732**	**102.5%**	**104,265**	**98.9%**
Other current assets	3,458	8.7%	4,467	4.2%
Current assets (B)	**3,458**	**8.7%**	**4,467**	**4.2%**
Trade payables	(1,136)	-2.9%	(575)	-0.5%
Other current liabilities	(2,906)	-7.3%	(2,391)	-2.3%
Current liabilities (C)	**(4,043)**	**-10.2%**	**(2,967)**	**-2.8%**
Net working capital (D = B – C)	**(584)**	**-1.5%**	**1,500**	**1.4%**
Provisions for risk and severance pay	(400)	-1.0%	(333)	-0.3%
Other non-current liabilities	(5)	0.0%	-	0.0%
Medium-/long-term assets (liabilities) (E)	**(406)**	**-1.0%**	**(333)**	**-0.3%**
Net invested capital (A + D + E)	**39,742**	**100.0%**	**105,432**	**100.0%**
Shareholders' equity	**(28,319)**	**-71.3%**	**(100,632)**	**-95.4%**
Net financial position, banks	4,972	12.5%	5,529	5.2%
Net financial position, others	(16,395)	-41.3%	(10,329)	-9.8%
Net financial position	**(11,423)**	**-28.7%**	**(4,800)**	**-4.6%**
Equity and debt	**(39,742)**	**-100.0%**	**(105,432)**	**-100.0%**

Within the holdings item, compared to the year 2022, increases are mainly related to:

- the value of the holdings in Davide Groppi S.r.l. (EUR 12.9 million), Cenacchi International Italia S.r.l. (EUR 16.2 million), Modar S. p.A. (EUR 1.5 million), Gamma Arredamenti International S.p.A. (EUR 454 thousand) related to the settlement of the consideration related to the put & call agreements signed with the minority shareholders of the companies following the Company's listing event;
- the value of the holding in Cubo Design S.r.l. (for EUR 13.8 million) following the merger, with debt realised in the period, of the special-purpose vehicle Fincubo S.r.l. The acquisition was finalised on 31 January 2023 with the control of 60% of the Company's shares;
- the value of the holding in Axo Light S.r.l. (for EUR 1.4 million) following the acquisition on 8 July 2023 of 31% of the Company's shares and the consequent control of the company with respect to the previous joint control;
- the value of the holding in Turri S.r.l. (for EUR 5.1 million) following the merger, with debt realised in the period, of the special-purpose vehicle Finturri S.r.l. The acquisition was finalised on 29 September with the control of 51% of the Company's shares;
- the value of holdings, related to capital increases, in IDB USA Corp. (EUR 1.6 million), in IDB Suzhou Ltd. (for EUR 500 thousand) and in IDB UK Co. Ltd. Ltd. (for EUR 400 thousand). It should be noted that in 2023, IDB S.p.A. wrote down the value of the aforementioned holdings for a total of EUR 1.1 million, in order to align it with the recoverable amount of the companies themselves, and allocated a provision for loss risks for a total of EUR 202 thousand. Please refer to the section on financial fixed assets in the notes to the financial statements of Italian Design Brands S.p.A.

The net financial position towards third parties , on the other hand, amounted to EUR 18.1 million as at 31 December 2023, compared to EUR 16.4 million as at 31 December 2022, and is represented by payables to lessors and cash pooling payables to Group companies. It should be noted that net indebtedness towards third parties as at 31 December 2022 also included the liability for the phantom stock option due to the Company's directors, which was settled in 2023.

INFORMATION ON THE GROUP'S MAIN RISKS AND UNCERTAINTIES

As part of its industrial activities, the Group is exposed to risks and uncertainties, arising from exogenous factors related to the general macroeconomic and geopolitical context, as well as risks deriving from strategic and management choices relating to the specific sectors in which it operates. In this context, the Group—particularly through its Internal Control and Risk Management System—systematically identifies, measures, manages and monitors business risks. The main risks identified by the Group are listed below.

Financial risks

Exchange rate risk: limited. The Group operates mainly in euro. As regards the currency balance in US dollars, since receipts and payments in foreign currencies partially offset each other, the currency risk is not excessive and therefore the provision of foreign exchange hedges was not considered necessary. For the sensitivity analysis on foreign exchange risk and the related effects on net result before taxes and the effects on shareholders' equity before taxes, please refer to the paragraph on financial risk management in the notes to the financial statements.

Financial liability remeasurement risk for earnouts, put & call options and the long-term incentive plan: financial risks also include the risk of remeasurement of earnouts, put & call options entered into with minority shareholders of the acquired companies, as well as the long-term incentive plan due to the Company's directors. The earnout and put & call values are directly related to the achievement of certain economic and financial targets by the acquired companies (generally the contractually defined EBITDA and net financial position) in the periods following the acquisition of control, and are recorded at the present value of the financial liability.

The value and recognition of the incentive plans is linked to the increase in value of the Company's share price, recorded for a period of at least 30 consecutive days on the trading market compared to the IPO price, during the first 3 years of office and/or during the second 3 years of office in the case of renewal of office and failure to meet the objectives during the first 3 years of office. This is calculated and paid in cash by the Company during the month, following a positive verification by the Board of Directors that the long-term incentive has accrued. These financial liabilities are remeasured at every period-end or when a liquidation event occurs. Their effects are then reflected in the income statement under financial income in the income statement, together with the estimated discount cost for these financial liabilities.

During 2023, the effects on the income statement of these values were particularly significant, having led to the recognition of net financial income from remeasurement for a total of EUR 13.34 million.

For the sensitivity analysis on the remeasurement risk of earnouts, put & call options and the related effects on net result before taxes, please refer to the section on financial risk management in the notes to the financial statements.

Interest rate risk: the Group used derivative financial instruments. The debt to financial institutions is partially hedged against the risk of interest rate fluctuations in the amount of EUR 26 million with the instrument known as IRS (the company pays a fixed rate and is entitled to receive a variable rate indexed to Euribor).

The derivative contracts stipulated have an overall positive value—mark to market—of about EUR 327 thousand as at 31 December 2023, the change in which, net of the tax effect, compared to the previous year was recognised under other comprehensive profit items in the amount of EUR 694 thousand, net of the tax effect.

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

Price risk: limited. Purchase prices normally have a duration of one year; sales prices absorb and tend to neutralise increases in purchases. Even in the presence of an inflationary scenario (especially in the first part of the year), the impact of the increase in raw material prices was limited, also due to the ability of the Group companies to adjust their sales prices accordingly and maintain margins.

Credit risk: limited. In most cases, the customer base is split, and the exposure per individual position is usually small; in addition, customers are systematically monitored, and each customer is associated with an credit limit and a maximum overdraft not exceeding the amount indicated in the reports provided by the commercial information companies. For many customers, particularly from outside the EU, Group companies require advance payment or guarantees. In some cases, credit insurance is used.

Cenacchi International S.r.l., Modar S.p.A. and Turri S.r.l. operate on the global market with renowned customers; it should be noted here that there is a strong concentration of customers with several companies that are traceable to a few economic entities with which the companies' relationships have been strengthened over the years. Management systematically monitors cases where exposure is significant.

Liquidity risk: limited. It is believed that the cash (approximately EUR 70.1 million) and the trade receivable lines currently available (approximately EUR 3.2 million), in addition to the cash flows that will be generated by operating activities, will be adequate to meet the needs arising from investment activities, working capital management, and the repayment of debts at their natural due dates.

Non-financial risks

Developments in the global economy, the environment of political, economic and financial instability and the volatility of financial markets could influence the performance of the Group, with possible adverse effects on its economic, capital and financial position. In the overall macroeconomic scenario, uncertainties regarding (i) the impacts of sanctions imposed worldwide relating to the ongoing conflict between Russia and Ukraine, (ii) instability in the Middle East due to the Israeli-Palestinian conflict, and (iii) climate change, are important.

Risks related to the global geopolitical situation: the Group is exposed to the risks associated with the current and future global, European and Italian economic and political situation, which has also been aggravated by recent political and military tensions in Ukraine and Israel, where developments and the political and economic impact are still uncertain and hard to assess. Therefore, it cannot be excluded that the occurrence and/or continuation of any economic downturn and/or political instability and any future negative impact, including any significant impact, on the global, European and/or national economy may lead to a weakening of demand for the Group's products, with potential adverse effects on the Group's business and prospects, as well as on its economic, capital and financial position.

The world's geopolitical situation is experiencing extreme tension and complexity, particularly as a result of the conflict between Russia and Ukraine, as well as the more recent conflict between Israel and Palestine. These dramatic events have further stimulated inflationary phenomena and the already existing 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 inflationary commodity phenomena or higher energy costs; however, it cannot be excluded that the continuation of this situation may lead to margin pressures or impacts on the propensity to consume durable goods.

INFORMATION ON THE ENVIRONMENT AND STAFF

Environmental, social and governance (ESG) factors, which are at the core of the Group's strategy values, are a long-term commitment and the Group is establishing, building and strengthening its ESG commitment through various activities and projects.

In this regard, it should be noted that Italian Legislative Decree 254/2016 (implementing Directive 2014/95/EU) introduced the obligation for companies/large groups to provide, together with the annual management report, a "Non-financial statement" or "NFS" containing information on environmental, social, staff-related, human rights and anti-corruption issues. These issues must be represented consistently with the principle of materiality, i.e. providing relevant information in relation to its business profile, strategies, stakeholder expectations and impact. Following its listing on the Italian Stock Exchange, the IDB Group published its first Consolidated Non-Financial Statement (NFS), in accordance with the standards defined by the Global Reporting Initiative (GRI). The NFS was approved by the Board of Directors convened to approve the draft financial statements as at 31 December 2023 and made available to Shareholders. It is also available on the website of IDB.

The Group maintains a management system to constantly monitor and, where possible, with a view to continuous improvement, reduce environmental impacts.

The Group maintains an occupational health and safety management system 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 2023 was 807, taking into account the change in the scope of consolidation (555 as of 31 December 2022). The workforce consists of 13 executives, 414 managers and clerical workers, 378 manual workers and 12 others. During 2023, the use of special welfare instruments was minimal.

TREASURY SHARES AND SHARES OF PARENT COMPANIES

As at 18 December 2023, the programme aimed at increasing the portfolio of treasury shares of the parent company Italian Design Brands S.p.A. became operative in order to (i) equip itself with a portfolio of treasury shares to be used to service transactions consistent with the Group's strategic development lines in view of or within the scope of agreements with strategic partners, including, but not limited to, transactions involving sales and/or exchanges, swaps, contributions, assignments or other acts that include other extraordinary finance transactions (ii) use treasury shares for transactions to support market liquidity, so as to facilitate trading in the securities themselves at times of low market liquidity and to encourage regular trading, in accordance with the provisions of the law on market abuse and accepted market practices. The aforementioned share buy-back programme was resolved by the Shareholders' Meeting of 17 November 2023. It should be noted that as at 31 December 2023, 4,977 treasury shares, equal to 0.0185% of the share capital, had been purchased for a total amount of EUR 47 thousand.

Italian Design Brands S.p.A. on the stock exchange

The initial public offering period for the admission to trading of the Company's ordinary shares on Euronext Milan, a regulated market organised and managed by Borsa Italiana S.p.A., began on 10 May 2023 and concluded positively on 15 May 2023. The launch of the trading of shares and the settlement date of the Offer took place on 18 May 2023. The Offer, which was priced at EUR 10.88 per share, was reserved exclusively for qualified investors and concerned 6,433,823 new shares. The price set included the share capital increase, excluding option rights and the share premium for a total equivalent of approximately EUR 70 million. In addition, 275,735 new shares were issued, worth approximately EUR 3 million, in the context of a capital increase reserved for certain shareholders/entrepreneurs from a selection of companies controlled by the Issuer, who subscribed at the Offer Price (reserved capital increase).

On 18 May 2023, Tamburi Investment Partners S.p.A. (hereinafter "TIP"), an industrial group investing in industrial excellence and listed on the Euronext STAR Milan segment of Borsa Italiana S.p.A., subject to final listing of Italian Design Brands S.p.A., finalised the acquisition of 50.7% of Investindesign S.p.A., which in turn holds 46.96% of IDB's ordinary shares, following the exercise of *Greenshoe* option described below. On the basis of the agreements entered into on 12 July 2023, TIP has exercised the option to acquire, on the same terms and conditions of the first acquisition, an additional 20% of the share capital of Investindesign S.p.A. through Club Deal.

Finally, in the context of the Offer, a so-called Greenshoe option was granted by the current shareholders of the Company in favour of Equita SIM S.p.A. on behalf of the Joint Global Coordinators for the purchase of a maximum of 965,074 shares, corresponding to 15% of the maximum number of shares subject to the Offer. It should be noted that the *Greenshoe* option was exercised on expiry of 30 days from the date of the start of trading the shares on Euronext Milan.

The chart below shows the price trend of the Italian Design Brands stock and the related trading volumes from the date of the start of trading (18 May 2023) to 31 December 2023.

Source: borsaitaliana.it

From the listing date, and after having reached a high of EUR 11.68, the share price recorded a negative trend until the end of the year with a performance of -6% compared to the IPO price. The average daily volumes traded during the period between the listing and the end of 2023 amounted to 20,796 shares. As of 18 December 2023, the share buy-back programme became operative, aimed at supporting the value of the share and increasing the portfolio of treasury shares to be allocated to service transactions consistent with the Group's strategic development lines. In particular, the Shareholders' Meeting authorised the purchase, on one or more occasions and for a maximum period of 18 months from the date of the resolution, of a maximum number of 2,000,000 ordinary shares. For more detailed information, please refer to the explanatory notes to the financial statements. Below, instead, are the share price performance figures recorded from the listing date to 31 December 2023.

IDB share price on the Milan Stock

amounts are shown in €/1,000	**Period 18/05/2023 - 31/12/2023**
IPO price	**10.88**
Maximum (25/05/2023)	**11.68**
Minimum (14/11/2023)	**8.52**
Average	**10.21**
End of period (31 December 2023)	**10.18**
Capitalisation as at 31 December 2023	**274,109,714**

During the first year of listing, IDB Group developed numerous contacts with the national and international financial community, carrying out intensive investor relations activities through both in person and virtual roadshows, conferences organised by leading national and international brokers and conference calls following the publication of quarterly results. Investor engagement activities play a key role for the Group and will continue to be developed and strengthened in the coming years.

SHAREHOLDING

The shareholding structure as at 31 December 2023 is as follows:

	N. azioni	%
Investindesign S.p.A.	12,644,514	46.96%
Fourleaf S.r.l.	1,352,625	5.02%
Other partners	5,557,624	20.64%
Treasury shares	4,977	0.02%
Market	7,366,557	27.36%

BUSINESS OUTLOOK

The costs of energy, raw materials and semi-finished products normalised over the course of 2023, but in any event the Group is maintaining a proactive and constant focus on controlling costs and identifying initiatives that can guarantee the expected revenues, profitability and cash flows.

The Group continuously monitors both the performance of the relevant markets and developments in the conflicts between Ukraine and Russia, Israel and Palestine, and in other regions in turmoil, which call for a continuously cautious approach to macroeconomic forecasts in relation to the repercussions on prices of raw materials, demand, and the performance of the financial markets. It should be noted that Group's exposure in terms of turnover in relation to countries involved in the conflicts is not significant.

For 2024, despite the general macroeconomic environment, the reference market is expected to remain substantially stable and the Company expects to continue to grow. No significant price changes are expected; a limited inflationary phenomenon and a moderate reduction in interest rates are expected in the second half of the year.

It should be noted that the Group is pursuing its growth strategy through external lines and negotiations are under way that could materialise over the next few months.

** _ *** _ **

Milan, 11 March 2024

on behalf of the BOARD OF DIRECTORS
The Chairman
Andrea Sasso

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

Consolidated statement and financial position

(amounts in thousands of euros)	Notes	31/12/2023	31/12/2022
NON-CURRENT ASSETS			
Intangible assets	2	243,635	133,881
Goodwill		*134,919*	*71,679*
Brands		*57,461*	*33,194*
Models		*7,393*	*8,696*
Customer relations and order backlog		*42,236*	*19,133*
Other intangible assets		*1,626*	*1,178*
Right of use	3	32,910	24,368
Property, plant and equipment	4	28,631	14,277
Deferred tax assets	19	3,648	2,624
Equity investments	5	6	883
Other non-current assets	6	4,888	3,445
Total non-current assets		**313,719**	**179,478**
CURRENT ASSETS			
Inventories	7	36,867	22,561
Contract assets	8	4,779	2,005
Trade receivables	9	38,961	21,831
Income tax credits	10	4,135	621
Other current assets	11	6,924	4,895
Other current financial assets	12	28,621	0
Cash and cash equivalents	13	41,457	42,978
Total current assets		**161,743**	**94,892**
TOTAL ASSETS		**475,462**	**274,370**

(amounts in thousands of euros)	Notes	31/12/2023	31/12/2022
SHAREHOLDERS' EQUITY			
Share capital		26,926	20,217
Other reserves and retained earnings, including profit (loss) for the period		127,452	38,563
Total Group shareholders' equity		**154,378**	**58,780**
Shareholders' equity – minority interests		0	0
Total shareholders' equity	14	**154,378**	**58,780**
NON-CURRENT LIABILITIES			
Post-employment benefits	15	7,027	5,124
Provisions for risks and charges	16	4,917	3,500
Medium-/long-term bank loans	17	63,852	30,812
Other non-current financial liabilities	18	65,377	21,102
Other medium-/long-term loans	18	114	125
Non-current financial payables to lessors	18	28,030	21,386
Other non-current liabilities		839	0
Deferred taxes	19	25,712	12,216
Total non-current liabilities		**195,867**	**94,266**
CURRENT LIABILITIES			
Short-term bank loans	17	20,422	10,778
Other current financial liabilities	18	7,560	39,728
Other short-term loans	18	0	0
Current financial payables to lessors	18	5,671	3,152
Trade payables	20	51,271	37,369
Income tax payables	21	1,262	2,219
Other current liabilities	22	39,031	28,079
Payables to staff and social security organisations		*10,136*	*6,849*
Contract liabilities		*14,432*	*10,225*
Other payables		*14,463*	*11,005*
Total current liabilities		**125,217**	**121,325**
TOTAL LIABILITIES		**321,084**	**215,590**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**475,462**	**274,370**

Consolidated income statement

(amounts in thousands of euros)	Notes	2023	2022
Revenue	23	287,350	199,484
Other income	24	4,969	2,101
Total revenues and income		**292,319**	**201,585**
Purchases of raw materials	25	(112,309)	(79,762)
Change in inventories		2,502	1,522
Staff costs	26	(44,122)	(30,367)
Costs for services and use of third-party assets	27	(84,717)	(60,296)
Other operating costs	28	(1,174)	(829)
Provisions and write-downs	29	(388)	(120)
Amortisation, depreciation and write-downs of fixed assets	30	(16,997)	(9,302)
Operating profit/(loss)		**35,114**	**22,430**
Financial income	31	16,320	4,592
Financial expenses	31	(14,086)	(25,890)
Profit/(loss) before taxes resulting from continuing operations		**37,348**	**1,132**
Income tax	32	(9,218)	(7,064)
Net profit/(loss)		**28,130**	**(5,932)**
Attributable to:			
Profit/(loss) pertaining to the Group		28,007	(5,932)
Profit/(loss) pertaining to third parties		123	0
Basic earnings per share		**1.15**	**(0.29)**
Diluted earnings per share		**1.15**	**(0.29)**

Consolidated statement of comprehensive income

(amounts in thousands of euros)	2023	2022
Net profit/(loss) for the year	**28,130**	**(5,932)**
Profit/(loss) from cash flow hedge	(913)	317
Tax effects	219	(76)
Total profit/(loss) from cash flow hedges, net of tax	(694)	241
Foreign currency translation differences	(186)	(348)
Other movements	(118)	68
Total comprehensive income items that will subsequently be reclassified to profit/(loss) for the year	**(997)**	**(39)**
Actuarial profits/(losses)	(319)	863
Tax effects	76	(207)
Total actuarial profit/(loss), net of taxes	(242)	656
Comprehensive income items that will not subsequently be reclassified to profit/(loss) for the year	**(242)**	**656**
Comprehensive income statement net of taxes	**(1,239)**	**617**
Total comprehensive net profit/(loss) for the period	**26,891**	**(5,315)**
Attributable to:		
Shareholders of the parent company	26,768	(5,315)
Minority shareholders	123	-

Consolidated Statement of changes in shareholders' equity

(amounts in thousands of euros)	Share capital	Share premium reserve	Cash flow hedging reserve	Actuarial gains/(losses)	Other reserves
Balance at 1 January 2022	**20,217**	**3,563**	**(67)**	**(231)**	**(78)**
Allocation of result for the year					
Other income statement items			241	656	(280)
Loss during the period					
Balance at 31 December 2022	**20,217**	**3,563**	**174**	**425**	**(358)**

(amounts in thousands of euros)	Share capital	Share premium reserve	Cash flow hedging reserve	Actuarial gains/(losses)	Other reserves
Balance at 1 January 2023	**20,217**	**3,563**	**174**	**425**	**(358)**
Allocation of result for the year					
Reserved initial public offering	6,710	63,407			
Other income statement items			(694)	(242)	(304)
Dividends					
Acquisition of minority interests					
Purchase of treasury shares					(47)
Profit for the period					
Balance at 31 December 2023	**26,926**	**66,971**	**(520)**	**183**	**(709)**

Retained earnings	Profit/(loss) for the period	Total Group shareholders' equity	Capital and reserves – minority interests	Profit – minority interests	Shareholders' equity – minority interests	Total shareholders' equity
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

Retained earnings	Profit/(loss) for the period	Total Group shareholders' equity	Capital and reserves – minority interests	Profit – minority interests	Shareholders' equity – minority interests	Total shareholders' equity
40,692	(5,932)	58,780	-	-	-	58,780
(5,932)	5,932	-			-	-
		70,117			-	70,117
		(1,239)			-	(1,239)
(700)		(700)			-	(700)
(539)		(539)	-	(123)	(123)	(662)
		(47)			-	(47)
	28,007	28,007		123	123	28,130
33,521	**28,007**	**154,378**	**-**	**-**	**-**	**154,378**

Consolidated statement of cash flows

(amounts in thousands of euros)	31/12/2023	31/12/2022
A. Cash flows from operating activities (indirect method)		
Profit/(loss) for the period	28,130	(5,932)
Income tax	9,218	7,064
Interest expense/(interest income)	11,038	2,669
Other non-monetary income and expenses	(13,160)	18,692
Capital (gains)/losses on disposals	54	0
1. Profit/(loss) before income taxes, interest, dividends and capital gains/losses from transfer	**35,280**	**22,493**
Severance Indemnity Provision	748	696
Provisions	459	337
Depreciation and amortisation of fixed assets	16,997	9,302
Impairment losses	(206)	0
Other adjustments for non-monetary items	(192)	1,524
2. Cash flow before changes in net working capital	**53,085**	**34,353**
Decrease/(Increase) in inventories	(2,741)	(2,765)
Decrease/(Increase) in contract assets	(1,450)	(1,571)
Decrease/(Increase) in trade receivables	(6,891)	(1,308)
Increase/(Decrease) in trade payables	(1,705)	5,200
Increase/(Decrease) in contract liabilities	(3,215)	549
Decrease/(Increase) in other changes in net working capital	(693)	2,871
Interest received/paid on loans	(3,366)	(985)
(Income taxes paid)	(12,466)	(10,055)
Disbursement of severance payments and other provisions	(748)	(554)
3. Cash flow after other adjustments	**(33,273)**	**(8,618)**
Cash flow of operating activities (A = 1 + 2 + 3)	**19,811**	**25,735**
B. Cash flows from investment activities		
Investments in tangible fixed assets, net of divestments	(6,769)	(1,978)
Investments in intangible assets, net of divestments	(348)	(505)
Investments in financial fixed assets	0	(901)
Investments in other financial assets	(22,642)	0
Acquisition or sale of subsidiaries or business units, net of cash	(42,361)	(13,981)
Exercise of options and earnout	(38,127)	(450)
Cash flow of investment activities (B)	**(110,246)**	**(17,816)**

C. Cash flows from financing activities		
Third-party financing		
Increase (decrease) in short-term payables to banks	(1,768)	385
Loans taken out	52,351	15,424
Loan repayment	(23,261)	(10,874)
Payments for lease liabilities	(5,423)	(3,203)
Adjustment, other financial payables	(2,355)	0
Equity		
Increase in net capital	70,117	0
Purchase of treasury shares	(47)	0
(Dividends and advances on dividends paid)	(700)	0
Cash flow of financing activities (C)	**88,914**	**1,732**
Increase (decrease) in cash (A ± B ± C)	(1,521)	9,651
Cash at 1 January	42,978	33,327
Cash and cash equivalents at 31 December	41,457	42,978
Change in cash	**(1,521)**	**9,651**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

General information

THE GROUP

Italian Design Brands S.p.A. (hereinafter also "IDB") is based in Milan at Corso Venezia, 29 and is listed on the Italian Stock Exchange. It was established on 10 March 2015 with the aim of promoting an Italian design pole in the furniture, furnishings and lighting segment. Since 2023, its scope has also included high-end modular kitchen solutions and systems that can implement dimensional, organisational, managerial, strategic and distribution synergies, which allow IDB to compete internationally in a segment where Italy has a competitive advantage and excellent creative and product skills.

The first corporate acquisition took place in 2015 and over the years, the IDB Group has continued its growth through external lines.

Lighting

FLEXALIGHTING

Part of IDB Group since 2020

Flexalighting introduced a new concept of professional LED lighting, interpreting design as the harmonious fusion of form and function and proposing new solutions for interior and landscape lighting. Roberto Mantovani, founder and CEO with experience as architect and lighting designer, developed a wide range of indoor and outdoor fixtures entirely made in Italy, focusing on the uniqueness of LED technology to achieve unexplored levels of performance.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

On 18 May 2023, the Initial Public Offering (IPO) of the Company's ordinary shares concluded, aimed at the admission to trading of the ordinary shares on Euronext Milan, a regulated market organised and managed by Borsa Italiana S.p.A. (hereinafter, the "Quotation"). The proceeds deriving from IPO were used mainly to support the organic growth and non-organic growth. For more information, please refer to paragraph "Italian Design Brands S.p.A. on the stock exchange".

Due to the company's listing on the stock exchange, in May 2023, the amount relating to the phantom stock option incentive plan accrued on that date was paid to the CEO and at the same time a new management incentive plan came into effect (referred to as the long-term incentive plan). Reference to this plan will be made later in the document for due disclosure.

As at 18 December 2023, the programme for the acquisition of treasury shares of the parent company Italian Design Brands S.p.A. became operative in order to (i) equip itself with a portfolio of treasury shares to be used to service transactions consistent with the Group's strategic development lines in view of or within the scope of agreements with strategic partners, including, but not limited to, transactions involving sales and/or exchanges, swaps, contributions, assignments, transfers or other acts that include other extraordinary finance transactions (ii) use treasury shares for transactions to support market liquidity, so as to facilitate trading in the securities themselves at times of low market liquidity and to encourage regular trading, in accordance with the provisions of the law on market abuse and accepted market practices. The above share buy-back programme was resolved by the Shareholders' Meeting of 17 November 2023.

In particular, the Shareholders' Meeting authorised the purchase, in one or more instalments and for a maximum period of 18 months from the date of the resolution, of a maximum number—also on a revolving basis—of 2,000,000 ordinary shares, taking into account that the maximum number of ordinary shares held in the Company's portfolio may in no case exceed the maximum number allowed by law (currently a number of shares not exceeding 20% of the share capital). The purchases were made on the Euronext Milan market in compliance with the provisions of Art. 132 of Italian Legislative Decree 58/1998 and Art. 144-bis, paragraph 1, letter b) of Consob Regulation 11971/1999, so as to ensure equal treatment among shareholders.

The unit price for the purchase and sale of treasury shares is set on a case-by-case basis for each day of trading, but it should be noted that:

- the purchase price of each share must not be lower than 20% below the official stock exchange price of the share on the day preceding the day on which the purchase transaction is to be carried out, and no higher than 10% above the official stock exchange price on the day preceding the day on which the purchase transaction is to be carried out, without prejudice to the application of the terms and conditions set out in Article 5 of Regulation (EU) No. 596/2014 and Article 3 of Delegated Regulation (EU) 2016/1052;
- the sale price of each share must not be lower than 20% below the official stock exchange price of the share on the day preceding the day on which the sale transaction is to be carried out, without prejudice to the application of the terms and conditions set out in Article 5 of Regulation (EU) No. 596/2014 and Article 3 of Delegated Regulation (EU) 2016/1052.

With reference to the acquisition transactions completed during 2023, it should be noted:

1) the acquisition of Cubo Design S.r.l. and its subsidiary, Nian Design S.r.l. On 31 January 2023, by means of special-purpose vehicle Fincubo S.r.l. (60% held by IDB and 40% by former shareholders of Cubo Design S.r.l.), IDB acquired the entire share capital of Cubo Design S.r.l., a company specialised in the production of modular kitchens, with a 51%-owned subsidiary, Nian Design S.r.l., specialised in the processing of marble for kitchen manufacturing. On 26 June 2023, the reverse merger of Fincubo S.r.l. into Cubo Design S.r.l. was carried out on the basis of the draft merger dated 22 May 2023. This merger was approved by both companies involved in the operation by means of resolutions of their respective shareholders' meetings held on 24 May 2023, with retroactive accounting and tax effects from 1 January 2023. Moreover, in December 2023, Cubo Design S.r.l. acquired the remaining 49% of the shares of Nian Design S.r.l., thus acquiring full control of the company;
2) the purchase on 18 July 2023 of 31% of the shares in Axo Light S.r.l. and the consequent control of this company, compared with the previous joint control;
3) the purchase on 29 September 2023, through the newly formed Finturri S.r.l., which is 51% owned, of the entire capital of Turri 2K S.r.l., which in turn wholly owns Turri UK Ltd., Turri ISA Corp. and Shanghai Turri Furnitures. It should be noted that on 22 December 2023, the reverse merger of Finturri S.r.l. into Turri 2K S.r.l. and the simultaneous change of name to Turri S.r.l. was completed, on the basis of the merger plan dated 13 November 2023. This merger was approved by both companies involved in the transaction by means of the resolutions of their respective shareholders' meetings held on 16 November 2023, with retroactive accounting and tax effects.

FORM AND CONTENT OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2023 have been prepared in accordance with International Accounting Standards as well as the provisions issued pursuant to Article 9 of Italian Legislative Decree No. 38 of 28 February 2005.

These standards comprise the set of IAS and IFRS standards issued by the International Accounting Standard Board (IASB), as well as the SIC (Standing Interpretations Committee) and IFRIC interpretations issued by the International Financial Reporting Interpretations Committee, which were endorsed by 31 December 2023. Any international accounting standards endorsed after this date and before the date of preparation of these financial statements are used in the preparation of the consolidated financial statements only if early adoption is permitted by the Endorsement Regulation and by the accounting standard being endorsed, and if the Group has exercised this option.

The publication of the consolidated financial statements of the IDB Group for the year ended 31 December 2023 was authorised by a resolution of the Board of Directors on 11 March 2024. These financial statements will be submitted to the shareholders' meeting of Italian Design Brands S.p.A. on 22 April 2024.

From an economic, equity and financial standpoint, the Group's consolidated financial statements for the year ended 31 December 2023 include the figures of the subsidiaries (direct and indirect), adjusted where necessary, in order to align them with the accounting principles used by the Parent Company in preparing the consolidated financial statements, in compliance with the IFRS adopted by the European Union.

The consolidated financial statements comprise the Statement of Financial Position, the Income Statement, the Comprehensive Income Statement, the Cash Flow Statement, the Statement of Changes in Shareholders' Equity, and these explanatory notes. They are also accompanied by the Management Report.

The values shown in the financial statements are in thousands of euro; the explanatory notes are mainly in thousands of euro, unless otherwise specified.

For the purposes of drawing up consolidated financial statements in accordance with International Accounting Standards, the Group has adopted:

1) A format for the consolidated statement of financial position that separates current and non-current assets and liabilities, it being understood that current refers to assets and liabilities that are achievable in the normal operating cycle (IAS 1, para. 57), generally identified within the 12-month period following the reporting date;
2) a format by nature for the statement of comprehensive income;
3) the indirect method for cash flows in the cash flow statement.

Expression of compliance with International Accounting Standards

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and transposed into European Union

Kitchen & Systems

CUBO DESIGN

Part of IDB Group since 2023

Boasts 20 years of experience in the modular kitchen sector. The result of the experience of founder Antonio Arangiaro, who has been operating for more than forty years in the specific sector, the company continues to gain market shares, through the brand Binova, that has for years represented excellence in the high-end kitchen sector with the brand Miton Cucine, succeeding in establishing itself as a key player due to the quality of its products, innovative design and excellent delivery and installation service.

and Italian law via Italian Legislative Decree No. 38 of 28 February 2005 at the reference date of the financial statements. The IFRS also include all revised International Accounting Standards (IAS), and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly known as the Standing Interpretations Committee (SIC).

SCOPE OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Parent Company, Italian Design Brands S.p.A., and 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 included by means of the full consolidation method as at 31 December 2023, in accordance with the provisions of IFRS 10, are listed below.

Company name	Registered Office	Share capital	Activity	% direct ownership	% indirect ownership
Gervasoni S.p.A.	Pavia di Udine (Udine)	1,000,000	furniture	100%	0%
Meridiani S.r.l.	Misinto (Monza and Brianza)	120,000	furniture	61.11%	38.89%
Meridiani France SARL	Paris (France)	100,000	furniture	0%	100%
IDB UK Ltd.	London (UK)	446,500 GBP	furniture	100%	0%
Cenacchi International S.r.l. (*)	Ozzano dell'Emilia (Bologna)	10,000	luxury contract	99%	0%
Davide Groppi S.r.l.	Piacenza	20,000	lighting	100%	0%
Saba Italia S.r.l.	S. Martino di Lupari (Padua)	50,000	furniture	100%	0%
Modar S.p.A.	Barlassina (Monza and Brianza)	500,000	luxury contract	100%	0%
IDB Suzhou Co. Ltd.	Suzhou (China)	9,158,495 CNY	other	100%	0%
Flexalighting S.r.l. (*)	Pontassieve (Florence)	10,000	lighting	51%	0%
Borman Lighting S.r.l. (*)	Pontassieve (Florence)	10,000	lighting	0%	51%
IDB USA Corp.	New York (USA)	10,000 USD	other	100%	0%
Flexalighting North America Ltd. (*)	Surrey (Canada)	103 CAD	lighting	0%	26%
Gamma Arredamenti S.p.A. (*)	Forlì (Forlì-Cesena)	2,000,000	furniture	55%	0%
Gamma Arredamenti Inc. (*)	High Point (USA)	5,000 USD	furniture	0%	55%
Cubo Design S.r.l. (*)	Notaresco (Teramo)	84,000	Kitchen and systems	60%	0%
Nian Design S.r.l.	Giulianova (Teramo)	30,000	Kitchen and systems	0%	60%
Axo Light S.r.l. (*)	Scorzè (Venice)	119,000	lighting	51%	0%
Axo Light USA Corp. (*)	New York (USA)	100,000 USD	lighting	0%	51%
Turri S.r.l. (*)	Carugo (Como)	1,000,000	furniture	51%	0%
Turri UK Ltd. (*)	London (UK)	10,000 GBP	furniture	0%	51%
Turri USA Corp. (*)	Miami (USA)	100 USD	furniture	0%	51%
Shanghai Turri Furnitures (*)	Shanghai (China)	8,576,479 CNY	furniture	0%	51%

(*) Fully consolidated companies due to the put & call agreement with minority shareholders, the residual amount of which is recognised under Other current and non-current financial liabilities (see Note 18). The Parent Company currently holds the majority of the shares, but based on the agreements signed with the minority shareholders and the put option that they may exercise, it has the obligation to repurchase the remaining shares held under predefined contractual conditions.

It should be noted that the scope of consolidation has changed since the 2022 financial year, due to: the acquisition of Cubo Design S.r.l. in January 2023; the purchase in July 2023 of an additional 31% of the shares of Axo Light S.r.l., which in turn holds the entire capital of Axo Light USA Corp., and the subsequent control of this company compared with previous joint control; and the acquisition in September 2023 of Turri S.r.l., which in turn controls 100% of Turri UK Ltd., Turri USA Corp. and Shanghai Turri Furnitures.

For more information on the business combinations completed during the year, please refer to the information in Note 1 Business combinations1 below.

Consolidation criteria

The criteria adopted for the consolidation of subsidiaries include:

- The elimination of the value of shareholdings against the assumption of the assets and liabilities of the investee companies using the global integration method; the carrying amount of shareholdings is eliminated against the corresponding fraction of the investee companies' shareholders' equity.
- At the date control is acquired, the shareholders' equity of the investee companies is determined by assigning their current value to the individual assets and liabilities. Any positive difference between the acquisition cost and the fair value of the net assets acquired is recorded under the asset item "Goodwill"; if negative, it is recognised in the income statement.
- The inclusion in the consolidated financial statements of each item in the income statement of the consolidated companies.
- The elimination of all intra-group transactions and, therefore, of payables, receivables, sales, purchases and unrealised gains and losses with third parties.
- The portion of the investee companies' shareholders' equity and their result for the period pertaining to minority shareholders, respectively, are recorded in a special equity item called "Minority interest in shareholders' equity" and "Minority interest in (profit)/loss for the period".

Companies in which the Group exercises control (subsidiaries) are consolidated on a full consolidation basis.

Control is achieved when the Group is exposed or entitled to variable returns from its relationship with the investee entity and, at the same time, has the ability to 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 ability to direct the relevant activities of the investee entity);
- the exposure or rights to variable returns arising from the relationship with the investee entity;
- the ability to exercise power over the investee entity to affect the amount of its returns.

Generally, there is a presumption that a majority of the voting rights results in control. In support of this presumption, and when the Group holds less than a majority of the voting rights (or similar rights), the Group considers all relevant facts and circumstances to determine whether it controls the investee entity, including contractual arrangements with other holders of voting rights, rights arising from contractual arrangements, voting rights and potential voting rights of the Group.

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

TRANSLATION OF FINANCIAL STATEMENTS EXPRESSED IN A CURRENCY OTHER THAN THE FUNCTIONAL CURRENCY

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

At the balance sheet date, assets and liabilities of Group companies, including any goodwill arising from the acquisition of a foreign operation, are converted into euro at the exchange rate of that date, while the revenues and expenses of the income statement and comprehensive income statement are converted at the average exchange rate. Exchange rate differences resulting from 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 exchange rate used to translate the result for the period and the year-end closing exchange rate, are recognised in other components of the comprehensive income statement, while in the statement of changes in shareholders' equity, exchange rate differences are allocated separately to the "Translation difference reserve" for the Group's share and to "Minority interest in capital and reserves" for the minority interest.

Upon the divestment of a foreign operation, the portion of the comprehensive income statement relating to such foreign operation is recognised in the income statement.

The following are the exchange rates applied when converting financial statements into a currency other than the euro for the periods ended on 31 December 2023 and 31 December 2022:

		2022		2023
Value	**Average exchange rate**	**Accurate exchange rate**	**Average exchange rate**	**Accurate exchange rate**
CAD	1.36950	1.44400	1.45950	1.46420
CNY	7.07880	7.35820	7.66000	7.85090
GBP	0.85276	0.88693	0.86979	0.86905
USD	1.05300	1.06660	1.08130	1.10500

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements were drawn up on a going concern basis, as the directors verified that there were no indicators of a financial, management or other kind that could indicate concerns regarding the Group's ability to meet its obligations in the foreseeable future and in particular within the 12 months following the date of approval of the draft financial statements.

The financial statements were drawn up on the basis of the historical cost principle, except for certain derivative financial instruments and deferred considerations (earnouts) payable as a result of a business combination, which were measured at their fair value.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE TO FINANCIAL STATEMENTS AS AT 31 DECEMBER 2023

Below is a brief description of the accounting standards, amendments and interpretations applicable for the first time to the financial statements as at 31 December 2023. Standards, amendments and interpretations that, by their nature, cannot be adopted by the Group are excluded from the list.

Several changes were applied for the first time in 2023, but these had no impact on the Group's consolidated financial statement as at 31 December 2023.

IFRS 17 Insurance contracts

In May 2017, the IASB issued IFRS 17 *Insurance contracts*, a new accounting standard for insurance contracts that covers recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 *Insurance contracts*, which was issued in 2005. IFRS 17 applies to all types of insurance contracts (e.g. life, non-life, direct insurance and reinsurance), regardless of the type of entity issuing them, as well as to certain guarantees and financial instruments with discretionary participation features; some exceptions to the scope apply. The general objective of IFRS 17 is to provide a more useful and consistent accounting model for insurance contracts for insurers. Contrary to the requirements of IFRS 4, which rely largely on the maintenance of previous local accounting standards, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach);
- a simplified approach (the premium allocation approach) mainly for short-term contracts.

The changes had no impact on the Group's consolidated financial statements as at 31 December 2023.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the difference between changes in accounting estimates, changes in accounting policies and correction of errors. They also clarify how entities use valuation techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's consolidated financial statements as of December 31, 2023.

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

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply significant judgements to disclosures on accounting standards. The amendments aim to help entities provide information on accounting standards that are more useful by replacing the requirement for entities to disclose their "significant" accounting standards with the requirement to disclose their "material" accounting policies, as well as adding guidance on how entities apply the concept of materiality in taking decisions on the disclosure of accounting standards.

The amendments had no impact on the measurement, recognition and presentation of the elements of the Group's consolidated financial statements as at 31 December 2023.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to *IAS 12 Income Taxes* narrow the scope of the exception to initial recognition so that it no longer applies to transactions that give rise to equal amounts of temporary taxable and deductible differences, such as leases and decommissioning liabilities. The changes did not have any impact on the Group's consolidated financial statements as at 31 December 2023.

International Tax Reform – Pillar Two Model Rules – Amendments of IAS 12

The amendments to IAS 12 were introduced to comply with the OECD's BEPS Pillar Two Rules and include:

- a temporary mandatory exemption to the recognition and disclosure requirements for deferred taxes resulting from the implementation in jurisdictions of the Pillar Two rules; and
- disclosure requirements for affected entities to help users of financial statements better understand the income tax impacts arising from such legislation, particularly prior to the effective date.

The amendment has no impact on the Group's consolidated financial statements as at 31 December 2023 as the Group is not affected by the Pillar Two rules.

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

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

- *Classification of liabilities as current or non-current and non-current liabilities with covenants – Amendments to IAS 1*. The purpose of the document is to clarify accounting and the requirements for presenting liabilities on financial statements as current or non-current. The amendments clarify what is meant by a right to defer settlement, that the right to defer settlement must exist at the end of the reporting period, that classification is not affected by the probability with which the entity will exercise its right to defer settlement, and that only if a derivative embedded in a convertible liability is itself an equity instrument does the maturity of the liability not impact its classification. The changes will be effective as of 1 January 2024.
- *Lease liability in a sale and leaseback – Amendments to IFRS 16*. The purpose of the document is to clarify the requirements that a seller-lessee applies in measuring the lease liability arising from a sale and leaseback transaction to ensure that the seller-lessee does not recognise gain or loss with respect to the right of use it retains. The changes will be effective as of 1 January 2024 or subsequently.
- *Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7*. The purpose of the document is to clarify the characteristics of reverse factoring arrangements and require additional disclosures of such arrangements. The disclosure requirements are intended to assist users of financial statements in understanding the effects of reverse factoring arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The changes will be effective for financial years starting 1 January 2024 or later.

The Company is currently analysing the impact of these new standards, amendments and interpretations, which do not seem to entail any significant effects for the Group at present.

Furniture

saba

Part of IDB Group since 2018

Creative sensibility and a humanistic approach to business has led the company to success. In every project Saba's mission is to combine the functional aspects of design with the language of poetry and emotion. What guides Saba is the idea of happiness, shifting the observation from the product to the people, we design with the aim of improving the quality of life and ultimately make people happier.

MEASUREMENT CRITERIA ADOPTED

The most significant accounting principles and valuation criteria used in the preparation of the consolidated financial statements are described below.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is determined as the sum of the consideration transferred, measured at fair value at the acquisition date, and the amount of the non-controlling interest in the acquiree. For each business combination, the Group defines whether to measure the non-controlling interest in the acquiree at fair value (the full goodwill method) or in proportion to the non-controlling interest's share of the acquiree's identifiable net assets (the partial goodwill method). Acquisition costs are expensed in the period and classified as consulting and services.

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

If the business combination is achieved in stages, the previous shareholding is measured at fair value at the date control is acquired and any resulting gain or loss is recognised in the income statement.

In the case of put options granted to minority shareholders, the Group recognises 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 capital share optioned, the Group accounts for this share as if it had already been acquired and, therefore, upon initial recognition of the liability, this value is reclassified from equity by reducing the minority interest. The liability is subsequently remeasured at each reporting date in accordance with IFRS 9.

Goodwill is initially recognised at cost represented by the excess of the consideration transferred and the amount recognised for non-controlling interests over the identifiable net assets acquired and liabilities assumed by the Group. If the fair value of the net assets acquired exceeds the total consideration transferred, the Group reassesses whether it has correctly identified all assets acquired and all liabilities assumed and reviews the procedures used to determine the amounts to be recognised at the acquisition date. If the remeasurement still results in a fair value of the net assets acquired in excess of the consideration, the difference (gain) is recognised in the income statement.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated, from the acquisition date, to each cash-generating unit of the Group that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquired entity are assigned to those units.

If 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 disposed asset is included in the carrying amount of the asset when determining the gain or loss on disposal. The goodwill associated with the disposed asset is determined on the basis of the relative values of the disposed asset and the retained portion of the cash-generating unit.

Changes in shareholdings in a subsidiary that do not result in a loss of control are recognised in shareholders' equity.

On the other hand, in the event of the sale of part of the shareholdings with a corresponding loss of control, the shareholding is adjusted to its fair value and its new valuation becomes part of the capital gain/(loss) arising from the sale transaction.

Intangible assets

Intangible assets acquired separately are recognised as assets at acquisition cost including directly attributable accessory charges. Those acquired through business combinations are recognised at fair value at the date of acquisition.

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

Intangible assets with a finite useful life undergo an impairment test when events or changes in circumstances indicate that the book value cannot be recovered.

Subsequent to initial recognition, intangible assets with a finite useful life are recognised net of accumulated amortisation and any impairment losses, determined in the same manner as tangible assets.

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

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

Gains or losses arising from the disposal of an intangible asset are determined as the difference between the disposal value and the book value of the asset, and are recognised in the income statement at the time of disposal.

Brands acquired as part of business combinations are recognised 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 amortisation process, but rather undergo impairment testing at least annually in the manner indicated in the section "Impairment".

Other intangible assets

Intangible assets are initially measured at cost, normally determined as the price paid for their acquisition, including accessory charges and any non-recoverable taxes, net of trade discounts and allowances. After initial recognition, intangible assets are recognised at cost less accumulated amortisation and any impairment losses determined in accordance with IAS 36.

Intangible assets are subject to amortisation, except when they have an indefinite useful life. Amortisation is applied systematically over the useful life of the intangible asset depending on its estimated economic use. The residual value at the end of its useful life is assumed to be zero, unless there is a commitment by a third party to acquire the asset at the end of its useful life, or there is an active market in which the asset is traded. The directors review the estimated useful life of intangible assets at the end of each financial year.

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

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

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

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

	Amortisation rate
Patent rights	20%
Software licences	33%
Models	10%-20%
Customer relations	7-10%
Other fixed assets	10% - 20%

Property, plant and equipment

Plants, machinery, equipment and buildings are recorded at purchase or production cost net of accumulated depreciation and any write-downs for impairment losses. Assets consisting of components, of significant amounts and with different useful lives, are considered separately when determining depreciation.

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

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

Depreciation rates are reviewed on an annual basis and any changes, where necessary, are made prospectively.

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, an impairment loss occurs determined on the basis of the application of IAS 36, the fixed asset is correspondingly written down; if, in subsequent years, the reasons for the write-down no longer apply, its original value is reinstated, adjusted only for depreciation.

When an asset is sold or when there is no expected future economic benefit from its use, it is derecognised and any loss or gain (calculated as the difference between the disposal value and the residual book value) is recognised in the income statement in the year of such derecognition.

Maintenance and repair costs, which are not likely to increase the value and/or extend the remaining life of the assets, are expensed in the period in which they are incurred; otherwise, they are capitalised.

Rights of use for leased assets

When entering into a contract, the Group assesses whether it is, or contains, a lease; in other words, whether 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 recognises liabilities relating to lease payments and the right-of-use asset representing the right to use the asset underlying the lease. In particular, it accounts for:

- a right of use: on the lease commencement date, i.e. the date on which the underlying asset is available for use. Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets comprises the amount of recognised lease liabilities, initial direct costs incurred and lease payments made on or before the commencement date, net of any incentives received. Right-of-use assets are depreciated on a straight-line basis from the commencement date to the end of the useful life of the right-of-use asset. 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 asset consisting of the right of use reflects the fact that the lessee will exercise the purchase option, the lessee shall depreciate the asset consisting of the right of use from the commencement 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 recognises lease liabilities by measuring them at the present value of lease payments not yet paid at that date. Payments due include fixed payments (including fixed payments in substance) net of any lease incentives to be received, variable lease payments that depend on an index or rate, and amounts expected to be paid as a guarantee of the residual value. Lease payments also include the exercise price of a purchase option, if it is reasonably certain that such option will be exercised by the Group, and lease termination penalty payments, if the lease term takes into account the Group's exercise of its lease termination option. Variable lease payments that do not depend on an index or rate are recognised as an expense in the period in which the event or condition that generated the payment occurs. In calculating the present value of the payments due, the Group uses the marginal borrowing rate at the start date. After the commencement date, the amount of the lease liability increases to account for interest on the lease liability and decreases to account for payments made. In addition, the carrying amount of lease payables is restated in the event of any changes to the lease or for a revision of the contractual terms to amend payments; it is also restated in the event of changes in the valuation of the option to purchase the underlying asset or for changes in future payments resulting from a change in the index or rate used to determine such payments;
- separately classifies contracts for which the unit value of the underlying assets does not exceed, indicatively, USD 5,000 when new (so-called low-value assets), such as computers, telephones, tablets, office printers and multifunctional printers. For such contracts, lease payments are recognised in the income statement on a straight-line basis over the term of the contract.

As required by the standard, the Group has adopted certain elements of professional judgement and the use of assumptions and estimates in relation to contractual terms (lease term) and to the definition of the marginal financing rate. The main elements are summarised below:

- renewal clauses, extension options and early termination clauses of contracts are taken into account in 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 counterparty's consent;
- marginal borrowing rate (incremental borrowing rate): the Group has decided to use the marginal borrowing rate as the discount rate to discount lease payments. This rate is either the implicit interest rate of the contract, if easily determinable, or, alternatively, the Group's average marginal borrowing rate;
- the asset consisting of the right of use for leased assets, in accordance with IFRS 16, is measured at cost including the present value of future payments discounted at the marginal borrowing rate as defined above, the initial direct costs incurred by the lessee, the lease payments paid in advance and the estimated costs for dismantling, removal and restoration. The value of the asset is systematically depreciated.

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 asset consisting of the right of use reflects the fact that the lessee will exercise the purchase option, the lessee shall depreciate the asset consisting of the right of use from the commencement date until the end of the useful life of the underlying asset.

Right-of-use assets are depreciated on a straight-line basis from the commencement date to the end of the useful life of the right-of-use asset, or to the end of the lease term, whichever is earlier, as follows:

• Rights of use on land and buildings	from 2 to 25 years
• Rights of use on plant and machinery	from 5 to 7 years
• Rights of use on other assets	from 2 to 5 years

Impairment

At each balance sheet date, the Group reviews the carrying amount of its property, plant and equipment and intangible assets to determine whether there are any indications that these assets are impaired. If such indications exist, the recoverable amount of these assets is estimated in order to determine the amount of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with an indefinite useful life, including goodwill and brands, undergo tests annually to determine whether there is any indication of impairment.

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

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

When an impairment loss no longer exists, the carrying amount of the asset (or the assets of a cash-generating unit), with the exception of goodwill, is increased to the new value resulting from an estimate of its recoverable amount, but not beyond the net book value that the asset would have had if the impairment loss had not been recognised. The reversal of the impairment loss is recorded in the income statement.

Shareholdings in associated companies and other shareholdings

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. Shareholdings in associates are initially recognised at cost and subsequently accounted for using the equity method. The carrying amount of these shareholdings is aligned with shareholders' equity adjusted, where necessary, to reflect the application of IFRS and includes the recognition of the higher values attributed to assets and liabilities and any goodwill identified at the time of acquisition. The financial statements of companies accounted for using the equity method are also adjusted to make the valuation criteria consistent with those adopted by the Group. Gains or losses pertaining to the Group are accounted for from the date on which the significant influence began and until the date on which the significant influence ceases; in the event that, as a result of losses, the company accounted for using the equity method shows negative equity, the book value of the shareholding is cancelled and any surplus pertaining to the Group, where the latter has undertaken to fulfil the legal or implicit obligations of the investee company, or in any case to cover its losses, is recognised in a specific provision; changes in the equity of companies accounted for using the equity method that are not represented by the income statement result are recognised directly as an adjustment to equity reserves. Unrealised gains generated on transactions between the Parent Company/Subsidiaries and the investee company accounted for using the equity method are eliminated in accordance with the value of the Group's shareholding in the investee company; unrealised losses are eliminated unless they represent impairment.

Shareholdings in companies other than associated companies (generally with an ownership percentage of less than 20%) are valued at acquisition cost, which may be reduced if necessary in the event of impairment losses. If any impairment loss exceeds the carrying amount of the shareholding, the value of the shareholding is written down and the portion of share of further losses is recognised as a liability provision in the event that the Company is liable for them. The cost is reinstated in subsequent years if the reasons for the write-downs no longer apply.

Inventories

Inventories are stated at the lower of the acquisition cost (including accessory charges) or the production cost and estimated net realisable value, represented by the amount the company expects to obtain from their sale in the ordinary course of business.

The cost of inventories of raw materials, packaging materials, and semi-finished and finished goods is determined by applying the weighted average cost method on an annual basis.

The production cost of finished and semi-finished goods includes the direct cost of materials and labour plus a share of production overheads defined on the basis of normal production capacity, not considering financial expenses.

Obsolete and slow-moving inventories are valued in relation to their possibility of utilisation or realisation.

Contract assets and liabilities

The recognition of contract assets or liabilities (hereinafter also referred to as "orders") depends on the method used to transfer control to the customer of the good or service: in the case where this occurs gradually as the good is constructed or the services are rendered, the assets are recognised at the value of the agreed contractual consideration, according to the cost-to-cost method, taking into account the stage of progress achieved; in the case where, on the other hand, the transfer of control occurs at the time of the final delivery of the good or the completion of the promised services, the assets are recognised at acquisition cost.

A contract is recognised 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 in the same manner. If different contractual obligations are identified within the contract, they are recognised as separate assets arising from the same contract with the customer.

In particular, "contract assets" represented by the closing inventories of work in progress, considering the costs incurred plus the margins recognised, are shown in the consolidated financial statements net of contractual advances and payments on account received. If the contractual advances/payments on account received exceed the value of the closing inventories of work in progress, they are classified under "contract liabilities arising from contracts"; otherwise, they will be classified under a separate asset item called "contract assets".

If the completion of an order is expected to result in a loss at the level of the industrial margin, this is recognised 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 orders takes place after the installations have been tested.

Financial assets

Upon initial recognition, financial assets are classified into one of the three categories identified by IFRS 9, according to the measurement methods below. The classification depends on the characteristics of the contractual cash flows and the business model the Group adopts to manage them.

The business model refers to the manner 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 as an asset measured at amortised cost if it is held as part of a business model whose objective is the collection of contractually agreed-upon cash flows, represented solely by payments, expected at predetermined dates, of principal and interest. The measurement involves the use of the effective interest criterion.

A financial asset is classified as an asset measured at fair value with changes recognised in the comprehensive income statement if it is held as part of a business model whose objective is achieved by both collecting contractual cash flows and selling them, and cash flows consisting solely of principal and interest payments are contractually expected at predetermined dates. For assets included in this category, interest income, changes in exchange rate differences and impairment losses are recognised in the income statement in the result for the period; the remaining changes in fair value are recognised in the comprehensive income statement. Upon derecognition, the cumulative change in fair value recognised in OCI is released to the income statement.

Upon initial recognition, equity instruments may be included in the category of financial assets measured at fair value with changes recognised in the income statement.

The category of financial assets measured at fair value with changes recognised in the income statement includes assets held for trading, i.e. acquired for sale in the short-term, and assets designated as such.

Upon initial recognition, an equity security not held for trading purposes may be designated as one of the financial instruments whose subsequent changes in fair value are recognised in other comprehensive income. This election is made for each asset and is irrevocable.

Cancellation of financial assets

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed a contractual obligation to pay them in full 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 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 measured at the transaction price determined in accordance with IFRS 15. They are recognised at nominal value less a write-down provision to reflect estimated 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 the Group expects to receive, including cash flows arising from the enforcement of collateral held or other credit guarantees that are an integral part of the contractual terms.

Write-downs against non-recoverable amounts are recognised in the income statement when there is objective evidence that the receivables have lost value. The estimation of the risk of possible non-collection of trade receivables is carried out analytically, taking into account the historical recovery experience, payment delays and the objective situations of the customers, also with the support of the lawyers appointed by the company to oversee disputes.

Cash and cash equivalents

Cash and cash equivalents include cash, bank accounts and deposits repayable on demand and other short-term, highly liquid financial investments that are readily convertible to cash and are subject to an insignificant risk of change in value. Therefore, a financial investment is usually classified as a cash equivalent when it has a short maturity of three months or less from the date of immediate availability.

Financial liabilities - Financing

The Group's financial liabilities include mortgages, bank loans and overdrafts, payables arising from business acquisitions and derivative financial instruments.

All financial liabilities are measured at amortised cost. As a result, if the interest rate of the transaction is not significantly different from the market rate, the liability is initially recognised at a value equal to the nominal value, net of all transaction costs and all premiums, discounts and allowances directly arising from the transaction that generated the liability. These transaction costs, such as incidental expenses for obtaining financing, any fees and any difference between the initial value and the nominal value at maturity are allocated over the term of the liability using the effective interest method.

When, on the other hand, it appears that the interest rate of the transaction that can be deduced from the contractual terms is significantly different from the market rate, the liability is initially recorded at a value equal to the present value of future cash flows, determined by applying the market rate, and taking into account any transaction costs.

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

The value of liabilities is subsequently reduced by the amounts paid, both principal and interest.

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

Loans cease to be recognised in the financial statements when they are paid off or when all risks and charges relating to them have been transferred to third parties.

Derivative instruments and hedge accounting

The Group's assets are primarily exposed to financial risks arising from changes in interest rates and exchange rates. Interest rate risks arise from existing loans; in order to hedge these risks, it is the Company's policy to convert a portion of its variable-rate liabilities into a fixed rate or to limit their maximum value, and to 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 derivative financial instruments do not meet all of the conditions for hedge accounting required by IFRS 9, changes in the fair value of such instruments are recognised in the income statement as financial income or expenses.

Derivative financial instruments are initially recognised at fair value at the date they are entered into; 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 regard the risk of a change in the fair value of the underlying asset or liability, or a firm commitment (except for a currency risk);
- cash flow hedges if they regard the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or currency risk in a firm commitment;
- hedges of a net investment in a foreign company (net investment hedge).

When initiating a hedging transaction, the Group formally designates and documents the hedge ratio to which it intends to apply hedge accounting, its risk management objectives and the strategy pursued. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk, and how the company intends to measure 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 indeed proved to be highly effective is performed on an ongoing basis during the periods in which they are 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 variability in future cash flows of a recognised asset or liability or a highly probable forecast transaction that could affect the income statement, the effective portion of any gain or loss on the financial instrument is recognised in shareholders' equity; the cumulative gain or loss is removed from equity and recognised 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 a portion of the hedge that has become ineffective is recognised in the income statement when the ineffectiveness is reported;
- fair value hedge: if a derivative financial instrument is designated as a hedge of the exposure to changes in the fair value of a recognised asset or liability attributable to a particular risk that may affect the income statement, the gain or loss from remeasuring the hedging instrument at fair value is recognised in the income statement; the gain or loss on the hedged item, attributable to the hedged risk, is recognised as part of the book value of that item and offset in the income statement.

If a hedging instrument or hedging relationship is terminated, but the hedged transaction has not yet been carried out, the cumulative gains and losses, which up to that point have been recognised in shareholders' equity, are recognised in the income statement when the related transaction is carried out. If the hedged transaction is no longer considered probable, unrealised gains or losses suspended in shareholders' equity are recognised in the income statement.

The fair value of interest rate swaps used to hedge interest rate risk represents the amount the Group estimates it will have to pay or collect to close out the contract at the reporting date, taking into account current interest rates and the creditworthiness of the counterparty. The fair value of interest rate swaps is determined with reference to the market value for similar instruments.

Financial assets and liabilities measured at fair value, and derivative contracts in particular, are classified into the three hierarchical levels described below, based on the relevance of the information (input) used in determining the fair value. In particular:

- Level 1: financial assets and liabilities whose fair value is determined on the basis of quoted prices (unadjusted) in 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 which are directly or indirectly observable (such as, mainly: market exchange rates at the reference date, expected rate differentials between the currencies concerned and volatility of the reference markets, interest rates);
- Level 3: financial assets and liabilities whose fair value is determined on the basis of inputs that are not based on observable market data.

Cancellation of financial liabilities

A financial liability is derecognised when the obligation underlying the liability is settled, cancelled or fulfilled. When an existing financial liability is exchanged for another from the same lender, on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability, accompanied by the recognition of a new liability, with any differences between the carrying amounts of the old liability and the new liability recognised in the income statement.

Trade payables

These liabilities are initially recognised at the fair value of the consideration payable. Subsequently, the payables are measured using the amortised cost method determined using the effective interest method.

Treasury shares

Repurchased treasury shares are recognised at cost and deducted from shareholders' equity. The purchase, sale or cancellation of treasury shares does not give rise to any profit or loss in the income statement. The difference between the purchase value and the consideration, in case of reissue, is recognised in the share premium reserve.

Provisions for risks and charges

Provisions for risks and charges are made when the Group has a present obligation (legal or constructive) as a result of a past event, where an outflow of resources to meet the obligation is probable and a reliable estimate can be made of the amount of the obligation.

When the Group considers that a provision for risks and charges must be partly or fully reimbursed or indemnified (e.g. in the case of risks covered by insurance policies), the indemnity is recognised separately as an asset and, only if reimbursement is virtually certain, the cost of the provision, if any, is recognised in the income statement net of any reimbursement.

Allocations to these provisions require the use of estimates, based on historical experience in similar cases and objective facts known at the date the financial statements are prepared. With regard to contingent liabilities for outstanding litigations, the estimation of which involves complex evaluations, including those of a legal nature, and which are subject to a different degree of uncertainty in consideration of the facts involved in the litigation, the applicable legislation and jurisdiction, and other issues, the estimate is made on the basis of the knowledge of the objective facts at the date the financial statements are prepared, also taking into account the considerations expressed by the Group's legal advisors.

For contracts where the unavoidable costs associated with the fulfilment of the obligation are greater than the economic benefits expected to be obtained from them, the current contractual obligation is recognised and measured as an allocation to a provision.

Luxury Contract

CENACCHI INTERNATIONAL

Part of IDB Group since 2017

Founded in 2003 in Bologna on the initiative of Carl Gherardi and Eugenia Cenacchi is specialize in custom supplies for important international clients with the highest level of requirements. Cenacchi has since concentrated on the production and installation of luxury furniture for stores, showrooms, offices, hotels and prestigious homes worldwide. The furnishings are all entirely custom-made, in collaboration with architects and designers often commissioned by clients, while maintaining inhouse all engineering and product development.

Severance payments

Severance payments are defined as a defined benefit obligation. The relative cost is determined using the projected unit credit method, making actuarial assessments at the end of each financial year and charging them to the income statement. The liability reflected in the financial statements represents the present value of the obligation that will be recognised at the end of the employment relationship.

The determination of the liability recognised in the financial statements in accordance with the aforementioned accounting standard involves making estimates based on statistical assumptions about the occurrence of future events, including subjective ones (mortality rate, staff turnover, discounting interest rates, wage growth etc.): in this process, the Directors use 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 severance payments introduced by Italian Law No. 296 of 27 December 2006, the accounting provided for in IAS 19 for defined benefit obligations remained applicable only to the liability relating to severance payments accrued up to 31 December 2006, since the amounts accrued from 1 January 2007 are paid to a separate entity (Supplementary Pension Fund or INPS Funds) for companies with more than 50 employees. Consequently, the severance payments accrued after 31 December 2006 for these companies is a contribution benefit plan (defined contribution plan) and is accounted for as an expense in the vesting period. In fact, since the severance payment is entirely paid into social security funds, the Group companies to which this law is applicable no longer have any obligations to provide employees, in the event their employment is terminated, with the severance payments accrued after the amendment came into force.

Put & call and earn-out options

Financial liabilities include the best estimate of the present value of earn-outs and put & call options entered into with the minority shareholders of the acquired companies. These financial liabilities are remeasured at every period-end, and where necessary in the interim, or when a liquidation event occurs. Their effects are then reflected under financial income or expenses in the income statement, together with the estimated cost of discounting the financial liabilities.

Phantom stock option

Financial payables include the best estimate of the present value of the incentive plan payable to the Company's CEO. These financial liabilities are remeasured at every period-end or when a liquidation event occurs. Their effects are then reflected under financial income or expenses in the income statement, together with the estimated cost of discounting. As at 30 June 2023, this remuneration was paid to the Company's Chief Executive Officer following the occurrence of the "Listing" event.

Long-Term Incentive Plan

In order to align the interests of management with those of shareholders, the Company has established a medium- and long-term incentive plan linking remuneration to results.

To this end, on 9 May 2023, the Board of Directors approved – subject to the start of trading of the Company's shares on the regulated market of Borsa Italiana – an incentive plan addressed to the Company's Chief Executive Officer and Managing Director. The value and recognition of this incentive plan is linked to the increase in value of the Company's share price, recorded for a period of at least 30 consecutive days on the trading market compared to the IPO price, during the first three years of office and/or during the second three years of office in the case of renewal of office and failure to meet the objectives during the first three years of office. This is calculated and paid in cash by the Company during the month, following a positive verification by the Board of Directors that the long-term incentive has accrued.

The plan provides for the recognition of EUR 5,250 thousand in the case of an increase in value of the share equal to or greater than 30% and up to 49%; and the recognition of an additional amount of EUR 3,500 thousand in the case of an increase in value of the share equal to or greater than 50% (for a total amount of EUR 8,750 thousand).

This incentive plan falls within the scope of IAS 19. The liability is remeasured at each period-end or when the event requiring payment occurs. Its effects are recorded in the income statement under costs for services, showing among interest payable the financial component related to the cost of discounting, in addition to the related anticipated taxation.

To determine the amount to be set aside for the incentive plan resolved by the Board of Directors, the Group used certain assumptions and estimates in accordance with IAS 19, providing for certain possible time scenarios and also weighing the probabilities that they will occur. In doing so, the Group has used the information provided by the analyst reports available at the date of this annual financial report. As required by IAS 19, the probability that the event reported will occur affects the measurement of the obligation, but does not determine its existence.

As at 31 December 2023, the Group has set aside an amount totalling EUR 702,000 in costs for services, plus interest payable amounting to EUR 8,000 and related expected taxation of EUR 169,000.

Recognition of revenues and income in the income statement

The item "Revenues" includes the consideration for sales of goods to customers and for the provision of services.

Revenues represent the consideration generated in return for the transfer of the promised goods and/or services to the customer, excluding amounts collected on behalf of third parties. The Group recognises revenues when it fulfils its obligation under the contract, i.e. when it transfers control of the goods or services to the customer.

Based on the five-step model introduced by IFRS 15, the Group recognises revenues when the following criteria are met:

1) the parties have approved the contract (in writing, verbally or in accordance with other customary business practices) and have committed to fulfil their respective obligations; there is therefore an agreement between the parties that creates rights and obligations that are enforceable regardless of the form in which the agreement is manifested;
2) the rights of each party with respect to the goods or services to be transferred are identified;
3) the terms of payment for the goods or services to be transferred are identified;
4) the contract has commercial substance; and
5) it is likely that the Group will receive the consideration to which it will be entitled in exchange for the goods or services to be transferred to the customer.

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

Revenues from contracts with customers are recognised on the basis of the transfer of control of the goods and/or services to the customer over time. If the transfer of control takes place as the asset is constructed or the services are rendered, revenues are recognised "over time", i.e. as the activities progress gradually; if, on the other hand, control is not transferred as the asset is constructed or the services are rendered, revenue is recognised "at a point in time", i.e. at the time of the final delivery of the asset or the completion of the services. In order to assess the progress of "over time" orders, the Company has chosen the criterion of the percentage of progress measured using the cost-to-cost method. When it is likely that the total costs of the order over its life will exceed the total revenue of the order over its life, the potential loss is recognised immediately in the income statement.

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

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

Costs and expenses

Costs are recognised 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 expenses

Dividends distributed constitute a change in shareholders' equity in the period in which they are approved by the Shareholders' Meeting.

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

Financial income and expenses are recognised on an accrual basis.

Income tax

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

Current taxes are based on the taxable income for the period. Taxable income differs from the result reported in the income statement because it excludes positive and negative items that will be taxable or deductible in other years and also excludes items that will never be taxable or deductible. The liability for current taxes is calculated according to the tax rules in force at the reporting date.

Deferred taxes are taxes that are expected to be paid or recovered on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base. Deferred tax liabilities are generally recognised for all taxable temporary differences, while deferred tax assets are recognised to the extent that it is likely that there will be taxable results in the future that will allow the utilisation of deductible temporary differences. The book value of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer likely that there will be sufficient taxable income to allow for all or part of the recovery of these assets.

Deferred taxes are calculated based on the tax rate that is expected to be in force when the asset is realised or the liability is settled. Deferred taxes are recognised directly in the income statement, except for those related to items recognised directly in shareholders' equity, in which case the related deferred taxes are also recognised in shareholders' equity.

As a consolidating company, IDB S.p.A. has exercised the option for the national tax consolidation scheme governed by Article 117 et seq. of Italian Presidential Decree 917/1986 ("TUIR"), which allows corporate income tax to be determined on a taxable base corresponding to the algebraic sum of the positive and negative taxable amounts of the individual companies involved. The consolidation agreement was stipulated on 4 October 2018 with the subsidiaries Gervasoni, Meridiani and Cenacchi International; as of 2020, Davide Groppi, Saba Italia and Modar have also taken part, along with Flexalighting as of 2021 and Gamma Arredamenti International as of 2023.

Foreign currency transactions

Transactions in currencies other than the euro are initially recognised at the exchange rates on the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in the above-mentioned currencies are converted at the exchange rates prevailing on that date. Non-monetary assets measured at historical cost denominated in foreign currencies are translated at the exchange rates prevailing at the date of the transaction, without any adjustment to period-end exchange rates; non-monetary items measured at fair value in foreign currencies are translated using the exchange rate at the date of determination of that value.

Exchange rate differences arising from the adjustment of monetary items and their restatement at period-end exchange rates are recognised in the income statement for the period.

Discretionary measurements and significant accounting estimates

The preparation of financial statements and the related notes in accordance with IFRS requires Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date. The estimates and assumptions used are based on experience and other factors considered relevant. The results obtained afterwards may therefore differ from these estimates. Estimates and assumptions are reviewed periodically and the effects of any changes to them are reflected in the income statement in the period in which the estimate revision occurs, if the revision affects only that period, or in subsequent periods if the revision affects both current and future periods.

The main assumptions of the Directors used in the process of applying the accounting standards with regard to the future and which could result in significant adjustments to the value of assets and liabilities during the period after the reporting period are described with reference to the individual measurement criteria. The Group has based its estimates and assumptions on parameters available at the time the consolidated financial statements were prepared. However, current circumstances and assumptions about future events may change due to 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 non-current intangible assets;
- the estimate of the earnout and the exercise of put options related to the business combination transactions finalised during the various years;

- the estimate related to the medium- to long-term incentive plan that links remuneration to results (the Long-Term Incentive Plan);
- provisions for inventory obsolescence.

Goodwill and brands with an indefinite useful life

With regard goodwill and brands, both of which have an indefinite useful life, they are tested for impairment at least annually; this test requires an estimate of the value in use of the cash-generating unit to which the goodwill and brands is allocated.

An impairment 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 selling costs, and its value in use.

Fair value less selling costs is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, 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 Plan for the three years following the current one (2024–2026) and do not include restructuring activities to which the Group has not yet committed or significant future investments that will increase the results of the business included in the cash-generating unit being measured. The recoverable amount depends significantly on the discount rate used in the discounted cash flow model, as well as the expected future cash flows and the growth rate used for the extrapolation.

As at 31 December 2023, the carrying amount of goodwill was EUR 134.919 million and the value of brands was EUR 57.461 million. Further details are provided in Note 2.

Exercise price of put options due to minority shareholders and earnouts for the acquisition of minority interests

Acquisitions of Group companies completed over the last few years and in 2023 usually take place through a process involving the establishment of a special purpose vehicle to acquire the target company and the subsequent reverse merger of the special purpose vehicle into the target company. The purchase price normally includes the recognition of an earnout, to be settled within a certain time frame at a price with predefined parameters. The earnout is directly linked to the performance of the target companies, usually EBITDA and net financial position as contractually defined between the parties. These parameters may differ in the final figures compared with the estimates in the business plan of the target company.

Acquisitions are sometimes 100%, but in some cases involve the initial acquisition of the majority share and a put-and-call mechanism (put in favour of the seller and call in favour of the buyer) for the acquisition of the subsequent minority share. The value of the minority stake was also subject to a contractual definition that links its value to actual company performance compared with the estimates in the business plan, using calculation parameters that are still contractually predefined between the parties (usually EBITDA and net financial position).

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

The estimate of the earnout debt and the value of the put option may vary from one period to the next, reflected in the income statement under financial expenses, as they strictly depend on the actual performance of the companies compared to that initially forecast in the plan. For further details, please refer to Note 18 “Other financial liabilities” as well as the indications in the following note on financial risks.

Inventory obsolescence

The Group companies adopt calculation methods to estimate the inventory write-down provision, analytically on the basis of specific considerations on the life cycle of products and the relative state of inventories, and at a flat rate on the basis of specific turnover ratios, calculated separately for raw materials and finished products. The turnover ratios are associated with write down percentages that reflect the specificity of individual productions. These measurements have inevitable elements of subjectivity that may be reflected in the estimation of the provisions of the various Group companies. For further information, see Note 7.

Using estimates

Developments in the global economy, the environment of political, economic and financial instability and the volatility of financial markets could influence the performance of the Group, with possible adverse effects on its economic, capital and financial position. In the overall macroeconomic framework, the uncertainties regarding (i) the impacts of sanctions imposed worldwide relating to the conflict between the Federal Republic of Russia and Ukraine at the reference date of the financial statements and, not least, the Israeli-Palestinian conflict, and (ii) the potential risks related to climate change, are important.

These financial statements contain estimates and assumptions made by the Group relating to assets and liabilities, expenses, income, other total gains/losses and contingent liabilities as at the date of the end of the reporting period. These estimates are based on assumptions considered reasonable and realistic, based on the information available at the time of the estimate. They are reviewed periodically and their effects are reflected in the income statement for the time when they occur.

The most significant estimates used to draw up the financial statements for the period ended 31 December 2023 are as follows:

- Tangible and intangible fixed assets. Taking into account the latest available information and the currently configurable scenarios, the Group did not identify the emergence of elements that could lead to value adjustments to the tangible assets or significant losses in the value of intangible and tangible assets recorded in the financial statements. Please refer to the following paragraphs on the impairment test performed as at 31 December 2023.
- Provision for doubtful accounts. Receivables are shown net of an estimated write down fund to take into account any losses that may affect the recoverability of the same receivables. Management periodically reviews the assumptions underlying the estimates used to make sure that these appropriations are prudent, taking into account both the status of recorded receivables and the macroeconomic situation. For further information, see Note 9.
- Inventories. Inventories are shown net of write down funds for finished materials and products, which are considered obsolete or slow to rotate, taking into account their expected future use and their realisable value. For further information, see Note 7.
- Provisions for risks and contingent liabilities. The Group makes different provisions for litigation or risks of various kinds, involving different issues and subject to the jurisdictions of different countries. These provisions were assessed on the basis of up-to-date information that took into account potential effects stemming from the current context. For further information, see Note 16.
- Put & call and earnout options. Financial liabilities include the best estimate of the present value of earn-outs and put & call options entered into with the minority shareholders of the acquired companies. These financial liabilities are remeasured at every period-end or when a liquidation event occurs. Their effects are then reflected under financial income or expenses in the income statement, together with the estimated cost of discounting the financial liabilities. For further information, see Note 18.
- Long-Term Incentive Plan. The liability includes the best estimate of the present value of the incentive plan for the Company’s Directors accrued to date.

Strategic business area information

The companies through which the Group operates are aggregated for the purpose of strategic business area (SBA) reporting in the four reference businesses: "Furniture", "Lighting", "Luxury Contract" and "Kitchen and Systems" (the latter as a result of the acquisition of Cubo Design on 31 January 2023).

IFRS 8 *Operating segments* requires that detailed information be provided for each operating segment, defined as a component of an entity whose operating results are periodically reviewed by top management for the purpose of making decisions about the resources to be allocated and assessing performance.

At the reference date of the financial statements, the organisation of the IDB Group is divided into four operating segments or strategic business areas (SBAs), as defined at operational management level, and one other segment (mainly attributable to the Parent Company with a holding company function):

- Furniture: dedicated to the design, production (both in-house and through third-party manufacturers) and marketing of indoor and outdoor furniture products, mainly dedicated to the living area. At the reference date of the financial statements, this business activity is concentrated in Gervasoni S.p.A., Meridiani S.r.l., Saba Italia S.r.l., Gamma Arredamenti International S.p.A. and Turri S.r.l.;
- Lighting: dedicated to the design, production (both in-house and through third-party manufacturers) and marketing of high-quality designer lighting products. At the reference date of the financial statements, this segment was made up of Davide Groppi S.r.l., Flexalighting S.r.l., Flexalighting North America Ltd. and Axo Light S.r.l.;
- Luxury Contract: dedicated to the design and installation of bespoke and commissioned fittings predominantly for luxury brand shops and high-end hotels and homes, commissioned and in collaboration with well-known architects and designers. At the reference date of the financial statements, this SBA was concentrated and active at Cenacchi International S.r.l. and Modar S.p.A.;
- Kitchens and Systems: dedicated to the design, production and marketing of modular kitchen solutions and systems. At the reporting date, Cubo Design S.r.l. and its subsidiary Nian Design S.r.l. were part of this segment.
- Other: comprised of the smaller companies (IDB Suzhou Co. Ltd. And IDB USA Corp.), as well as the Parent Company Italian Design Brands S.p.A.

The strategic business area is typically the reference unit by means of which the Group monitors the performance of its business, and is characterised by the homogeneity of the core markets, without however having an independent organisation.

Income statement by strategic business area

The following is the breakdown of the income statement by strategic business area as at 31 December 2022 and 31 December 2023, where inter-segment revenues (almost exclusively attributable to commercial relationships with the Group's foreign subsidiaries belonging to the "Other" operating segment) have been eliminated in the amount of EUR 2.333 million:

amounts are shown in €/1,000	Furniture	Lighting	Luxury Contract	Kitchen and Systems	Other	31/12/2022
Revenue (*)	105,793	24,545	68,289		857	199,484
Other income	1,718	205	128		49	2,101
Total revenue and income	**107,511**	**24,750**	**68,417**	**0**	**907**	**201,585**
Purchases 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 write-downs	(81)	(11)	(27)		-	(120)
EBITDA	**20,139**	**6,870**	**12,498**	**0**	**(7,776)**	**31,732**
Amortisation, depreciation and write-downs of fixed assets	(3,975)	(760)	(4,372)		(194)	(9,302)
Operating profit/(loss)	**16,164**	**6,110**	**8,126**	**0**	**(7,970)**	**22,430**
Financial income						4,592
Financial expenses						(25,890)
Profit before tax						**1,132**
Income tax						(7,064)
Net profit/(loss)						**(5,932)**

amounts are shown in €/1,000	Furniture	Lighting	Luxury Contract	Kitchen and Systems	Other	31/12/2023
Revenue (*)	119,413	28,854	85,187	52,273	1,623	287,350
Other income	2,770	413	373	1,122	291	4,969
Total revenue and income	**122,183**	**29,267**	**85,560**	**53,394**	**1,914**	**292,319**
Purchases of raw materials	(46,489)	(9,848)	(28,196)	(25,313)	39	(109,807)
Costs for services and use of third-party assets	(34,556)	(7,240)	(25,712)	(11,574)	(6,808)	(85,891)
Staff costs	(18,447)	(5,485)	(12,025)	(5,523)	(2,642)	(44,122)
Provisions and write-downs	(73)	(8)	(29)	(278)	-	(388)
EBITDA	**22,618**	**6,685**	**19,599**	**10,705**	**(7,497)**	**52,111**
Amortisation, depreciation and write-downs of fixed assets	(5,510)	(980)	(4,442)	(5,400)	(664)	(16,997)
Operating profit/(loss)	**17,108**	**5,705**	**15,157**	**5,305**	**(8,162)**	**35,114**
Financial income						16,320
Financial expenses						(14,086)
Profit before tax						**37,348**
Income tax						(9,218)
Net profit/(loss)						**28,130**

(*) The revenue for each segment include both revenues realised in respect of third parties and revenues realised in respect of other Group operating segments. The figure for the latter was not material: it was therefore not deemed necessary to provide further details.

Revenues from the "Furniture" and "Lighting" operating segments in 2023 were up by 13% and 18% respectively, resulting from both internal and external growth. Both operating segments also benefited from growth resulting from the change in the scope of consolidation. In particular, within the Furniture segment, the acquisition of Turri led to an increase in revenues of EUR 11.487 million, while the consolidation of Axo Light positively affected the revenue of the Lighting segment by EUR 2.082 million. The internal growth of the two sectors on a like-for-like basis would therefore be 2% and 9% respectively.

The fully organic 25% increase in revenues in "Luxury Contract" is very significant; the segment benefited from the recovery of the sector after the slowdown due to the Covid pandemic.

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

Both "Furniture" and "Lighting" show an EBITDA that affects sales substantially, in line with the previous year (19% and 23% respectively). On the other hand, the EBITDA growth in "Luxury Contract" is significant, reaching 23% of revenues, compared to 18% in the previous year.

The contribution to EBITDA (20% of revenues) of the new strategic business area "Kitchens and Systems", established with the acquisition of Cubo Design and its subsidiary Nian Design, should be noted.

It should also be noted that the "Other" strategic business area contributed negatively to EBITDA, mainly as a result of the costs for non-recurring services related to the IPO and company acquisition processes during the period, which were recorded in the income statement for a total of EUR 2.044 million.

Statement of financial position by strategic business area

The following is the breakdown of the statement of financial position by strategic business area as at 31 December 2022 and 31 December 2023, where inter-segment receivables and payables (almost exclusively attributable to commercial relationships with the Group's foreign subsidiaries belonging to the "Other" operating segment) have been eliminated:

amounts are shown in €/1,000	Furniture	Lighting	Luxury Contract	Kitchen and Systems	Other	31/12/2022
Intangible assets	66,223	18,975	48,680		4	133,881
Right of use	15,468	1,146	4,428		3,326	24,368
Property, plant and equipment	11,156	689	2,247		185	14,277
Holdings and other non-current assets	3,892	310	604		2,146	6,952
Non-current assets	**96,738**	**21,121**	**55,959**	**0**	**5,660**	**179,478**
Inventory and contract assets	14,359	5,477	4,684		47	24,567
Trade receivables	13,132	3,386	5,114		199	21,831
Business advances and contract liabilities	(7,540)	(879)	(10,225)		(289)	(18,933)
Trade payables	(20,801)	(3,467)	(12,080)		(1,021)	(37,369)
Operating net working capital	**(850)**	**4,517**	**(12,507)**	**0**	**(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)**	**0**	**(2,758)**	**(15,753)**
Provisions for risk and severance pay	(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**	**0**	**2,805**	**142,885**
Net financial debt						(84,105)
Shareholders' equity						(58,780)
Financing sources						**(142,885)**

amounts are shown in €/1,000	Furniture	Lighting	Luxury Contract	Kitchen and Systems	Other	31/12/2023
Intangible assets	102,368	22,276	45,360	73,625	6	243,635
Right of use	16,469	2,617	4,025	7,064	2,735	32,910
Property, plant and equipment	13,186	1,395	2,649	9,561	1,841	28,631
Holdings and other non-current assets	4,921	554	723	1,423	921	8,543
Non-current assets	**136,944**	**26,841**	**52,758**	**91,674**	**5,502**	**313,719**
Inventory and contract assets	25,623	6,557	4,783	3,555	1,128	41,646
Trade receivables	15,976	4,150	11,529	7,076	229	38,961
Business advances and contract liabilities	(13,931)	(1,033)	(7,083)	(1,930)	(827)	(24,804)
Trade payables	(25,516)	(4,121)	(11,940)	(9,206)	(487)	(51,271)
Operating net working capital	**2,152**	**5,552**	**(2,711)**	**(505)**	**43**	**4,531**
Other current liabilities	(6,253)	(1,785)	(4,285)	(1,831)	(1,333)	(15,488)
Other current assets	5,050	690	1,156	1,487	2,677	11,059
Net working capital	**949**	**4,456**	**(5,840)**	**(849)**	**1,387**	**102**
Provisions for risk and severance pay	(5,299)	(1,483)	(3,405)	(1,627)	(130)	(11,944)
Other non-current liabilities	(8,836)	(553)	(4,006)	(13,153)	(3)	(26,551)
Net invested capital	**123,758**	**29,261**	**39,507**	**76,045**	**6,755**	**275,326**
Net financial debt						(120,948)
Shareholders' equity						(154,378)
Financing sources						**(275,326)**

Overall, there was significant growth in non-current assets, mainly related to corporate acquisitions in the period. Operating net working capital, negative by EUR 9.904 million at 31 December 2022, becomes slightly positive at EUR 4.531 million as a result of the financial performance from the collection of receivables and the payment of debts

In "Furniture", the increase in non-current assets is related to the acquisition of Turri, described in Note 1. Operating working capital shows a positive change mainly as a result of the increase in the value of inventory, mainly due to the change in the scope of consolidation (+EUR 11.71 million).

The increase in non-current assets in "Lighting" is related to the acquisition of Axo Light described in Note 1. Operating working capital is positively influenced by the increase in the value of inventory, mainly due to the change in the scope of consolidation (+EUR 1.302 million).

The decrease in non-current assets in "Luxury Contract" is mainly due to the amortisation of customer relationships, while the structurally negative net working capital at 31 December 2023 increased significantly due to a combined effect of financial dynamics in the collection of receivables, advances and the payment of debts on orders in progress.

The net working capital of the segment "kitchens and systems" is negative by EUR 849 thousand.

In the "Other" operating segment, the net working capital decreased due to the increase in trade payables at 31 December, which are also linked to non-recurring costs for services related to the IPO process incurred in the period.

Earnings per share

The information on basic and diluted earnings per share required by IAS 33 is provided below.

	31/12/2022	31/12/2023
Net profit attributable to the ordinary shareholders of the Parent Company for the purposes of basic and diluted earnings per share (in thousand euros)	(5,932)	28,007
Weighted average number of ordinary shares, including treasury shares, for the purpose of earnings per share	20,216,740	24,391,801
Weighted average number of treasury shares	0	163
Weighted average number of ordinary shares, excluding treasury shares, for the purpose of basic earnings per share	20,216,740	24,391,638
Earnings per share:		
• Basic, for the earnings for the period attributable to the ordinary shareholders of the Parent Company	(0.29)	1.15
• Diluted, for the earnings for the period attributable to the ordinary shareholders of the Parent Company	(0.29)	1.15

The shares forming the share capital are ordinary shares and there are no requirements regarding dividend distribution or other preferred forms of performance allocation among the shares. Moreover, there are no outstanding instruments with a potential dilutive effect on the profit and loss of the shareholders of the Parent Company.

FINANCIAL RISK MANAGEMENT

The Group is exposed to the following financial risks related to 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 buying and selling activities in currencies other than its functional currency;
- interest rate risk, related to the cost of indebtedness to the financial system;
- financial liability remeasurement risk for earnouts, put & call options and the long-term incentive plan;
- market risk, with particular reference to the risk of changes in the price of materials and the consequent maintenance of product sales margins.

Group companies constantly monitor the risks to which they are exposed, in order to assess in advance the potential negative effects and take appropriate action 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 inability of counterparties to meet their obligations and essentially relates to sales. Given the business segment, the customer portfolio of the Group companies is divided into many, often small, entities, and exposure is therefore limited. Subsidiaries Cenacchi International S.r.l. and Turri S.r.l. operate on the global market with renowned clients; it should be noted here that there is a concentration towards several companies that are traceable to a few economic entities with which the company management's relationships are very well established; in particular, the turnover in question amounts to EUR 40.7 million as of 31 December 2023.

Credit risk is managed through the close and timely monitoring of customers and by assigning an exposure level to each of them, over which supply may be suspended. However, the risk is limited; for many EU customers and all non-EU customers, the Group companies normally require advance payment or guarantees. For the purpose of preparing the end-of-period financial statements, positions, if individually significant, are subject to individual write-downs when an objective condition of partial or total non-recoverability is detected. For payables that are not subject to individual write-downs, the Group applies a simplified approach in calculating expected losses, recognising them in full at each reporting date. To determine expected losses, the Group has established a system based on historical and statistical information, revised to consider prospective elements with reference to specific types of debtors and their economic environment.

The Group's maximum exposure to credit risk is equal to the carrying amount recorded in the financial statements, gross of the provision for doubtful accounts, which totalled EUR 40.356 million as at 31 December 2023 and EUR 23.242 million as at 31 December 2022.

Trade balances as at 31 December 2023, totalling EUR 38.961 million, include current receivables in the amount of EUR 28.612 million and past due receivables in the amount of EUR 10.349 million, of which EUR 7.459 million within 90 days and EUR 2.89 million beyond 90 days, net of the related provision for doubtful accounts.

As at 31 December 2023, there were no insured or guaranteed receivables.

Trade balances as at 31 December 2022, totalling EUR 21.831 million, include current receivables in the amount of EUR 19.986 million and past due receivables in the amount of EUR 1.846 million, of which EUR 1.521 million within 90 days and EUR 325 thousand beyond 90 days, net of the related provision for doubtful accounts.

The amount of insured or guaranteed receivables as at 31 December 2022 was EUR 483 thousand.

For further details, please refer to Note 9.

Liquidity risk

Liquidity risk may arise when it is not possible to obtain, under favourable economic conditions, the financial resources necessary for the operation of the Group companies. Liquidity risk relates to the cash flows generated and absorbed by day-to-day operations and the resulting need to access financing to support business expansion. Liquidity risk is also linked to the existence of contractual obligations to comply with certain financial ratios (“covenants”) to be calculated on the financial statements of the individual subsidiaries.

The evolution of cash flows and the use of credit facilities are closely monitored by the Group Finance Department and the directors in order to ensure that financial resources are used efficiently and effectively, including in terms of expenses and interest.

The Group’s financial resources are mainly ensured by medium-long-term loans and undrawn credit lines for current operations granted by primary banking institutions. Specifically, as at 31 December 2023, the Group had cash and other similar financial assets in the amount of EUR 70.078 million and undrawn bank credit lines. At the same date, total nominal financial indebtedness to third parties amounted to approximately EUR 191.025 million, of which EUR 84.274 million to banks and EUR 106.751 million to others, of which EUR 114 thousand to shareholders for loans, EUR 72,937 for put & call options and earnouts for the benefit of minorities, and EUR 33,700 for payables to lessors (IFRS 16). The portion maturing in less than 12 months amounted to EUR 33.653 million, of which EUR 20.442 million due to banks, EUR 7.56 million for put & call options and earnouts, and EUR 5.671 million for lease payables (IFRS 16).

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of an exposure will change due to fluctuations in exchange rates.

The Group has a limited exposure to the risks arising from exchange rate fluctuations, which may affect profit or loss and shareholders’ equity as the prevailing transactions are in euros and because the Group’s net investments in foreign entities (currency translation risk) are limited. Since receipts and payments in US dollars are partly offset, currency risks are contained and therefore the provision of foreign exchange hedges was not considered necessary. The use of currencies beyond the euro, US dollar and British pound in commercial transactions is almost zero.

The following table shows the sensitivity to a possible change in the US dollar and pound sterling exchange rate, with all other variables held constant. The effect on Group profit before tax is due to changes in the fair value of monetary assets and liabilities outstanding at the end of the period, while the effect on shareholders’ equity before tax includes the effect of translating the net assets/liabilities of foreign consolidated companies. The Group's exposure to exchange rate variations for all other foreign currencies is not material.

amounts are shown in €/1,000	-10%	-5%	+5%	+10%
Foreign exchange gain/(loss) from a fluctuation in the euro/US dollar exchange rate	394	187	(169)	(323)
Foreign exchange gain/(loss) from a fluctuation in the euro/pound sterling exchange rate	(199)	(94)	85	163
Total	**196**	**93**	**(84)**	**(160)**

Interest rate risk

Interest rate risk can be defined as the risk that changes in market interest rates will result in a decrease in business profitability. The Group makes use of external financial resources in the form of debt. Changes in market interest rates influence the cost and return of various forms of financing by affecting financial expenses. Interest rate risk is managed through the use of derivative financial instruments in the form of interest rate swaps.

As at 31 December 2023, the Group had financial exposure to banks for financing in various technical forms for a total amount of EUR 84.274 million, on which variable interest rates accrued ranging from 1.3% to 8.0% over 2023, and cash and other similar financial assets totalling EUR 70.078 million.

Interest rate swap contracts are in place to cover this exposure, with a total notional residual amount of EUR 28.516 million.

Such contracts have a notion to scale on the basis of the amortisation plan of the underlying loans, as shown in the following table (values are expressed in thousands of euro):

Notional	Maturity date	Amount	Type of contract	Mark to market (assets)	Mark to market (liabilities)
UniCredit amortising line	30/09/2024	865	IR Swap	22	
UniCredit bullet line	31/10/2025	1,000	IR Swap	51	
Intesa amortising line	30/09/2025	717	IR Swap	22	
UniCredit amortising line	30/06/2024	360	IR Swap	15	
UniCredit amortising line	31/12/2026	6,000	IR Swap		(112)
UniCredit bullet line	30/06/2029	2,000	IR Swap		(112)
UniCredit amortising line	30/06/2029	4,412	IR Swap		(149)
UniCredit amortising line	30/10/2025	1,416	IR Swap	53	
Intesa amortising line	31/01/2030	3,250	IR Swap		(81)
BPM amortising line	31/01/2030	3,250	IR Swap		(81)
Intesa bullet line	31/01/2030	1,500	IR Swap		(65)
BPM bullet line	31/01/2030	1,500	IR Swap		(65)
Intesa amortising line	30/07/2029	981	IR Swap	84	
Intesa amortising line	06/08/2029	1,266	IR Swap	91	
Total		**28,516**		**338**	**(665)**

The following table shows the sensitivity to a possible change in interest rates on that portion of variable-rate debt and loans, after hedge accounting effects. With all other variables held constant, and therefore based on the value of the financial debt to banks at the end of the period and the repayment flows expected in the respective amortisation schedules, this positive or negative change in interest rates would result in higher or lower financial income and expenses before the tax effect as shown below:

amounts are shown in €/1,000	-500BP	-250BP	+250BP	+500BP
(Lower) / Higher financial income	(5)	(3)	3	5
Lower / (Higher) financial expenses	2,574	1,664	(624)	(1,775)
Total	**2,568**	**1,662**	**(621)**	**(1,769)**

Financial liability remeasurement risk for earnouts, put & call options and the long-term incentive plan

Financial liabilities include the best estimate of the present value of the earnouts and put & call options entered into with the minority shareholders of the acquired companies, as well as the long-term incentive plan of the Company's directors The earnout and put & call option values are directly linked to the achievement of certain economic and financial targets by the companies acquired (generally contractually defined EBITDA and NFP) in the periods following the taking over of control. The value and recognition of the incentive plan, on the other hand, are linked to the appreciation of the Company's share price. These financial liabilities are remeasured at every period-end or when a liquidation event occurs. Their effects are then reflected under financial income or expenses in the income statement, together with the estimated cost of discounting the financial liabilities.

For the sensitivity analysis on the re-measurement risk of earnouts and put & call options, a 10% increase or decrease in the contractually expected EBITDA in the various plan years concerned was assumed, as well as a EBITDA to NFP conversion rate of 60%. The related effects on net profit before tax are summarised in the following table:

amounts are shown in €/1,000*	Actual	EBITDA +10%	EBITDA -10%
Earnout	18,380	20,566	13,410
Put & Call	54,580	61,098	45,424
Total	**72,960**	**81,665**	**58,834**

* estimated EBITDA to NFP conversion rate of 60%

Price risk

Purchase prices normally have a duration of one year, while sales prices absorb and tend to neutralise increases in purchases. Even in the presence of an inflationary scenario over the year, the impact of the increase in raw material prices remains limited, also due to the ability of the Group companies to adjust their sales prices accordingly and maintain margins.

MACROECONOMIC REPORTING

Developments in the global economy, the environment of political, economic and financial instability and the volatility of financial markets could influence the performance of the Group, with possible adverse effects on its economic, capital and financial position.

Risks related to the global geopolitical situation

The Group is exposed to the risks associated with the current and future global, European and Italian economic and political situation, which is also aggravated by recent political and military tensions in Ukraine and Israel, where the development and political and economic impact are still uncertain and hard to assess. Therefore, it cannot be excluded that the occurrence and/or continuation of any economic downturn and/or political instability and any future negative impact, including any significant impact, on the global, European and/or national economy may lead to a weakening of demand for the Group's products, with potential adverse effects on the Group's business and prospects, as well as on its economic, capital and financial position.

The global geopolitical situation is undergoing extremely tense and complex period due to military conflicts in an already critical situation caused by the pandemic, which has further stimulated inflationary phenomena and speculative dynamics. The Group has very limited involvement in the areas affected by the Russian-Ukrainian conflict and the Israeli-Palestinian conflict, and its business model is not particularly exposed to inflationary commodity phenomena or higher energy costs; however, it cannot be excluded that the continuation of this situation may lead to margin pressures or impacts on the propensity to consume durable goods.

Risks related to climate change

In preparing the annual consolidated financial statements, taking into account the priorities shared by ESMA and in light of the findings of The Global Risks Report 2023 prepared by the World Economic Forum, IDB's management assessed the effect of climate risks on the Group.

Specifically, by defining the potential impacts of physical risks and transition risks (relating to technological innovations, regulatory changes, and changing market expectations), management was able to obtain a sufficiently complete picture of the situation at the Group level. In the light of these considerations, no significant influence was found in the estimates and assessments of the plans.

Unless there are regulatory changes, which are not foreseeable or conceivable to date and in view of the numerous measures taken by the Group companies to mitigate them (including the appropriate transfer of risk to insurance companies), ongoing climate change is not expected to have any significant impact due to the type of business and production factors used today.

Fully aware of the strategic importance of responsible and sustainable operations, the Group decided some time ago to take a proactive stance on sustainability, including by voluntarily communicating information to its stakeholders on environmental, social and governance factors. The Group recognises the fundamental role played by strong and long-lasting cooperation with all stakeholders and its commitment to an increasingly sustainable business.

Lighting

Axolight

Part of IDB Group since 2021

Leading decorative lighting company, based in Italy and in the US that creates, develops, and manufactures high-end designer lamps in the company's laboratory in Scorzè, Venice. Each product is a perfect synthesis between design, technique and functionality; Italian craftsmanship and the most advanced technologies in the field of lighting, helping to illuminate and furnish spaces of high design private residences, prestigious public spaces, both indoor and outdoor.

In early 2024, the Company concluded activities to quantify its organisation's carbon footprint with reference to 2023. The inventory, quantified and certified according to the ISO 14064-1 standard, was fully offset through the purchase of voluntary carbon credits. This is a first important step towards the adoption of a plan to reduce the environmental impact of the Group's activities, thanks to which IDB already operates in a carbon neutrality system.

CAPITAL MANAGEMENT

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

The objectives of capital management are mainly linked to the achievement of a strong credit rating, in order to support operational activities, as well as growth for external lines and to maximise shareholder value.

The Group monitors capital by following the development of the debt ratio, which comes from a comparison between the value of the net financial position (financial debt) and consolidated equity. The Group includes loans and financing in net financial debt, including financial and operational lease payables, derivative contracts and payables for company acquisitions (earnouts and put options), net of cash and cash equivalents and comparable current financial assets.

amounts are shown in €/1,000	31/12/2022	31/12/2023
Net financial debt	84,105	120,948
Group shareholders' equity	58,780	154,378
NFP/Group shareholders' equity ratio	**1.43**	**0.78**

The change in the ratio is linked both to the increase in net financial debt as a result of the acquisitions completed in the 2023 financial year and to the change in net assets, which is mainly due to the increase in capital related to the Company's listing.

The Group's capital management aims, *inter alia*, to ensure that any covenants related to interest-bearing financing and loans, which lay down capital structure requirements, are respected. Any breaches in the covenants would allow banks to demand the immediate repayment of loans and financing. As at 31 December 2023, the covenants applicable to the financing provided by UniCredit to the parent company IDB and its subsidiaries Cenacchi International S.r.l., Saba Italia S.r.l., Modar S.p.A. and Flexalighting S.r.l. were respected, as were those applicable to the financing provided by the Intesa Sanpaolo/BPM pool to the subsidiary Cubo Design S.r.l. and by Cassa Depositi e Prestiti to the parent company IDB. However, Gamma Arredamenti International S.p.A. was unable to comply with the financial covenant on the financing in place with UniCredit, given an operating result that was lower than expected. However, by 31 December 2023 the company had obtained a special waiver from the financial institution. For more details, please see Note 17.

ANALYSIS OF THE COMPOSITION OF THE MAIN BALANCE SHEET ITEMS AS AT 31 DECEMBER 2023

Comments on business activity items

1. Business combinations

Acquisition of Cubo Design S.r.l.

On 31 January 2023, by means of special-purpose vehicle Fincubo S.r.l. (60% held by IDB and 40% by former shareholders of Cubo Design S.r.l.), IDB acquired the entire share capital of Cubo Design S.r.l., a company specialised in the production of modular kitchens, with a 51%-owned subsidiary, Nian Design S.r.l., specialised in the processing of marble for kitchen manufacturing.

The price set for the acquisition breaks down as follows:

a) consideration at the time of acquisition of EUR 48 million, of which EUR 9.2 million as reinvestment by former shareholders;
b) a deferred consideration as a variable earn-out, to be settled from 2023 on an annual basis, up to a maximum of EUR 4,300 thousand based on the actual collection or offsetting of the tax credits of Cubo existing at 31 December 2021;
c) a deferred consideration as an earn-out, to be settled from 2024 within 30 days of the approval of the 2023 financial statements and based on the average EBITDA achieved by Cubo Design S.r.l. in the financial years 2022 and 2023, estimated at the acquisition date at EUR 4,474 thousand, as the maximum amount contractually agreed and discounted to take the time factor into account.

At the same time as the acquisition, a put & call agreement was signed between IDB and the selling shareholders for the transfer of the remaining 40%. According to this agreement, in 2027, after the approval of the 2026 financial statements:

- the minority shareholders will have the right to sell (put option) to IDB – which will have the obligation to purchase – their shares of the company for a consideration calculated on the basis of average EBITDA in the two-year period prior to the exercise of the option, to which a multiplication factor is applied and the net financial position at the end of the year prior to 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) 40% of the share capital of Fincubo S.r.l. from the same, which will have the obligation to sell, for a consideration determined using the same calculation methods as for the put option.

On the basis of this combination of put & call options, the holding recorded by the Group in the consolidated financial statements was equal to 100% of the subsidiary Cubo Design. At the same time, the financial liability for the purchase of the 40% minority interest was recognised under other non-current financial liabilities, totalling EUR 32.668 million at the acquisition date.

On 26 June 2023, the reverse merger of Fincubo S.r.l. into Cubo Design S.r.l. was carried out on the basis of the draft merger dated 22 May 2023. The aforementioned merger was approved by both companies involved in the merger by means of resolutions of their respective shareholders' meetings held on 24 May 2023.

The consolidated financial statements of IDB Group as at 31 December 2023 include the results of Cubo Design S.r.l. for the period since the acquisition date and the results of Nian Design S.r.l. in relation to the actual controlling interest (51%) held until 20 December 2023, when the purchase by Cubo Design of the remaining minority share of 49% for an amount of about EUR 700 thousand was completed.

Since the acquisition date of 31 December, the revenue of Cubo Design S.r.l. and Nian Design S.r.l. amount to EUR 52.273 million.

If the acquisition of the two companies had taken place at the start of the 2023 period, revenue would have come to EUR 55.239 million.

The table below breaks down the information on assets and liabilities, respectively acquired and assumed as at the acquisition date. The difference between the net proceeds of the acquisition and the total net assets acquired was allocated to the Miton and Binova brands, to customer relations and residually to goodwill:

(amounts in thousands of euros)	Carrying amounts at the acquisition date	Allocation	Overall amounts at fair value
ASSETS			
Intangible assets	370	44,389	44,759
Goodwill			-
Brands	*115*	*20,550*	*20,665*
Customer relations and order backlog		*23,839*	*23,839*
Other intangible assets	*255*		*255*
Right of use	7,110		7,110
Property, plant and equipment	10,895		10,895
Deferred tax assets	139		139
Other non-current assets	1,041		1,041
Inventories	3,557		3,557
Trade receivables	5,613		5,613
Income tax credits	1,018		1,018
Other current assets	352		352
Cash and cash equivalents	14,831		14,831
TOTAL ASSETS	**44,926**	**44,389**	**89,314**
LIABILITIES			
Post-employment benefits	813		813
Provisions for risks and charges	696		696
Financial payables	11,538	-	11,538
Deferred taxes	44	12,384	12,429
Trade payables	10,662		10,662
Income tax payables	433		433
Other current liabilities	3,789		3,789
TOTAL LIABILITIES	**27,975**	**12,384**	**40,359**
TOTAL NET ASSETS ACQUIRED (A)			48,955
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO MINORITY INTERESTS (B)			26
CONSIDERATION FOR THE ACQUISITION (C) (*)			79,411
GOODWILL FROM BUSINESS COMBINATION (D = C - A + B)			30,483
Cash and cash equivalents acquired (E)			14,831
Deferred earn-out payments (F)			7,943
Deferred put & call payments (G)			32,668
PAYMENTS MADE FOR THE ACQUISITION (C - (E + F + G)) (**)			**23,969**

(*) Calculated as the sum of the present value of the ownership interest, payables for earn-out and payables for the put & call options, net of the reinvestment of the minority shareholders.
(**) Calculated as the consideration for the acquisition, net of the reinvestment of minority shareholders, cash and cash equivalents, payables for earn-out and payables for the put & call options.

Goodwill (EUR 30.483 million) was determined as the difference between the fair value of the consideration and the fair value of the net assets acquired. To determine the fair value of the intangible assets acquired, the measurement techniques used by the independent consultant, who supported the Board of Directors in the purchase price allocation process, are the Royalty Method and the Multi-Period Excess Earning Method (MPEEM).

In December 2023, Cubo Design S.r.l. acquired the remaining 49% of the shares of Nian Design S.r.l., thus gaining full control of the company. This transaction is recognised as an equity transaction in accordance with international accounting standard (IFRS) 10. Any difference (excess or deficit) between the amount paid and the carrying amount of the minority interest acquired is recognised under the shareholders' equity of the parent company when acquiring or disposing of a minority interest, without loss of control. The Group decided to take this effect into account within retained earnings. With respect to the subsidiary to which these minority interests relate, there were no cumulative items in other comprehensive income.

Acquisition of Axo Light S.r.l.

On 18 July 2023, IDB acquired another 31% of the share capital of Axo Light S.r.l., of which it already held 20%. Axo Light S.r.l. is a lighting firm specialising in the design and manufacture of Italian-made lights, with a wholly owned subsidiary, Axo Light USA Corp., as its US distributor.

The price set for the acquisition breaks down as follows:

a) a consideration of EUR 1,240 thousand at the time of the acquisition for the purchase of 31%.

At the same time as the acquisition, a put & call agreement was signed between IDB and the selling shareholders for the transfer of the remaining 49%. Under the agreement, in 2026, after the approval of the 2025 financial statements:

- the minority shareholders will have the right to sell (put option) to IDB – which will be obliged to purchase – their shares of the company for a consideration calculated on the basis of average EBITDA in the two-year period prior to the exercise of the option, to which a group multiplication factor is applied and the net financial position at the end of the year prior to 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) 49% of the share capital of Axo Light S.r.l. from these shareholders, which will be obliged to sell, for a consideration determined using the same calculation methods as for the put option.

On the basis of this combination of put & call options, the holding recorded by the Group in the consolidated financial statements is equal to 100% of the subsidiary Axo Light. At the same time, the financial liability at fair value for the purchase of the 49% minority interest was recognised under other non-current financial liabilities, totalling EUR 1.904 million at the acquisition date.

The consolidated financial statements of the IDB Group as at 31 December 2023 include the results of Axo Light S.r.l. for the period from the acquisition date and include the results of Axo Light USA Corp.

As at the acquisition date of 31 December 2023, revenue of Axo Light S.r.l. and Axo Light USA Corp. amounted to EUR 2.082 million.

If the acquisition of the two companies had taken place at the start of the 2023 period, revenue would have come to EUR 4.454 million.

Furniture

GAMMA

Part of IDB Group since 2022

Founded in Forlì in 1974 as a result of the friendship and shared passion for design and furniture of Gabriele Ghetti and Carla Botti. Is probably the Italian manufacturer of leather upholstered furniture with the highest level of quality. It is featured in the best showrooms and the most prestigious furniture studios internationally. In 2008, Gamma launched the brand “Dandy Home,” a collection of upholstered furniture and furnishing accessories coordinated by the artistic direction of Giuseppe Viganò.

The table below breaks down the information on assets and liabilities, respectively acquired and assumed as at the acquisition date. The difference between the net consideration for the acquisition and the total net assets acquired was provisionally allocated to goodwill:

(amounts in thousands of euros)	Carrying amounts at the acquisition date	Allocation	Overall amounts at fair value
ASSETS			
Intangible assets	256	-	256
Goodwill	129		129
Brands	*10*		*10*
Other intangible assets	*117*		*117*
Right of use	254		254
Property, plant and equipment	407		407
Deferred tax assets	6		6
Other non-current assets	366		366
Inventories	1,373		1,373
Trade receivables	1,042		1,042
Income tax credits	25		25
Other current assets	252		252
Other current financial assets	1,450		1,450
Cash and cash equivalents	585		585
TOTAL ASSETS	**6,017**	**-**	**6,017**
LIABILITIES			
Post-employment benefits	231		231
Provisions for risks and charges	194		194
Financial payables	3,241		3,241
Deferred taxes	97		97
Trade payables	992		992
Income tax payables	11		11
Other current liabilities	727		727
TOTAL LIABILITIES	**5,493**	**-**	**5,493**
TOTAL NET ASSETS ACQUIRED (A)			524
CONSIDERATION FOR THE ACQUISITION (B) [*]			3,944
PROVISIONAL GOODWILL FROM BUSINESS COMBINATION (C = - A + B)			3,420
Cash and cash equivalents acquired (D)			585
Deferred put & call payments (E)			1,904
PAYMENTS MADE FOR THE ACQUISITION (B - (D + E)) [**]			**1,455**

[*] Calculated as the sum of the present value of the ownership interest and payables for put & call options.
[**] Calculated as the consideration for the acquisition net of cash and cash equivalents and payables for put & call options.

Acquisition of Turri S.r.l. (formerly Turri 2K S.r.l.)

On 29 September 2023, through the special-purpose vehicle Finturri S.r.l. (51% owned by IDB and 49% owned by the former shareholders of Turri 2K S.r.l.), IDB acquired 100% of the share capital of Turri 2K S.r.l., a company specialising in interior and contract furnishings, with the related wholly owned subsidiaries Turri UK Ltd, Turri USA Corp. and Turri Shanghai Furnitures, specialising in distribution.

The price set for the acquisition breaks down as follows:

a) consideration at the time of acquisition of EUR 25.750 million, of which EUR 4.9 million as reinvestment by former shareholders;
b) a deferred consideration as an earn-out, to be settled from 2026 within 30 days of the approval of the 2025 financial statements and based on the average EBITDA achieved by Turri 2K S.r.l. in the previous periods, estimated at the acquisition date at EUR 10,704 thousand, as the maximum amount contractually agreed and discounted to take the time factor into account;
c) a deferred amount as a variable earn-out, to be settled from 2025, of an estimated EUR 2.2 million depending on the performance of certain contractually identified orders.

At the same time as the acquisition, a put & call agreement was signed between IDB and the selling shareholders for the transfer of the remaining 49%. Under the agreement, in 2027, after the approval of the 2026 financial statements:

- the minority shareholders will have the right to sell (put option) to IDB – which will have the obligation to purchase – their shares of the company for a consideration calculated on the basis of average EBITDA in the two-year period prior to the exercise of the option, to which a multiplication factor is applied and the net financial position at the end of the year prior to 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) 49% of the share capital of Finturri S.r.l. from these shareholders, which will have the obligation to sell, for a consideration determined using the same calculation methods as for the put option.

On the basis of this combination of put & call options, the holding recorded by the Group in the consolidated financial statements is equal to 100% of the subsidiary Turri. At the same time, the financial liability at fair value for the purchase of the 49% minority interest was recognised under other non-current financial liabilities, totalling EUR 8.837 million at the acquisition date.

The consolidated financial statements of IDB Group as at 31 December 2023 include revenue of Turri S.r.l. and its subsidiaries for the period after the acquisition date of EUR 11.487 million.

If the acquisition of the two companies had taken place at the start of the 2023 period, revenue would have come to EUR 29.614 million.

The table below breaks down the information on assets and liabilities, respectively acquired and assumed as at the acquisition date. The difference between the net proceeds of the acquisition and the total net assets acquired was allocated to brands, to customer relations and the order backlog, and provisionally, residually to goodwill:

(amounts in thousands of euros)	**Carrying amounts at the acquisition date**	**Allocation**	**Overall amounts at fair value**
ASSETS			
Intangible assets	79	8,176	8,255
Goodwill			-
Brands	*75*	*3,641*	*3,716*
Customer relations and order backlog		*4,535*	*4,535*
Other intangible assets	*4*		*4*
Right of use	2,966		2,966
Property, plant and equipment	1,258		1,258
Deferred tax assets	900		900
Other non-current assets	402		402
Inventories	6,635		6,635
Contract assets	1,324		1,324
Trade receivables	3,575		3,575
Income tax credits	141		141
Other current assets	709		709
Other current financial assets	4,528		4,528
Cash and cash equivalents	3,603		3,603
TOTAL ASSETS	**26,122**	**8,176**	**34,298**
LIABILITIES			
Post-employment benefits	161		161
Provisions for risks and charges	223		223
Financial payables	9,509		9,509
Deferred taxes		2,281	2,281
Trade payables	3,757		3,757
Other current liabilities	8,795		8,795
TOTAL LIABILITIES	**22,446**	**2,281**	**24,727**
TOTAL NET ASSETS ACQUIRED (A)			9,571
CONSIDERATION FOR THE ACQUISITION (B) (*)			38,853
GOODWILL FROM BUSINESS COMBINATION (C = - A + B)			29,282
Cash and cash equivalents acquired (D)			3,603
Deferred earnout payments (E)			9,165
Deferred put & call payments (F)			8,837
PAYMENTS MADE FOR THE ACQUISITION (B - (D + E + F)) (**)			**17,247**

(*) as the sum of the present value of the ownership interest and payables for put & call options and earnouts.
(**) Calculated as the consideration for the acquisition net of cash and cash equivalents and payables for put & call options and earnouts.

Goodwill (EUR 29.282 million) was determined based on the difference between the fair value of the consideration and the fair value of the net assets acquired. To determine the fair value of the intangible assets acquired, the measurement techniques used by the independent consultant, who supported the Board of Directors in the purchase price allocation process, are the Royalty Method and the Multi-Period Excess Earning Method (MPEEM).

It should be noted that the business combinations of Axo Light S.r.l. and Turri S.r.l. have been provisionally determined, while that relating to Cubo Design S.r.l. has been definitively determined.

2. Intangible assets

The composition of and changes to intangible assets as at 31 December 2022 and 31 December 2023 are as follows:

amounts are shown in €/1,000	Goodwill	Brands	Models	Customer relations and order backlog	Other intangible assets	Totals
initial gross value	57,119	26,220	12,474	33,159	2,962	131,935
initial depreciation fund			(7,002)	(12,275)	(1,885)	(21,161)
initial net value 01/01/2022	**57,119**	**26,220**	**5,472**	**20,883**	**1,078**	**110,774**
transactions in the period						
acquisitions		10	19		480	510
business combinations	14,868	6,967	4,362	1,708		27,905
divestments					(169)	(169)
other changes	(308)	(3)	(27)	(0)	(160)	(498)
depreciation of the period			(1,130)	(3,458)	(309)	(4,898)
business combinations (fund)						-
divestment fund disposals					169	169
other fund changes			1		87	89
total transactions of 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 depreciation fund			(8,131)	(15,733)	(1,937)	(25,801)
final net value 31/12/2022	**71,679**	**33,194**	**8,697**	**19,133**	**1,176**	**133,881**

amounts are shown in €/1,000	Goodwill	Brands	Models	Customer relations and order backlog	Other intangible assets	Total
initial gross value	71,679	33,194	16,828	34,867	3,114	159,682
initial depreciation fund			(8,131)	(15,733)	(1,937)	(25,801)
initial net value 01/01/2023	**71,679**	**33,194**	**8,697**	**19,133**	**1,176**	**133,881**
transactions in the period						
acquisitions		1	11		412	423
business combinations	63,313	24,306		28,374	4,853	120,847
divestments						-
other changes	(74)	(41)			30	(84)
depreciation of the period			(1,314)	(5,271)	(466)	(7,051)
business combinations (fund)					(4,392)	(4,392)
divestment fund disposals						-
other fund changes			(1)		12	11
total transactions of the period	**63,239**	**24,267**	**(1,304)**	**23,103**	**449**	**109,754**
final gross value	134,919	57,461	16,839	63,241	8,409	280,868
final depreciation fund			(9,446)	(21,004)	(6,783)	(37,233)
final net value 31/12/2023	**134,919**	**57,461**	**7,393**	**42,236**	**1,626**	**243,635**

Intangible assets as at 31 December 2023 amounted to EUR 243,635 million, compared to EUR 133,881 million in the previous year, with an increase of EUR 109,754 million almost exclusively arising from the values attributed to intangible fixed assets during the business combination of Cubo Design S.r.l., Axo Light S.r.l. and Turri S.r.l., as described in Note 1.

Brands and goodwill are considered assets with an indefinite useful life and thus are not amortised. Therefore, they are subject to impairment testing.

In particular, all brands in the IDB Group are considered to have an indefinite useful life based on the provisions of IAS 38, taking into account in particular their reputation, economic performance, the characteristics of the target market and the level of supporting marketing initiatives and investments. The business plan approved by the Group confirms these assumptions by management.

The models, customer relations and order backlog were considered to have a definite useful life, with an amortisation period of 5 to 14 years.

On 7 February 2024, the Parent Company's directors examined the impairment tests on the values of the assets with an indefinite useful life recorded in the consolidated financial statements of the IDB Group as at 31 December 2023, and on the values of the investments recorded in the separate financial statements of the Parent Company of the same date.

For the purposes of the consolidated financial statement, the impairment test compares the values in use of the different CGUs with the respective values of net invested capital, including assets with an indefinite useful life and other net assets recorded in relation to business combinations.

The impairment test as at 31 December 2023 refers to the following Cash Generating Unit (CGU) specifications[6]: (i) Gervasoni; (ii) Meridiani; (iii) Cenacchi International; (iv) Davide Groppi; (v) Saba Italia; (vi) Modar; (vii) Flexalighting and Flexalighting North America; (viii) Gamma Arredamenti International; (ix) Cubo Design; (x) Axo Light, (xi) Turri and,

6. The cash generating unit (CGU) identified for the purposes of brand recoverability and goodwill corresponds to the company acquired (and its subsidiaries) as a whole.

finally, of Italian Design Brands S.p.A., taking into account the capital invested in the subsidiaries and the results of this company, in its role of strategic management, coordination and control of the Group.

The business plan used for the impairment test, from which the discounted cash flows were derived, was approved by the Board of Directors on 7 February 2024.The documents underlying the impairment test include the consolidated statement of financial position as at 31 December 2023 and the economic and financial plan for the period 2024–2026, from which the explicit cash flows subject to discounting were produced.

The business plan and its strategy review have been prepared by management and

i) their assumptions are consistent with actual past performance and Group performance in relation to historical trends in the relevant market;
ii) the objectives of the plan are aligned with current developments.

The estimate of the recoverable amount of the asset group under analysis was conducted in accordance with the notion of value in use. The value in use of an asset group is the present value of the future cash flows, both incoming and outgoing, that are expected to result from the continued use of the asset group. This is discounted at an appropriate discount rate that reflects current market estimates of the time value of money and the risks specific to the asset group in question.

To estimate the value in use, the Board of Directors used the explicit cash flows of the 2024–2026 economic and financial plans. It also considered an indefinite time horizon for the estimate of the terminal value of the individual CGU.

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 described below, and the methods do not deviate from those used when preparing the annual financial statements as at 31 December 2022. In any case, these reflect the different results provided for in the new plan approved by the parent company's Board of Directors, as well as the update of variables used to determine the WACC and growth rate (g).

Supported in this regard also by a special fairness opinion issued by an independent third-party expert, the Board of Directors did not identify any loss of value for any of the Group's CGUs.

The details for calculating the WACC used in each CGU subject to analysis are as follows:

	31/12/2022	31/12/2023
Risk-free rate	4.26%	3.00%
Equity market risk premium	5.94%	6.59%
Unlevered beta	0.95	0.93
Target D/E	0.43	0.43
Tax rate	24.00%	24.00%
Relevered beta	1.26	1.23
Additional risk premium	2.00%	2.00%
Cost of equity (Ke)	**13.74%**	**13.13%**
Cost of gross debt	6.25%	6.89%
Tax rate	24.00%	24.00%
Cost of debt (Kd)	**4.75%**	**5.23%**
E/(E+D)	70.00%	70.00%
D/(E+D)	30.00%	30.00%
WACC	**11.04%**	**10.76%**

The WACC used to estimate the recoverable amount of each CGU at 31 December 2023 is 10.76%, slightly lower than the rate at 31 December 2022 (11.04%), in line with the evolution of the benchmark financial parameters.

The Board of Directors, with the assistance of the external consultant, used a growth rate (g rate) of 1.88%, consistent with the projected European inflation rate.

Below is a summary of the results of the impairment test for the individual CGUs, without considering (at this stage) the effects of discounting negative cash flows of the parent holding company for its role of strategic management, coordination and control of the Group (*corporate asset*):

CGU	Book value of goodwill	Book value of brands	Total intangible assets with an indefinite useful life	Recoverable amount (pre-holding cost)
Gervasoni	10,012	13,150	23,163	57,965
Meridiani	8,203	4,598	12,801	37,863
Cenacchi Int.	22,312	-	22,312	67,337
Davide Groppi	2,604	4,461	7,065	34,066
Saba Italia	197	3,992	4,189	31,932
Modar	8,633	-	8,633	39,942
Flexalighting	10,451	-	10,451	25,742
Gamma Arredamenti Int.	9,192	6,956	16,148	27,837
Cubo Design	30,483	20,663	51,145	59,025
Axo Light	3,549	-	3,549	4,375
Turri	29,282	3,641	32,923	40,761
Total	**134,919**	**57,461**	**192,380**	**426,846**

The recoverable amount of goodwill and brands (pre-holding costs) of EUR 426.846 million was obtained as the difference between the enterprise value and net invested capital of all CGUs (EUR 76.19 million), determined excluding the book value of goodwill and brands.

The excess of the recoverable amount over the carrying amount is EUR 234.466 million. Taking into account the recoverable value of the *corporate asset*, the surplus amounts to EUR 186.332 million (EUR 132.168 million at 31 December 2022). The reconciliation between the book net invested capital and the net invested capital used for the impairment test is as follows:

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	6,755	23,163	29,918
Meridiani	7,408	12,801	20,209
Cenacchi Int.	9,510	22,312	31,822
Davide Groppi	3,319	7,065	10,384
Saba Italia	4,540	4,189	8,729
Modar	(949)	8,633	7,684
Flexalighting	3,545	10,451	13,996
Gamma Arredamenti Int.	9,502	16,148	25,650
Cubo Design	24,900	51,145	76,045
Axo Light	1,332	3,549	4,881
Turri	6,329	32,923	39,252
CGU Subtotal	**76,190**	**192,380**	**268,570**
IDB holding company	6,756	-	6,756
Total	**82,946**	**192,380**	**275,326**

The calculation of the value in use is particularly sensitive to the following assumptions:(i) revenue trend, (ii) marginality, (iii) discount rate, (iv) growth rate used to extrapolate cash flows beyond the forecast period.

The sensitivity analyses carried out by the company as at 31 December 2023 confirm that even if the parameters of the WACC and the reference growth rate were to change by 1%, there would be a positive excess of the recoverable amount.

3. Right of use

The composition of and changes to rights of use as at 31 December 2022 and 31 December 2023 are as follows:

amounts are shown in €/1,000	Rights of use for land and buildings	Rights of use for equipment and machinery	Rights of use for other assets	Total
initial gross value	22,484			22,484
initial depreciation fund	(6,318)			(6,318)
initial net value 01/01/2022	**16,167**	**-**	**-**	**16,167**
transactions in the period				
business combinations	1,011	338	37	1,386
entry of rights of use	9,843		322	10,164
divestments	(529)		(37)	(566)
other changes	(135)		(2)	(138)
depreciation of the period	(2,741)	(40)	(21)	(2,802)
business combinations (fund)	(237)	(81)	(32)	(351)
divestment fund disposals	527		34	561
other fund changes	(53)	(0)	0	(53)
total transactions of the period	**7,684**	**217**	**300**	**8,201**
final gross value	32,673	338	319	33,330
final depreciation fund	(8,823)	(121)	(19)	(8,963)
final net value 31/12/2022	**23,851**	**217**	**300**	**24,368**

amounts are shown in €/1,000	Rights of use for land and buildings	Rights of use for equipment and machinery	Rights of use for other assets	Total
initial gross value	32,673	338	319	33,330
initial depreciation fund	(8,823)	(121)	(19)	(8,963)
initial net value 01/01/2023	**23,851**	**217**	**300**	**24,368**
transactions in the period				
business combinations	9,419	871	41	10,330
entry of rights of use	3,088		78	3,166
divestments	(389)			(389)
other changes	196	(1)	(3)	192
depreciation of the period	(4,550)	(321)	(100)	(4,971)
business combinations (fund)				
divestment fund disposals	278			278
other fund changes	(65)		1	(65)
total transactions of the period	**7,978**	**549**	**15**	**8,542**
final gross value	44,988	1,208	434	46,630
final depreciation fund	(13,160)	(442)	(118)	(13,720)
final net value 31/12/2023	**31,829**	**766**	**316**	**32,910**

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 an estimate of the duration of each contract, taking into account the renewal clauses that the Group could exercise without the need to obtain consent from the counterparty. These contracts essentially concern office real estate, industrial sheds and commercial showrooms. The change in the rights of use recorded in the financial statements during the year refers to new property leases and the amounts attributed to business combinations of the companies Cubo Design, Axo Light and Turri, described in Note 1.

At the reference date, there are no contracts with guarantees for the residual value or undertakings for contracts that have yet to commence. No sale or leaseback transactions were carried out during the financial year.

The amounts recorded in the income statement for the two periods are as follows:

amounts are shown in €/1,000	**2022**	**2023**
Depreciation on assets for rights of use	2,802	4,971
Interest expense for leases	481	1,204
Rental costs – short-term leases and/or moderate unit value	747	1,342
Total costs recorded in the income statement	**4,030**	**7,517**

This change was due to new leases concluded during the year, as described above.

4. Property, plant and equipment

The following statements summarise the changes in property, plant and equipment during financial years 2022 and 2023:

amounts are shown in €/1,000	**Land and buildings**	**Plants and machinery**	**Equipment**	**Other**	**Total**
initial gross value	1,462	7,475	2,111	7,685	18,733
initial depreciation fund	(246)	(5,642)	(1,757)	(5,467)	(13,112)
initial net value 01/01/2022	**1,216**	**1,833**	**354**	**2,218**	**5,621**
transactions in the period					
acquisitions	363	224	248	1,172	2,007
business combinations	9,276	1,554	699	1,174	12,703
divestments, historical cost	(4)	(32)	(21)	(866)	(923)
other changes	(15)	(2)	(1)	141	123
depreciation of the period	(255)	(437)	(177)	(732)	(1,602)
business combinations (fund)	(2,009)	(987)	(617)	(878)	(4,492)
divestment fund disposals	1	32	16	845	895
other fund changes	7	0	(0)	(61)	(54)
total transactions of the period	**7,363**	**352**	**146**	**795**	**8,656**
final gross value	11,082	9,220	3,035	9,306	32,643
final depreciation fund	(2,502)	(7,034)	(2,536)	(6,294)	(18,366)
final net value 31/12/2022	**8,579**	**2,186**	**499**	**3,013**	**14,277**

amounts are shown in €/1,000	Land and buildings	Plants and machinery	Equipment	Other	Total
initial gross value	11,082	9,220	3,035	9,306	32,643
initial depreciation fund	(2,502)	(7,034)	(2,536)	(6,294)	(18,366)
initial net value 01/01/2023	**8,579**	**2,186**	**499**	**3,013**	**14,277**
transactions in the period					
acquisitions	647	2,173	289	3,775	6,884
business combinations	1,008	25,889	1,877	7,040	35,815
divestments, historical cost		(361)	(3)	(793)	(1,157)
other changes	5	80	(1)	(146)	(62)
depreciation of the period	(368)	(3,238)	(267)	(1,102)	(4,975)
business combinations (fund)	(195)	(15,915)	(1,262)	(5,882)	(23,254)
divestment fund disposals		321	3	756	1,080
other fund changes	(0)	(2)	(0)	26	23
total transactions of the period	**1,098**	**8,948**	**636**	**3,673**	**14,354**
final gross value	12,742	37,001	5,198	19,181	74,123
final depreciation fund	(3,065)	(25,867)	(4,063)	(12,496)	(45,491)
final net value 31/12/2023	**9,677**	**11,134**	**1,135**	**6,685**	**28,631**

The most significant changes in the 2023 financial year relate to "Plant and machinery" and "Other", in particular acquisitions of new machinery, improvements to third-party assets made during the year and the amounts assigned to business combinations of the companies Cubo Design, Axo Light and Turri, as described in Note 1.

5. Equity investments

Equity investments amounted to EUR 6,000 and recorded a decrease of EUR 877,000 compared to the previous year, as a result of the acquisition of control, and subsequent full consolidation, of the company Axo Light S.r.l., as described in Note 1.

amounts are shown in €/1,000	equity investments in associated companies	other equity investments	Total
initial value 01/01/2023	**877**	**6**	**883**
transactions in the period			
acquisitions			-
divestments			-
other changes		(0)	(0)
business combinations	(877)		(877)
equity method valuations			-
total changes	**(877)**	**(0)**	**(877)**
final value 31/12/2023	**-**	**6**	**6**

6. Other non-current assets

The accounting item of EUR 4.888 million includes the receivables from insurance companies for payments of the provision for severance indemnities of directors amounting to EUR 1.82 million (balanced by the same amount in the funds as the directors themselves are entitled to), security deposits of EUR 1.378 million, financial assets measured at fair value relating to derivative contracts amounting to EUR 338,000, non-current financial receivables of EUR 1.034 million and other receivables amounting to EUR 168,000.

amounts are shown in €/1,000	Balance at 31/12/2022	Business combinations	Change	Balance at 31/12/2023
Security deposits	1,023	252	103	1,378
Receivables from insurance companies	1,820		-	1,820
Derivative contracts	254	382	(298)	338
Restricted cash and cash equivalents	170		(20)	150
Non-current financial receivables	83	983	(32)	1,034
Other receivables	95	192	(119)	168
Total	**3,445**	**1,809**	**(366)**	**4,888**

7. Inventories

Inventories as at 31 December 2023 was as follows:

amounts are shown in €/1,000	Balance at 31/12/2022	Business combinations	Change	Balance at 31/12/2023
Raw materials	10,401	4,428	208	15,037
Semi-finished products	3,818	1,808	367	5,993
Finished products	6,933	3,719	2,625	13,276
Advance payments	1,410	1,611	(460)	2,561
Total	**22,561**	**11,565**	**2,741**	**36,867**

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

The amount of inventories is adjusted by an inventory write-down provision of EUR 5.173 million for finished products and raw materials with low turnover or obsolescence.

The changes in the inventory write-down provision are as follows:

amounts are shown in €/1,000	Balance at 31/12/2022	Business combinations	Increase	Uses	Balance at 31/12/2023
Raw materials	799	1,086		(100)	1,784
Semi-finished products	16	1,320	191		1,527
Finished products	997	717	147		1,862
provision for inventory devaluation	**1,812**	**3,123**	**338**	**(100)**	**5,173**

Changes in the provision are closely linked to the evolution of obsolete or slow-moving stock turnover ratios.

8. Contract assets

amounts are shown in €/1,000	Balance at 31/12/2022	Business combinations	Change	Balance at 31/12/2023
Contract assets	2,005	1,324	1,450	4,779
Total	**2,005**	**1,324**	**1,450**	**4,779**

As can be seen from the table above, the overall increase relates mainly to the progress of business performance-related orders and the delivery timing of those orders.

Assets resulting from contracts assessed on the basis of the state of progress of the works totalled EUR 3.883 million, while those for which revenues are recognised at the time of final delivery of the goods or completion of the services provided (at a point of time) totalled EUR 896,000.

Below is a breakdown of the value of the gross contract work in progress and the advances received so far to reduce the same:

amounts are shown in €/1,000	Balance at 31/12/2022	Business combinations	Change	Balance at 31/12/2023
Contract work in progress	2,588	2,726	2,756	8,070
Advances for work in progress	(582)	(1,402)	(1,306)	(3,291)
Contract assets	**2,005**	**1,324**	**1,450**	**4,779**

9. Trade receivables

The composition of and changes to trade receivables are as follows:

amounts are shown in €/1,000	Balance at 31/12/2022	Business combinations	Change	Balance at 31/12/2023
Trade receivables from third parties	21,831	10,230	6,899	38,961
Total trade receivables	**21,831**	**10,230**	**6,899**	**38,961**

Trade receivables totalling EUR 38.961 million refer to receivables arising from the company's characteristic activities and are recorded net of a total write down of EUR 1.396 million.

Changes in the provision for doubtful accounts are as follows:

amounts are shown in €/1,000	Balance at 31/12/2022	Business combinations	Increases	Uses	Balance at 31/12/2023
Provision for doubtful accounts	1,411	809	155	(979)	1,396

In addition, the ageing of trade receivables, net of write-downs made, is attached in order to show the delay period, in particular for positions that are past due.

Customer ageing	past due								total
	due	total past due	1–30 days	31–60 days	61–90 days	91–120 days	121–150 days	more	
2022	19,986	1,846	1,087	320	114	84	17	225	21,831
2023	28,612	10,349	4,768	1,707	983	693	91	2,106	38,961

A past-due date of more than 150 days as at 31 December 2023 refers to specific positions monitored by management, the specific risk of which is currently deemed to be contained.

10. Income tax credits

The composition of and changes to the item are as follows:

amounts are shown in €/1,000	Balance at 31/12/2022	Business combinations	Change	Balance at 31/12/2023
Income tax credits	621	1,185	2,330	4,135

This item increases as a result of higher tax advances paid during the year compared to the debt balance calculated at the end of the year. In particular, it should be noted that on 4 October 2018 the Company entered into a consolidated national tax agreement, pursuant to Articles 117 et seq. of Italian Presidential Decree No.917 of 22 December 1986 ("TUIR"), with its subsidiaries Gervasoni, Meridiani and Cenacchi International. Since 2020, Davide Groppi, Saba Italia and Modar are also included, as are Flexalighting since 2021 and Gamma Arredamenti International S.p.A. since 2023.

11. Other current assets

amounts are shown in €/1,000	Balance at 31/12/2022	Business combinations	Change	Balance at 31/12/2023
Other current assets	4,895	1,314	715	6,924

This item amounted to EUR 6.924 million and consists of VAT receivables amounting to EUR 4.136 million to the Treasury, miscellaneous receivables amounting to EUR 1.248 million from payments made during the year but for subsequent payments and advances to service providers amounting to EUR 969,000.

12. Other current financial assets

Other current financial assets amount to EUR 28.621 million and relate mainly to the Parent Company. In order to temporarily invest the surplus liquidity, which is mainly the result of the capital increase related to the Company's listing, IDB subscribed to time deposits with maturities of three to six months. Deposits may be closed early, with minimum notice, but with a penalty on returns granted to the Company.

13. Cash and cash equivalents

Cash and cash equivalents amounted to EUR 41.457 million and consist of bank deposits and cash not subject to any constraints. The financial performance of the Group's liquidity is displayed analytically in the cash flow statement, to which reference should be made.

amounts are shown in €/1,000	Balance at 31/12/2022	Business combinations	Change	Balance at 31/12/2023
Cash and cash equivalents	42,978	19,018	(20,540)	41,457

14. Shareholders' equity

Please see the statement of changes in shareholders' equity for a description of the change in shareholders' equity at 31 December 2023.

The share capital is fully paid up and subscribed and over the period rose from EUR 20.217 million as at 31 December 2022 to EUR 26.926 million as at 31 December 2023, divided into 26,926,298 ordinary shares with no nominal value. The aforementioned listing transaction of the Company and the start of trading on 18 May 2023 resulted in the issue of 6,433,823 new ordinary shares of the Company, at an Offer Price of EUR 10.88 per share including share premium, amounting to approximately EUR 70 million. In addition, there is a concurrent confidential offer of approximately EUR 3 million for 275,735 newly issued shares in the Company at the same price. The extraordinary transaction resulted in a share capital increase of EUR 6.709 million over the year. The change in the share premium reserve of EUR 63,407 thousand was therefore recorded net of distribution fees, costs related to the capital increase and related tax effects amounting to EUR 2,883 thousand.

In the first months of 2023, before the start of the listing process, dividends amounting to EUR 700,000 were distributed to the shareholders of the Parent Company.

In other equity components, the translation difference reserve shows a total change of EUR 186,000 over the period, while the negative cash flow hedge reserve of EUR 520,000, which is recorded as a counterpart to the recognition of mark-to-market, net of its fiscal effect, refers to the contracts entered into to cover risks from interest rate changes on outstanding loans.

In addition, in relation to the guidance provided by IAS 19, the actuarial (losses)/gains on severance pay are also included under other equity components.Net of the related tax effect, the amount stood at a positive figure of EUR 183,000.

It should be noted that, in respect of the tax realignment operations carried out in the year ended 31 December 2020 pursuant to Italian Decree-Law No. 104 of 2020 (the "August Decree"), as amended, the item "Retained earnings" includes reserves subject to deferred tax restrictions of EUR 19.549 million. In particular, 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 realigned the fiscal values of the brands and models, as long as they were already included in the 2019 financial statements, to the statutory values, following the payment of a substitute tax of 3%.The tax realignment took place for an amount of EUR 20.154 million, while at the same time the related deferred tax fund of EUR 5.622 million was released and a substitute tax of EUR 605,000 was allocated. The deferred tax provision pursuant to Article 110 of Italian Decree-Law No.104/2020 of EUR 19.549 million arises from the tax values subject to realignment, after the deduction of the substitute tax due.

As at 31 December 2023, there were 4,977 own shares held, equal to 0.0185% of the share capital, for a total amount of EUR 47,000.

Comments on liability items

Non-current liabilities

15. Post-employment benefits

This item, which amounted to EUR 7.027 million as at 31 December 2023, reflects the non-current share of severance payments due to employees.

Overall, the present value of the obligation, determined in accordance with the measurement methodology required by IAS 19 for defined benefit plans, changed as follows:

amounts are shown in €/1,000	Post-employment benefits 2022	Post-employment benefits 2023
Initial fund	5,575	5,124
Accrual period	696	748
Interest	2	215
Actuarial (gains)/losses	(863)	323
Other changes	61	158
Business combinations	208	1,206
Paid	(554)	(748)
Total	**5,124**	**7,027**

As already pointed out in the section on the accounting principles applied, following the provisions on severance pay introduced by the 2007 Finance Act and its implementing decrees and respecting the choices made by its employees regarding the use of their severance pay accrued from 1 January 2007, the Group shall pay this periodically to the funds indicated, remaining obliged to employees solely for the part of the allowance already accrued as at 31 December 2006. The obligation relating to severance pay accrued subsequently, however, lies with the pension funds to which the accrued shares are paid during the year.

The actuarial valuation of severance pay is performed according to the "accrued benefit" method using the projected unit credit (PUC) criterion, as set out in paragraphs 67–69 of IAS 19.The actuarial reference model for the assessment of severance pay is based on a number of assumptions, both demographic and economic. For some of the assumptions used, reference best practices were taken into account where possible.

The technical and economic bases used are as follows.

Assumptions	31/12/2022	31/12/2023
Annual discount rate	3.77%	3.17%
Annual inflation rate	2.30%	2.00%
Annual rate of severance pay increase	3.23%	3.00%
Annual rate of salary increase	1.00%	1.00%

The annual frequencies of advances and turnover of the individual Italian companies in the Group are deduced based on historical experience.

16. Provisions for future risks and charges

The provisions for future risks and charges are detailed in the table below, which also shows the changes in the funds in 2023:

amounts are shown in €/1,000	Balance at 31/12/2022	Business combinations	Change	Balance at 31/12/2023
Provision for severance payments	1,820	256	(53)	2,023
Provision for supplementary customer allow-ances	1,359	344	106	1,808
Litigation risk fund	231	158	(143)	247
Other	90	355	395	839
Total	**3,500**	**1,113**	**304**	**4,917**

The provision for severance payments reflects the revalued payments to be made by the Group on 31 December 2023; the accounts are balanced with the asset item "Other non-current assets", representing the receivables from the insurance company.

The provision for supplementary customer allowances reflects the appreciation of the risk associated with the potential termination of the term given to agents in the cases provided for by law, and has been set aside on the basis of the provisions of the collective economic agreement and civil law provisions.

17. Bank loans

The composition and changes in payables due to banks is reported below, broken down by short-term and long-term:

amounts are shown in €/1,000	Balance at 31/12/2022	Business combinations	Loans taken out at nominal value	Repayments/ Payments	Other changes	Balance at 31/12/2023
Unicredit 10,375 ML	2,565			(1,434)	135	1,266
Simest 0,48 ML	477			(3)	4	478
Unicredit 2,6 ML	648			(175)	37	511
Unicredit 1,3 ML	1,316			(78)	96	1,335
BPER DL 0,5 ML	458			(127)	4	335
Frie n. 22280 0,8 ML	58			(58)	0	-
Intesa DL 1,75 ML	1,569			(492)	62	1,139
Intesa DL 1,25 ML	1,121			(351)	42	811
Simest 0,48 ML	477			(3)	3	477
Unicredit 0,5 ML	502			(507)	5	-
Unicredit 3,6 ML	2,218			(801)	92	1,509
Intesa B 2 ML	2,007			(2,063)	56	-
Intesa DL 1,9 ML	1,665			(533)	65	1,196
Intesa DL 1,1 ML	964			(309)	37	693
Banco Desio DL 0,75 ML	718			(192)	7	534
Simest 0,48 ML	477			(3)	4	478
Mediocredito 2 ML	972			(237)	37	772
Unicredit A 5 ML	2,959			(2,217)	90	831
Intesa DL 1 ML	224			(224)	1	-
Credem DL 1 ML	614			(225)	3	392
Simest 0,48 ML	477			(3)	4	478
Unicredit B 2 ML	2,030			(118)	128	2,040
Simest 0,48 ML	477			(3)	4	478
Mediocredito 1 ML	292			(148)	3	147
Simest 0,4 ML	239			(82)	2	159
Intesa 0,6 ML	605			(26)	26	605
Unicredit A 11,03 ML	8,709		2,206	(1,577)	676	10,014

amounts are shown in €/1,000	Balance at 31/12/2022	Business combinations	Loans taken out at nominal value	Repayments/ Payments	Other changes	Balance at 31/12/2023
Unicredit B 4 ML	3,954			(281)	291	3,964
Unicredit BTC	2,000			(2,006)	6	-
Unicredit 12 ML	-		12,000	(795)	818	12,023
Mediocredito 0,45 ML	-	133		(72)	5	67
Mediocredito 1,95 ML	-	288		(289)	1	-
Unicredit 2 ML	-	600		(615)	15	-
Unicredit 2,8 ML	-	1,939		(586)	63	1,416
Credem 1,5 ML	-	956		(548)	3	411
Simest 0,48 ML	-	513		(3)	(33)	478
Simest 0,056 ML	-	57		(24)	6	39
Simest 0,09 ML	-	105		(0)	(19)	86
Intesa A 13 ML	-		13,000	(805)	535	12,730
Intesa B 6 ML	-		6,000	(424)	284	5,859
Intesa BTC	-		6,800	(6,800)	-	-
Simest 0,48 ML	-	480		(1)	1	480
Intesa 1,15 ML	-	1,041		(93)	33	981
Intesa 1,55 ML	-	1,373		(145)	38	1,266
BPM 2 ML	-	1,115		(103)	4	1,016
Simest 0,045 ML	-	23			0	23
Simest 0,36 ML	-	380		(1)	(10)	369
Banca Pop. di Sondrio 0,8 ML	-	720			-	720
Intesa 0,9 ML	-	900		(11)	11	900
Cassa Depositi e Prestiti 10.8 ML	-		10,800	(64)	120	10,856
Derivative contracts payable	-				665	665
Short-term advances	800	3,502	1,413	(2,460)	(6)	3,249
Total	**41,590**	**14,127**	**52,219**	**(29,546)**	**5,885**	**84,274**

amounts are shown in €/1,000	Balance at 31/12/2022	within 1 year	from 1 to 5 years	beyond 5 years	Balance at 31/12/2023	within 1 year	from 1 to 5 years	beyond 5 years
Unicredit 10,375 ML	2,565	836	1,729		1,266	630	636	
Simest 0,48 ML	477		477		478	108	370	
Unicredit 2,6 ML	648	140	508		511	146	365	
Unicredit 1,3 ML	1,316		1,316		1,335		1,335	
BPER DL 0,5 ML	458	123	335		335	124	210	
Frie n. 22280 0,8 ML	58	58			-			
Intesa DL 1,75 ML	1,569	433	1,136		1,139	437	702	
Intesa DL 1,25 ML	1,121	309	811		811	312	499	
Simest 0,48 ML	477		477		477	122	355	
Unicredit 0,5 ML	502		502		-			
Unicredit 3,6 ML	2,218	716	1,502		1,509	761	748	
Intesa B 2 ML	2,007	2,007			-			
Intesa DL 1,9 ML	1,665	470	1,195		1,196	476	720	
Intesa DL 1,1 ML	964	272	692		693	275	417	
Banco Desio DL 0,75 ML	718	184	534		534	186	347	
Simest 0,48 ML	477		477		478	105	374	
Mediocredito 2 ML	972	202	770		772	203	570	
Unicredit A 5 ML	2,959	851	2,108		831	337	494	
Intesa DL 1 ML	224	224			-			
Credem DL 1 ML	614	222	392		392	223	169	
Simest 0,48 ML	477		477		478	110	368	
Unicredit B 2 ML	2,030		2,030		2,040		2,040	
Simest 0,48 ML	477		477		478	108	370	
Mediocredito 1 ML	292	145	147		147	147		
Simest 0,4 ML	239	80	160		159	80	79	

amounts are shown in €/1,000	Balance at 31/12/2022	within 1 year	from 1 to 5 years	beyond 5 years	Balance at 31/12/2023	within 1 year	from 1 to 5 years	beyond 5 years
Intesa 0,6 ML	605		394	212	605	92	403	110
Unicredit A 11,03 ML	8,709	706	5,805	2,198	10,014	1,808	7,288	918
Unicredit B 4 ML	3,954			3,954	3,964			3,964
Unicredit BTC	2,000	2,000			-			
Unicredit 12 ML	-				12,023	4,011	8,013	
Mediocredito 0,45 ML	-				67	67		
Unicredit 2,8 ML	-				1,416	704	712	
Credem 1,5 ML	-				411	411		
Simest 0,48 ML	-				478	119	359	
Simest 0,056 ML	-				39	23	16	
Simest 0,09 ML	-				86	10	76	
Intesa A 13 ML	-				12,730	2,095	8,480	2,155
Intesa B 6 ML	-				5,859			5,859
Simest 0,48 ML	-				480	120	360	
Intesa 1,15 ML	-				981	122	510	349
Intesa 1,55 ML	-				1,266	216	895	155
BPM 2 ML	-				1,016	402	613	
Simest 0,045 ML	-				23	15	8	
Simest 0,36 ML	-				369	96	273	
Banca Pop. di Sondrio 0,8 ML	-				720	160	560	
Intesa 0,9 ML	-				900	900		
Cassa Depositi e Prestiti 10.8 ML	-				10,856	913	7,947	1,996
Derivative contracts payable	-				665		665	
Short-term advances	800	800			3,249	3,249		
Total	**41,590**	**10,778**	**24,449**	**6,363**	**84,274**	**20,422**	**48,346**	**15,506**

The increase in the debt of EUR 42.684 million is mainly due to the acquisition of Cubo Design and Turri, for which the Group obtained specific long-term loans for a nominal amount of EUR 48.6 million.

In the course of the period, further new financing amounting to EUR 2.206 million was taken out and principal debt amounting to EUR 23.261 million was repaid.

Loans by category are shown in the table below:

amounts are shown in €/1,000	Balance at 31/12/2022	Business combinations	Loans taken out	Repayments/ Payments	Other changes	Balance at 31/12/2023
Bank loans:						
Loans for acquisitions	26,690	-	50,806	(20,777)	4,711	61,429
Liquidity Decree loans	7,332	-	-	(2,454)	221	5,100
Other financing	7,568	14,127	1,413	(6,315)	953	17,745
Total	**41,590**	**14,127**	**52,219**	**(29,546)**	**5,885**	**84,274**

Acquisition financing includes contractual clauses that provide for compliance with certain economic and financial parameters (covenants) based on the results of the financial statements of the beneficiary subsidiary as at 31 December of each year.

Loan	Parameter	Limit
Unicredit 10,375 ML 30.09.25	PFN /EBITDA	< 2.0
Unicredit 10,375 ML 30.09.25	PFN / PN	< 1.0
Unicredit 2,0 ML 31.10.25	PFN /EBITDA	< 2.0
Unicredit 2,0 ML 31.10.25	PFN / PN	< 1.0
Unicredit 5,0 ML 30.06.26	PFN /EBITDA	< 2.0
Unicredit 5,0 ML 30.06.26	PFN / PN	< 1.2
Unicredit 3,6 ML 30.06.25	PFN /EBITDA	< 3.0
Unicredit 3,6 ML 30.06.25	PFN / PN	< 1.5
Unicredit 3,9 ML 28.02.27	PFN /EBITDA	< 2.5
Unicredit 3,9 ML 28.02.27	PFN / PN	< 1.3
Unicredit 15,03 ML 30.06.29	PFN /EBITDA	< 3.5
Unicredit 15,03 ML 30.06.29	PFN / PN	< 1.8
Unicredit 12 ML 31.12.26	PFN /EBITDA	< 3.0
Unicredit 12 ML 31.12.26	PFN / PN	< 1.5
Intesa/BPM 19 ML 31.01.30	PFN /EBITDA	< 3.7
Intesa/BPM 19 ML 31.01.30	PFN / PN	< 1.5
CDP 10,8 ML 28.09.29	PFN /EBITDA	< 3.0
CDP 10,8 ML 28.09.29	PFN / PN	< 1.5

Reference values are contractually defined. In the event of non-compliance with these rules, banking institutions could exercise their right to request early repayment of the remaining part of the loans issued.

With reference to the financial statements as at 31 December 2023, all covenants provided for on outstanding loans have been complied with, with the exception of those referred to on the UniCredit loan granted for the acquisition of Gamma Arredamenti International S.p.A. In December, in view of an operating result that was lower than expected, the company obtained a special waiver from the lending bank, thus allowing the debt to still be classified between short- and long-term for a nominal EUR 15.03 million, in continuity with the original amortisation plan.

The table below shows the main characteristics of the loans:

No	amounts are shown in €/1,000	initial amount	remaining amount	start date	end date
	Medium-/long-term (ML) loans				
1	Unicredit 10,375 ML	10,375	1,266	14/09/17	30/09/25
2	Simest 0,48 ML	480	478	11/06/21	31/12/27
3	Unicredit 2,6 ML	2,600	511	13/02/20	28/02/27
4	Unicredit 1,3 ML	1,300	1,335	13/02/20	28/02/27
5	BPER DL 0,5 ML	500	335	13/08/20	13/08/26
6	Frie n. 22280 0,8 ML	838	-	13/04/12	01/01/23
7	Intesa DL 1,75 ML	1,750	1,139	03/07/20	03/07/26
8	Intesa DL 1,25 ML	1,250	811	14/07/20	14/07/26
9	Simest 0,48 ML	480	477	19/05/21	31/12/27
10	Unicredit 0,5 ML	500	-	15/05/18	31/05/25
11	Unicredit 3,6 ML	3,600	1,509	13/06/19	30/06/25
12	Intesa B 2 ML	2,000	-	30/05/16	31/08/23
13	Intesa DL 1,9 ML	1,900	1,196	30/06/20	30/06/26
14	Intesa DL 1,1 ML	1,100	693	29/06/20	30/06/26
15	Banco Desio DL 0,75 ML	750	534	12/10/20	10/10/26
16	Simest 0,48 ML	480	478	11/06/21	31/12/27
17	Mediocredito 2 ML	2,000	772	03/08/17	31/10/27
18	Unicredit A 5 ML	5,000	831	05/06/19	30/06/26
19	Intesa DL 1 ML	1,000	-	11/06/20	11/06/23
20	Credem DL 1 ML	1,000	392	31/07/20	31/07/25
21	Simest 0,48 ML	480	478	16/04/21	31/12/27
22	Unicredit B 2 ML	2,000	2,040	24/10/18	31/10/25
23	Simest 0,48 ML	480	478	19/05/21	31/12/27
24	Mediocredito 1 ML	1,000	147	15/01/18	31/12/24
25	Simest 0,4 ML	400	159	24/05/18	31/12/25
26	Intesa 0,6 ML	600	605	31/01/22	31/01/30
27	Unicredit A 11,03 ML	11,030	10,014	01/06/22	30/06/29
28	Unicredit B 4 ML	4,000	3,964	01/06/22	30/06/29
29	Unicredit BTC	2,000	-	01/06/22	01/03/23
30	Unicredit 12 ML	12,000	12,023	30/01/23	31/12/26
31	Mediocredito 0,45 ML	450	67	31/03/17	31/12/24
32	Unicredit 2,8 ML	2,800	1,416	30/10/20	30/10/25
33	Credem 1,5 ML	1,500	411	28/09/21	28/09/24

No	amounts are shown in €/1,000	initial amount	remaining amount	start date	end date
34	Simest 0,48 ML	480	478	02/07/21	31/12/27
35	Simest 0,056 ML	56	39	28/01/22	23/11/25
36	Simest 0,09 ML	90	86	22/09/22	24/05/28
37	Intesa A 13 ML	13,000	12,730	31/01/23	31/01/30
38	Intesa B 6 ML	6,000	5,859	31/01/23	31/01/30
39	Simest 0,48 ML	480	480	31/03/21	31/12/24
40	Intesa 1,15 ML	1,150	981	31/07/21	31/07/31
41	Intesa 1,55 ML	1,550	1,266	05/08/21	05/08/29
42	BPM 2 ML	2,000	1,016	19/06/20	19/06/26
43	Simest 0,045 ML	45	23	24/02/21	12/02/25
44	Simest 0,36 ML	360	369	07/04/21	31/12/27
45	Banca Pop. di Sondrio 0,8 ML	800	720	01/02/22	31/03/28
46	Intesa 0,9 ML	900	900	18/07/23	31/12/24
47	Cassa Depositi e Prestiti 10.8 ML	10,800	10,856	03/11/23	28/09/29
48	Derivative contracts payable		665		
49	Short-term advances		3,249		
	Total	**126,104**	**84,274**		

As already indicated in the paragraph "Financial Risk Management", derivative contracts were concluded to hedge rate risks, for a notional amount of approximately EUR 28.5 million, decreasing in proportion to the repayments of the related loans.

The following shall provide, at Group level and 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 fair value:

- Level 1 – financial instruments at fair value determined on the basis of values and listings observable directly from regulated active markets;
- Level 2 – financial instruments at fair value determined on the basis of formulas and methodologies that use values mainly deduced from regulated active markets;
- Level 3 – Financial instruments at fair value determined on the basis of calculation methods based on data not observable on regulated markets.

Interest rate swaps for hedging interest rates recorded at fair value can be classified under level 2 of fair value and come to EUR -327,000 (of which a positive EUR 338,000 was recorded under "Other non-current assets" and a negative EUR 665,000 was recorded under "Non-current financial liabilities").

Finally, level 3 includes financial liabilities for an earnout of EUR 18.38 million as at 31 December 2023.

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

18. Other current and non-current financial liabilities

The composition of and changes to other medium- to long-term financing are as follows:

amounts are shown in €/1,000	Balance at 31/12/2022	Business combinations	Increases	Decreases	Payments	Balance at 31/12/2023
Other financing	125			(11)		114
Financial payables to lessors	24,537	10,161	4,935	(214)	(5,719)	33,700
Other financial liabilities	60,830	60,518		(7,930)	(40,481)	72,937
Total	**85,493**	**70,679**	**4,935**	**(8,156)**	**(46,200)**	**106,751**

Details of other financial liabilities are provided:

amounts are shown in €/1,000	Balance at 31/12/2022	within 1 year	from 1 to 5 years	beyond 5 years	Balance at 31/12/2023	within 1 year	from 1 to 5 years	beyond 5 years
Earnout liabilities	7,023	6,662	361		18,380	7,560	10,821	
Debts for put options and the phantom stock option	53,807	33,066	20,741		54,556	-	54,556	
Total	**60,830**	**39,728**	**21,102**	**-**	**72,937**	**7,560**	**65,377**	**-**

The earnout liabilities totalling EUR 18.38 million, entered on 31 December 2023, refers to the price adjustments contracted to the sellers of SUR (merged into Gervasoni S.p.A.)for EUR 946 thousand, Cubo Design S.r.l. for EUR 8.032 million and Turri S.r.l. for EUR 9.403 million.

This constitutes the update of the best possible estimate of the deferred payment, pre-defined at the acquisition date and accounted for at fair value as at 31 December 2023.The earnout is directly linked to the performance of the acquired companies, usually the EBITDA and net financial position as contractually defined between the parties. These parameters may differ in the final figures compared with the estimates in the business plan of the target company.

Debts for options to minority shareholders amounted to EUR 54.556 million and relate to the fair value of the liability for the exercise of the put & call option (in favour of the seller and the Group, respectively), for the purchase of the remaining share of 1% of Cenacchi International for EUR 748 thousand, 49% of Flexalighting and Flexalighting North America for EUR 8.725 million, 45% of Gamma Arredamenti International for EUR 6.362 million, 40% of Cubo Design for EUR 28.484 million, 49% of Axo Light for EUR 1.25 million and 49% of Turri for EUR 8.986 million.

Financial liabilities at each period-end shall be discounted and remeasured against the initial estimates that led to their recording. The values of financial liabilities are mainly influenced by the estimate of EBITDA and net financial position in the financial year of those liabilities, which may differ at the end of the year from the estimates in the target company's business plan in the year of its acquisition.

The appropriately discounted values of options and earnouts were updated as at 31 December 2023 on the basis of the latest financial projections prepared by management for each of the investments indicated. The adjustment of the respective financial liability in income or expenses is allocated to the income statement, which should be referred to for further details.

The overall increase in debt over the period (EUR 12.107 million) reflects:

- The setting of the option value and the expected earnout for business combinations completed during 2023 (EUR 60.518 million), which accrued interest of EUR 3.308 million;
- The payment of the earnout (EUR 7.525 million), including the accrued interest amounting to EUR 99,000;

- The exercise of put & call options and the phantom stock option (EUR 32.956 million), including the remeasurement of the debt existing at 31 December 2022 and the interest accrued amounting to EUR 44,000;
- The interest accrued over the period for an amount of EUR 1.419 million and the liabilities remeasurement for options and the earnout existing as at 31 December 2022, and still present at 31 December 2023 for EUR -12.8 million.

Details of financial liabilities to lessors are given in relation to the application of IFRS 16.

amounts are shown in €/1,000	Balance at 31/12/2022	within 1 year	from 1 to 5 years	beyond 5 years	Balance at 31/12/2023	within 1 year	from 1 to 5 years	beyond 5 years
Leasing liabilities IFRS 16	24,537	3,152	13,051	8,335	33,700	5,671	17,969	10,061
Total	**24,537**	**3,152**	**13,051**	**8,335**	**33,700**	**5,671**	**17,969**	**10,061**

The amount was determined by discounting the rent provided for in existing lease agreements, in particular those relating to property.

The increase over the year refers to the business combinations and new building lease agreements for office use and industrial use.

Regarding the Group's net financial debt, the following financial information has been drawn up in accordance with the format required by the CONSOB Communication, updated with the requirements of ESMA Guidance 32-382-1138 of 4 March 2021 as transposed by CONSOB warning notice no 5/21 of 29 April 2021, indicating the intention to align its supervisory practices with the aforementioned ESMA Guidelines.

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

amounts are shown in €/1,000	Balance 31/12/2022	Balance 31/12/2023	Change
A Cash	42,978	41,457	(1,521)
B Cash equivalents	-	-	-
C Other current financial assets	-	28,621	28,621
D Cash and cash equivalents (A + B + C)	**42,978**	**70,078**	**27,100**
E Current financial debt (including debt instruments but excluding the current portion of non-current financial debt)	(42,880)	(13,231)	29,649
F Current portion of non-current financial debt	(10,778)	(20,422)	(9,645)
G Current financial indebtedness (E + F)	**(53,657)**	**(33,653)**	**20,004**
H Net current financial indebtedness (G - D)	**(10,679)**	**36,424**	**47,103**
I Non-current financial debt (excluding the current portion and debt instruments)	(73,425)	(157,372)	(83,947)
J Debt instruments	-	-	-
K Non-current trade and other payables	-	-	-
L Non-current financial indebtedness (I + J + K)	**(73,425)**	**(157,372)**	**(83,947)**
M Total financial indebtedness (H + L)	**(84,105)**	**(120,948)**	**(36,843)**

In this regard, please note the following aspects:

a) "Other current financial assets" includes financial assets (e.g. securities held for trading) that are not (i) cash, (ii) cash equivalents or (iii) derivatives used for hedging purposes;
b) "Financial indebtedness" includes remunerated debt (i.e. interest-bearing debt) which includes, inter alia, financial liabilities for short- and/or long-term leases, identified separately;
c) "Non-current trade and other payables" may include unremunerated debt, which has a significant implicit or explicit financing component (e.g. trade payables with a maturity of more than 12 months), and any other non-interest-bearing loans.

The Group's financial indebtedness amounts to EUR 120.9 million and is aligned with the result determined according to the ESMA Guidelines.

19. Deferred taxes

The following tables show the changes in deferred tax assets and liabilities (assets are included under non-current assets of the statement of financial position) in 2023 and the nature of the temporary differences that generated them.

Tax paid in advance

amounts are shown in €/1,000	Balance at 31/12/2022	Business combinations	Increases	Decreases	Balance at 31/12/2023
Amortisation and depreciation	126		2		129
Goodwill	338	4	9		352
Doubtful accounts	222	127		(214)	134
Inventory write-down	499	691	282		1,471
Severance pay IAS 19	(6)	(17)	70		47
Leases IFRS 16	264		151		415
Derivative contracts	0		159		159
Agent allowance	87			(5)	82
Employee and director benefits	115		305		420
Revaluations	304			(44)	260
Phantom stock option	600			(600)	
Other	75	240		(136)	179
Total	**2,624**	**1,044**	**978**	**(999)**	**3,648**

Deferred tax assets recorded as assets under "Deferred tax assets" include the benefit of costs recovered for tax purposes on a temporary basis. The requirements for the inclusion of prepaid taxes according to IAS 12 were deemed to be met.

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

Deferred taxes

amounts are shown in €/1,000	Balance at 31/12/2022	Business combinations	Increases	Decreases	Balance at 31/12/2023
Brands	4,882	6,749	272		11,903
Models	1,627			(227)	1,400
Customer relations and order backlog	5,354	7,916		(1,266)	12,004
Land and buildings	290				290
Derivative contracts	55	92		(66)	81
Other	9	49		(24)	34
Total	**12,216**	**14,806**	**272**	**(1,582)**	**25,712**

As highlighted in the table, deferred taxes mainly refer to the tax effect on the part of the purchase price allocation (PPA) on the value of brands, models, customer relations and the order backlog, as described in Note 2.

20. Trade payables

This item amounted to EUR 51.271 million.

The total amount of the payables is to be paid in full within 12 months.

amounts are shown in €/1,000	Balance at 31/12/2022	Business combinations	Change	Balance at 31/12/2023
Trade payables	37,369	15,411	(1,510)	51,271
Total	**37,369**	**15,411**	**(1,510)**	**51,271**

With regard to trade payables, the Group does not use any form of supply chain financing.

In addition, the ageing of trade payables is attached in order to show the delay period, in particular for positions that are past due.

Supplier ageing		past due							total
	due	total past due	1–30 days	31–60 days	61–90 days	91–120 days	121–150 days	more	
2022	36,348	1,021	697	23	22	102	2	176	37,369
2023	47,165	4,107	1,375	1,200	698	-	71	763	51,271

21. Tax payables

amounts are shown in €/1,000	Balance at 31/12/2022	Business combinations	Change	Balance at 31/12/2023
income tax payables	2,107	444	(1,289)	1,262
Total	**2,107**	**444**	**(1,289)**	**1,262**

This item mainly covers the IRES payable of Group companies that are not covered by the national tax consolidation regime.

22. Other current liabilities

amounts are shown in €/1,000	Balance at 31/12/2022	Business combinations	Change	Balance at 31/12/2023
Other payables due to tax authorities	1,316	194	368	1,877
Payables to staff and social security institutions	5,533	1,931	795	8,259
Contract liabilities	10,225	7,421	(3,215)	14,432
Other payables	11,005	3,766	(307)	14,463
Total	**28,079**	**13,312**	**(2,360)**	**39,031**

Payables to staff and social security institutions refer to payables to staff for wages and accruals, annual leave and paid leave, payables to INPS (*Istituto Nazionale per la Previdenza Sociale* – Italian social security institute), Enasarco and other social security institutions.

Contractual liabilities arising from orders amounted to EUR 14.432 million. The details of advances, net of the value of the status of the relevant contract work in progress are as follows:

amounts are shown in €/1,000	Balance at 31/12/2022	Business combinations	Change	Balance at 31/12/2023
Advances for work in progress	13,597	10,472	(7,968)	16,101
Contract work in progress	(3,372)	(3,051)	4,754	(1,669)
Contract liabilities	**10,225**	**7,421**	**(3,215)**	**14,432**

Other payables consist mainly of other advances received from customers amounting to EUR 10.373 million; the remaining amount of EUR 4,091 consists of accruals and deferred income for EUR 1.076 million, withholdings, payables to directors for EUR 536,000 and other corporate bodies and other payables and withholdings.

Analysis of the composition of the main items in the income statement

23. Revenue

The following shows the composition of sales revenue by target area and strategic business area:

amounts are shown in €/1,000	2022	2023
Revenue Italy	42,792	78,146
Revenue EU	54,249	71,990
Revenue non-EU	102,443	137,214
Total	**199,484**	**287,350**

amounts are shown in €/1,000	2022	2023
Revenue Furniture	105,793	119,413
Revenue Lighting	24,545	28,854
Revenue Luxury Contract	68,289	85,187
Revenue Kitchen and Systems	-	52,273
Revenue, Other	857	1,623
Total	**199,484**	**287,350**

This item amounted to EUR 287.35 million. The main markets are Italy, France, Germany, the United States, Canada, China, the UK and Switzerland. The Group is present in over 80 countries and has over 1,500 customers.

24. Other income

Other income amounted to EUR 4,969 thousand. This consists of expense recoveries amounting to EUR 1.708 million from customers (chargebacks and services) and suppliers (chargebacks for non-compliant supplies); contingencies and capital gains amounting to EUR 477,000; operating and capital grants amounting to EUR 351,000; and other income not included in the previous items amounting to EUR 2.433 million.

amounts are shown in €/1,000	2022	2023
Expense recoveries	943	1,708
Contingencies and capital gains	198	477
Operating grants	300	351
Other income	660	2,433
Total	**2,101**	**4,969**

25. Purchases of raw materials

The total statement item amounted to EUR 112,309 and includes, in addition to direct materials for production and sales, the purchases of ancillary materials, minor equipment, gas and stationery.

amounts are shown in €/1,000	2022	2023
Raw materials and semi-finished products	47,927	70,362
Purchase of finished products	22,474	25,480
Other	9,361	16,467
Total	**79,762**	**112,309**

26. Staff costs

The total amount of this item was EUR 44.122 million and consisted of salaries and wages, social security contributions, severance payments (including the portion then paid to pension funds) and other costs.

amounts are shown in €/1,000	2022	2023
Salaries and wages	22,202	32,997
Social expenses	6,109	8,657
Severance payments	1,489	1,689
Other	567	778
Total	**30,367**	**44,122**

A total of 807 employees were active in 2023.Cubo Design, Axo Light and Turri added a total of 213 employees.

	2022	2023
Executives	11	13
Managers and clerical workers	296	416
Manual workers	242	370
Other employees	6	8
Total	**555**	**807**

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

The total statement item amounted to EUR 84.717 million and includes business costs, industrial costs, administrative and general costs and the cost of use of third-party assets for which IFRS 16 did not need to be applied.

amounts are shown in €/1,000	2022	2023
Leased assets	747	1,342
Business costs	24,466	34,029
Industrial costs	19,947	30,068
Directors' remuneration	6,079	5,363
Statutory auditor and auditor fees	1,464	923
Consultancy	3,690	6,018
Insurance	655	1,051
Utilities	1,199	2,237
Other administrative and general costs	2,050	3,686
Total	**60,296**	**84,717**

For the period considered, directors' fees amounted to EUR 5.363 million, including the estimated share of the long-term incentive plan for the CEO and the Managing Director (described in the paragraph "Long-term incentive plan") amounting to a total of EUR 526,000.

During the year, the Group incurred non-recurring costs of EUR 2.044 million due to the process of listing the Company's shares on Euronext Milan (completed in May 2023).

The details of remuneration to the auditing company are as follows:

amounts are shown in €/1,000	2022	2023
Statutory audit of parent company	114	177
Statutory audit of Group companies	163	242
Attestation services for parent company	960	35
Attestation services for Group companies	28	68
Other services provided by the auditing company	88	71
Other services provided to the parent company and to other Group companies in the network	61	75
Total	**1,414**	**668**

28. Other operating costs

This item, which amounted to EUR 1.174 million, includes certain residual costs not included in the previous items, including membership contributions, local taxes such as TARI (*Tassa sui rifiuti* – Tax on waste disposal and management) and advertising tax, losses on receivables, unrealised losses and contingent liabilities.

29. Provisions and write-downs

This item, equal to EUR 388,000, mainly refers to the provision for doubtful accounts (equal to EUR 155,000 as at 31 December 2023) in Note 9.

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

Please refer to Notes 2, 3 and 4.There were no write-downs of fixed assets that were necessary in the period.

31. Financial income and expenses

Financial income, amounting to EUR 16.32 million, mainly refers to the remeasurement of value of the put & call option agreements, amounting to EUR 14.822 million, and the rest to exchange gains, cash discounts applied by suppliers, accrued interest income on current accounts and interest income to customers.

Financial expenses of EUR 14.086 million consist of interest to banks, other lenders, exchange losses, imputed interest on debt for the purchase of minorities, as well as changes in value following the payment of put & call option agreements totalling EUR 1.482 million.

Financial income

amounts are shown in €/1,000	2022	2023
Financial income from banks	4	522
Active supplier discounts	18	13
Value adjustment income on financial liabilities	3,698	14,822
Other	872	964
Total	**4,592**	**16,320**

Financial expenses

amounts are shown in €/1,000	2022	2023
Interest on ordinary loans	1,097	4,453
Interest on subsidised loans	7	14
Interest from third parties (vendor loan)	18	
Value adjustment charges on financial liabilities	22,347	1,482
Financial charges on rents (IFRS 16)	481	1,246
Imputed interest on options and earnout	1,096	5,665
Other	844	1,226
Total	**25,890**	**14,086**

32. Taxes

This item is made up as follows:

amounts are shown in €/1,000	2022	2023
Current taxes	8,104	10,171
Tax paid in advance	64	286
Deferred taxes	(1,104)	(1,239)
Total	**7,064**	**9,218**

For the changes in deferred tax assets and liabilities, please see the disclosures included in Note 19 for the corresponding balance sheet items and the indications given in Note 14 "Shareholders' equity".

The following table shows the reconciliation between the current tax burden and the theoretical tax burden:

amounts are shown in €/1,000	IRES	%	IRAP	%
Pre-tax income	37,348		35,114	
Theoretical tax	8,964	*24.0%*	1,369	*3.9%*
Total taxable temporary differences	5,882		5,600	
Total taxable permanent differences	(10,441)		18,305	
Consolidated tax base	32,790		59,018	
Actual tax	**7,870**	***21.1%***	**2,302**	***6.6%***

33. Other items of the statement of comprehensive income

Other components of the statement of comprehensive income relate to changes in the cash flow hedge provision in relation to the fair value measurement of derivative instruments hedging financial risks from interest rate changes. These are interest rate swap instruments, described in the financial risks section under IFRS 7, which should be referred to for further details. Since these financial instruments have characteristics to allow for hedge accounting, changes in fair value are recognised directly under shareholders' equity, net of their tax effect.

In addition, as a result of the amendments to IAS 19, actuarial gains and losses are entered in the statement of comprehensive income from 2013 onwards and will not be entered subsequently in the income statement.

The variations of the two components described are negative by EUR 694,000 and EUR 242,000 respectively, both net of the tax effect.

34. Cash flow statement

Cash generated by current operations, amounting to EUR 53.1 million, was absorbed by the increase in working capital as a result of the financial performance from the collection of receivables, advances and the payment of debts, amounting to EUR 33.3 million. This was mainly due to the timings of the orders in the Luxury Contract segment. The result is a positive cash flow of EUR 19.8 million.

The cash flow of investment activities—negative by EUR 110.2 million—is mainly composed of the time deposit subscription totalling EUR 22.6 million (see Note 12), the acquisition of Cubo Design, Axo Light and Turri amounting to EUR 42.4 million (paragraph Business combinations) and the exercise of the put & call options and earn-out described above, totalling EUR 38.1 million. In order to meet these needs, the Group took out loans worth EUR 52.3 million over the period and used part of the proceeds from the capital increase related to the Company's listing, amounting to a total of EUR 70.1 million.

Net of repayments of the loans of EUR 23.3 million, the total cash flow was negative, amounting to EUR 1.5 million in 2023.

35. Related parties

amounts are shown in €/1,000	Related party of	revenue	rental costs without the application of IFRS 16	costs for services
Il Castello S.p.A.	Gervasoni S.p.A.		500	
C.G.Immobiliare S.r.l.	Cenacchi Int. S.r.l.		222	
Ir-Ma S.r.l.	Modar S.p.A.		433	
Adriatica Arredamenti s.a.s.	Cubo Design S.r.l.		65	
AGP 2 S.r.l.	Cubo Design S.r.l.		607	
Giaro Componenti S.r.l.	Cubo Design S.r.l.		17	495
G.S.P.S.r.l.	Cubo Design S.r.l.		47	13
Directors	Gruppo IDB	228		6,065
Sanfrancesco S.r.l.	Turri S.r.l.		141	
Olimpia S.r.l.	Turri S.r.l.		82	
Ongoing consultancy contracts (co.co.co.)	Cenacchi Int. S.r.l.			468
Total		**228**	**2,115**	**7,041**

amounts are shown in €/1,000	Related party of	trade paya-bles	other paya-bles
T.M.R. S.r.l.	Cubo Design S.r.l.	130	
Amministratori	Gruppo IDB		1,337
Olimpia S.r.l.	Turri S.r.l.	157	
T Group S.r.l.	Turri S.r.l.	306	
Consulenze co.co.co.	Cenacchi Int. S.r.l.		37
Total		**593**	**1,374**

The Group companies have lease agreements in place with related parties, for which the rent is paid in advance. This cost for the year amounted to EUR 2.115 million, specifically EUR 500,000 for Il Castello S.p.A., EUR 607,000 for AGP 2 S.r.l and EUR 222,000 for C.G.Immobiliare S.r.l., EUR 433,000 for IR-Ma S.r.l. and EUR 141,000 for Sanfrancesco S.r.l.

The "Directors" item includes the remuneration and the share of the long-term incentive plan for the period.

36. Commitments and guarantees

As at 31 December 2023, the Group issued some surety bond guarantees for a small amount; it also pledged the units or shares of the subsidiaries to the banks that provided financing to the same subsidiaries as outlined in Note 17.

37. Subsequent events

It should be noted that on 29 February 2024, the Group repaid in advance a nominal share of EUR 927,000 of the financing entered into with UniCredit in 2020 for the acquisition of Flexalighting S.r.l. After this operation, the outstanding debt was a nominal EUR 800,000.

Milan, 11 March 2024

On behalf of the Board of Directors
The Chief Executive Officer
Andrea Sasso

STATEMENT OF THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH ARTICLE 154-BIS OF ITALIAN LEGISLATIVE DECREE NO. 58/1998 OF 24 FEBRUARY 1998 (CONSOLIDATED FINANCE ACT), AS AMENDED

While taking into account the provisions of Article 154-bis, paragraphs 3 and 4 of Italian Legislative Decree No. 58 of 24 February 1998, the undersigned Andrea Sasso, as Chair and Chief Executive Officer, and Alberto Bortolin, as Chief Financial Officer and Director in charge of drawing up the financial accounts of the Italian Design Brands Group, attest to:

- adequacy in relation to the characteristics of the undertaking; and
- effective application of the administrative and accounting procedures for drawing up the annual consolidated financial statements during the period from 1 January to 31 December 2023.

It is also stated that the consolidated financial statements as at 31 December 2023:

- are drawn up in accordance with applicable international accounting standards recognised in the European Community under Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond to the findings in the accounting books and records;
- are appropriate to provide a true and fair view of the assets, liabilities, economic and financial position of the issuer and of all undertakings included in the consolidation.

The management report shall include a reliable analysis of the development and outcome of the operation, as well as of the situation of the issuer and all undertakings included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Milan, 11 March 2024

The Chair and Chief Executive Officer
Andrea Sasso

Chief Financial Officer and Director in charge
of drawing up the financial accounts
Alberto Bortolin

Italian Design Brands S.p.A.

Consolidated financial statements as at December 31st, 2023

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010, and article 10 of EU Regulation n. 537/2014

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

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

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(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 31st, 2023, 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 explanatory notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31st, 2023, 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 and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

EY S.p.A.
Sede Legale: Via Meravigli, 12 – 20123 Milano
Sede Secondaria: Via Lombardia, 31 – 00187 Roma
Capitale Sociale Euro 2.600.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. di Milano 606158 - P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998

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Key Audit Matter	Audit Response
Recoverability of the carrying amount of intangible assets with indefinite useful life	
At December 31st, 2023 the carrying amount of goodwill is € 134.9 million and the carrying amount of brands with indefinite useful life is € 57.5 million. These intangible assets with an indefinite useful life were allocated to the Cash Generating Units (CGUs) coinciding with each Group company. The processes and methods to evaluate and determine the recoverable amount of each CGUs, in terms of value in use, are based on assumptions that are in some cases complex and that, due to their nature, imply the use of judgement by Management, in particular with reference to cash flow forecasts for the period covered by the Group business plan, to normalized cash flows used to estimate terminal value and to discount and long term growth rates applied to projections of future cash flows. The company employs an independent expert to determine the recoverable value of the CGUs. Considering the significance of the assets with indefinite useful life, the level of judgement and complexity of the assumptions applied in estimating the recoverable amount, we determined that this area represents a key audit matter. Financial statement disclosures on the valuation of brands and goodwill is provided in Note n. 2 "Intangible assets".	Our audit procedures in response to this key audit matter included, among others: • assessment of the process and key controls implemented by the Group in connection with the criteria and methodology of impairment test; • assessment of the adequacy of the CGUs perimeter and the allocation of the carrying amounts of assets and liabilities to each CGU; • test of the consistency of the assumptions on future cash flow forecasts and comparison with the data and projections of the markets; • assessment of the consistency of each CGUs future cash flow forecast with the Group Business Plan; • assessment of the accuracy of cash flow projections as compared to historical results; • assessment of the long term growth rates and discount rates. In performing our analysis, we engaged our experts in valuation techniques, who have independently performed calculation and sensitivity analyses of key assumptions in order to determine any changes in assumptions that could materially impact the valuation of the recoverable amount. Lastly, we evaluated the appropriateness of the disclosures included in the explanatory notes of the consolidated financial statements with reference to goodwill and brands.
Valuation of financial liabilities for options granted to minority shareholders	
The consolidated Financial Statements as of December 31st, 2023 include financial liabilities of € 54.6 million (including non-current for € 54.6 million), referring to put and call options to minority shareholders subscribed as part of the business combinations carried out by the Group. These financial liabilities are recognized on IFRS	Our audit procedures in response to this key audit matter included, among others: • analysis of the understanding of the process adopted for the purpose of estimating the value of options granted to minority shareholders; • analysis of acquisition agreement, in which are described the mode of

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9 basis at each reporting date (with formulas based on economic and financial indicators to be derived from the financial statements of subsidiaries available at the date of exercise of options).

Management of the Parent Company determined this value by discounting the estimated price for the acquisition of minority interests based on the performance reflected in the approved Business Plans of the companies and the variables defined in each acquisition agreements. This methodology is characterized by a high degree of complexity and the use of estimates, which by their nature are uncertain and subjective, with reference to the following elements:

- the expected cash flows of the Business Plans, determined by taking into account general economic and industry trends, actual cash flows in the last years, and projected growth rates;
- the financial parameters used for the purpose of determining the discount rate;
- other variables regulated in each acquisition agreements.

For these reasons, we considered the valuation of financial liabilities for options granted to minority shareholders, a key audit matter.

Note No. 18 "Other current and non-current financial liabilities" to the consolidated financial statements for the year ended December 31st, 2023 shows how financial liabilities for options granted to minority shareholders were determined and the impact on the consolidated financial statements.

regulation and determination of such put and call options;

- assessment of the reasonableness of the assumptions adopted by the management in preparing the expected cash flows of the acquired businesses;
- examination of variances between expected cash flows of acquired businesses from previous years and actual results in order to understand the accuracy of the estimation process adopted;
- verification of the consistency of put and call option calculations with the definition reported in each acquisition agreements and with the variables identified within the Business Plans of individual CGUs.

Lastly, we evaluated the appropriateness of the disclosures included in the explanatory notes of the consolidated financial statements related to financial liabilities for options granted to minority shareholders.

Purchase price allocation related to the acquisition of Cubo Design S.r.l. and Turri S.r.l. (formerly Turri 2K S.r.l.) and their subsidiaries

During 2023 the Group acquired Cubo Design S.r.l. and Turri S.r.l. (formerly Turri 2K S.r.l.) and their subsidiaries.

The processes and methods of accounting for acquisition transactions are based on sometimes complex assumptions that by their nature

Our audit procedures in response to the key audit matter included, among others:

- the analysis of the agreements signed within Cubo Design S.r.l. and Turri S.r.l. (formerly Turri 2K S.r.l.) and their subsidiaries and the assessment of the related

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involve reliance on the judgment of the management, particularly with regard to the identification of the intangible assets acquired, the allocation of the purchase price to the fair value of the assets acquired and liabilities assumed, and the alignment of the acquired company's accounting policies with those of the Group for inclusion in the consolidated financial statements. The acquisitions have been accounted for pursuant to IFRS 3, Business Combination, with a purchase price allocation process (hereinafter, "PPA"). Considering the significance of the transaction and the amounts involved in the PPA, the complexity of the assumptions assumed in the calculation of the fair value of the acquired assets and liabilities, and the level of judgement exercised by management, we determined this area represents a key audit matter. The note "Business Combinations" in the consolidated financial statements for the year ended December 31st, 2023 provides a description of the process followed by IDB Group Management and the impacts on the consolidated financial statements.	accounting treatment adopted by IDB Group; • the identification and verification of the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition; • the assessment of the valuation reports prepared by the external specialist who supported the Company in the calculation of the fair valuation of the assets and liabilities identified, and in the purchase price allocation process; • the assessment of the key assumptions used by management such as long-run growth rates and discount rates; • an examination of the main assumptions used by management in carrying out the above process. In performing our audit procedures, we involved EY internal valuation specialists who assisted us in reviewing the documentation prepared and methodology adopted by management. Lastly, we evaluated the appropriateness of the disclosures included in the explanatory notes of the consolidated financial statements of IDB Group as of December 31st, 2023.

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 with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, 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.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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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We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate relevant risks or the safeguard measures applied.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Italian Design Brands S.p.A., in the general meeting held on March 17th, 2023, engaged us to perform the audits of the consolidated financial statements for each of the years ending December 31st, 2023 to December 31st, 2031.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion on the compliance with Delegated Regulation (EU) 2019/815 and subsequent amendments

The Directors of Italian Design Brands S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 and subsequent amendments the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the consolidated financial statements as at December 31st, 2023 with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at December 31st, 2023 have been prepared in the XHTML format and have been marked-up, in all material aspects, in compliance with the provisions of the Delegated Regulation.

Due to certain technical limitations, some information included in the explanatory notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

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Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Italian Design Brands S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Italian Design Brands Group as at December 31st, 2023, including their consistency with the related consolidated financial statements and their 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 and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Italian Design Brands Group as at December 31st, 2023 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Italian Design Brands Group as at December 31st, 2023 and comply 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 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Italian Design Brands S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Treviso, March 26th, 2024

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

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS FOR THE PERIOD AS AT 31 DECEMBER 2023

Statement of financial position

Amounts in euro	Note	31/12/2023	31/12/2022
Non-current assets		**104,265,360**	**40,731,525**
Intangible assets	1	8,597	6,126
Right of use	2	535,098	647,737
Property, plant and equipment	3	597,799	180,616
Deferred tax assets	4	269,353	689,454
Equity investments	5	91,647,193	39,130,655
Other non-current assets	6	21,560	76,936
Non-current financial assets	7	11,185,759	-
Current assets		**42,141,514**	**10,657,693**
Income tax credits	9	1,756,783	-
Other current assets	10	2,710,431	3,458,216
Other current financial assets	7	27,634,993	-
Cash and cash equivalents	11	10,039,307	7,199,477
Total assets		**146,406,874**	**51,389,218**

Shareholders' equity and liabilities			
Shareholders' equity		**100,631,932**	**28,318,839**
Share capital	12	26,926,298	20,216,740
Other reserves and retained earnings, including profit/(loss) for the period	12	73,705,634	8,102,099
Non-current liabilities		**19,528,970**	**2,390,935**
Post-employment benefits	13	130,056	91,183
Provisions for risks and charges	14	203,417	308,989
Long-term bank loans	15	18,815,131	1,501,539
Non-current financial payables to lessors	16	376,881	483,847
Deferred taxes		3,485	5,378
Current liabilities		**26,245,972**	**20,679,443**
Short-term bank loans	15	5,695,182	725,692
Other current financial liabilities	17	17,415,574	15,766,015
Current financial payables to lessors	16	171,917	145,212
Trade payables	18	575,357	1,136,261
Income tax payables	19	-	2,129,269
Other current liabilities	20	2,387,942	776,995
Total liabilities		**45,774,942**	**23,070,379**
Total shareholders' equity and liabilities		**146,406,874**	**51,389,218**

Income statement

Amounts in euro	Note	2023	2022
Revenue	21	332,000	332,030
Other income	22	229,050	22,230
Total revenue and income		**561,050**	**354,259**
Staff costs	23	(1,319,000)	(723,513)
Costs for services and use of third-party assets	24	(6,271,415)	(5,983,833)
Other operating costs	25	(25,678)	(48,988)
Amortisation, depreciation and write-downs of fixed assets	26	(218,452)	(157,638)
Operating profit/(loss)		**(7,273,496)**	**(6,559,713)**
Financial expenses	27	(2,468,301)	(457,493)
Financial income	28	11,139,812	7,463,360
Pre-tax profit		**1,398,015**	**446,154**
Income tax	29	1,634,385	1,458,733
Profit/(Loss) for the year		**3,032,400**	**1,904,887**

Statement of comprehensive income

Amounts in euro	Note	2023	2022
Net profit/(loss) for the year		**3,032,400**	**1,904,887**
Other items of the statement of comprehensive income			
Profit/(loss) from cash flow hedge		(112,507)	27,252
Tax effects		23,373	(6,541)
Total profit/(loss) from cash flow hedges, net of tax		**(89,134)**	**20,712**
Total comprehensive income items that will subsequently be reclassified to profit/(loss) for the year	12	**(89,134)**	**20,712**
Actuarial profits/(losses)			15,574
Tax effects		-	(3,738)
Total actuarial profit/(loss), net of taxes		**-**	**11,836**
Comprehensive income items that will not subsequently be reclassified to profit/(loss) for the year	12	**-**	**11,836**
Total comprehensive net profit/(loss) for the period		**2,943,267**	**1,937,434**

Consolidated statement of changes in shareholders' equity

Amounts in euro	Share capital	Legal reserve	Share premium reserve
Balance at 31 December 2021	**20,216,740**	**1,090,024**	**3,563,160**
Use of the result of the previous financial year	-	89,660	-
Other items of the statement of comprehensive income (OCI)	-	-	-
Net profit/(loss) for the year	-	-	-
Balance at 31 December 2022	**20,216,740**	**1,179,684**	**3,563,160**
Reserved initial public offering	6,709,558	-	63,407,409
Allocation of result for the year	-	-	-
Other income statement items	-	-	-
Purchase of treasury shares	-	-	-
Dividends	-	-	-
Net profit/(loss) for the year	-	-	-
Balance at 31 December 2023	**26,926,298**	**1,179,684**	**66,970,569**

FTA reserve	Cash flow hedge reserve	Actuarial reserve	Treasury shares	Retained earnings	Profit/loss for the year	Shareholders' equity
(91,865)	**(5,590)**	**(22,385)**	**-**	**31,944**	**1,599,378**	**26,381,405**
-	-	-	-	1,509,718	(1,599,378)	-
-	20,712	11,836	-	-	-	**-**
-	-	-	-	-	1,904,887	**1,904,887**
(91,865)	**15,122**	**(10,549)**	**-**	**1,541,662**	**1,904,887**	**28,318,840**
-	-	-	-	-	-	**70,116,967**
-	-	-	-	1,904,887	(1,904,887)	**-**
-	(89,134)	-	-	181	-	**(88,953)**
-	-	-	(47,321)	-	-	**(47,321)**
-	-	-	-	(700,000)	-	**(700,000)**
-	-	-	-	-	3,032,400	**3,032,400**
(91,865)	**(74,012)**	**(10,549)**	**(47,321)**	**2,746,729**	**3,032,400**	**100,631,933**

Cash flow statement

Amounts in euro	2023	2022
Cash flows from operating activities		
Profit/(loss) for the year	3,032,400	1,904,887
Income tax	(1,634,385)	(1,458,733)
Interest expense/(income)	642,333	144,919
Other non-monetary income and expenses	-	-
(Dividends)	(10,571,110)	(7,416,663)
Capital (gains)/losses on asset disposals	-	
1) Profit/(Loss) before income taxes, interest, dividends and capital gains/losses from transfer	**(8,530,761)**	**(6,825,590)**
Severance Indemnity Provision	39,183	32,302
Provisions	1,262,517	310,922
Depreciation and amortisation of fixed assets	218,452	157,638
Impairment losses	-	-
Value adjustments for financial assets and liabilities of financial derivatives that do not involve monetary movement	0	-
Other upward/(downward) adjustments for non-monetary items	(232,285)	1,603,162
2) Cash flow before changes in net working capital	**(7,242,895)**	**(4,721,566)**
Decrease/(Increase) in inventories	-	-
Decrease/(Increase) in trade receivables	-	1,950
Increase/(Decrease) in trade payables	(560,904)	999,590
Decrease/(Increase) in accruals and prepaid expenses	-	-
Increase/(Decrease) in accruals and deferred income	-	-
Other decreases/(other increases) in net working capital	603,420	1,601,253
3) Cash flow after changes in net working capital	**(7,200,379)**	**(2,118,773)**
Interest received/(paid)	(876,389)	(91,590)
(Income taxes paid)	-	-
Dividends collected	10,571,110	7,416,663
(Use of funds)	-	-
Net cash flow generated/(absorbed) by operating activities (A)	**2,494,342**	**5,206,300**
Cash flows from investment activities		

Amounts in euro	2023	2022
(Investments in property, plant and equipment)	(446,340)	(42,356)
Divestments of property, plant and equipment (realisable value)	1,289	16,073
(Investments in intangible assets)	(3,150)	-
Divestments of intangible assets (realisable value)	-	-
(Investments of financial fixed assets)	(53,430,782)	(4,955,267)
Divestments of financial fixed assets	-	-
IFRS 16	(128,640)	-
Disposal of short-term financial assets	-	-
Investments of short-term financial assets	(20,000,000)	-
(Acquisition of business units, net of cash)	-	-
Adjustment, other financial payables	(2,354,641)	-
Disposal of business units, net of cash	-	-
Net cash flow absorbed by investment activities (B)	**(76,362,264)**	**(4,981,550)**
Cash flows from financing activities		
Third-party financing		
Increase/(Decrease) in short-term payables to banks	389,061	-
Disbursements of medium- to long-term loans	22,736,172	
(Repayment of medium- to long-term loans)	(720,000)	(688,920)
Provision of intra-group loans – Change in cash pooling	(15,067,310)	1,880,116
Equity	-	
Net change in debt to other lenders	-	
Paid-up capital increase	70,117,148	
(Repayment of capital)	-	
Disposal/(Purchase) of treasury shares	(47,321)	
(Dividends and advances on dividends paid)	(700,000)	(177,701)
Net cash flow generated/(absorbed) by financial activities (C)	**76,707,750**	**1,013,495**
Total cash flow (D=A+B+C)	**2,839,828**	**1,238,245**
Net cash at the start of the financial year (E)	**7,199,477**	**5,961,232**
Net cash at year-end (F=D+E)	**10,039,305**	**7,199,477**

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2023

General information

Italian Design Brands S.p.A. (hereinafter also "IDB") is based in Milan at Corso Venezia, 29 and is listed on the Italian Stock Exchange. It was established on 10 March 2015 with the aim of promoting an Italian design pole in the furniture, fittings and lighting segment. Since 2023, its scope has also included high-end modular kitchen solutions and systems that can implement dimensional, organisational, managerial, strategic and distribution synergies, which allow IDB to compete internationally in a segment where Italy has a competitive advantage and excellent creative and product skills.

The first company acquisition took place in 2015 and over the years the IDB Group has continued to grow its external lines, as part of its project to create an Italian hub for furniture, including kitchens and high-quality lighting.

Significant events during the financial year

On 18 May 2023, the Initial Public Offering (IPO) of the Company's ordinary shares concluded, aimed at the admission to trading of the ordinary shares on Euronext Milan, a regulated market organised and managed by Borsa Italiana S.p.A. (hereinafter, the "Quotation").The proceeds deriving from IPO were used mainly to support the organic growth and non-organic growth.

Due to the company's listing on the stock exchange, in May 2023, the amount relating to the phantom stock option incentive plan accrued on that date was paid to the CEO and at the same time a new management incentive plan came into effect (referred to as the long-term incentive plan). Reference to this plan will be made later in the document for due disclosure.

As at 18 December 2023, the programme aimed at increasing the portfolio of treasury shares of the parent company Italian Design Brands S.p.A. became operative in order to (i) equip itself with a portfolio of treasury shares to be used to service transactions consistent with the Group's strategic development lines in view of or within the scope of agreements with strategic partners, including, but not limited to, transactions involving sales and/or exchanges, swaps, contributions, assignments or other acts that include other extraordinary finance transactions (ii) use treasury shares for transactions to support market liquidity, so as to facilitate trading in the securities themselves at times of low market liquidity and to encourage regular trading, in accordance with the provisions of the law on market abuse and accepted market practices. The above-mentioned share buy-back programme was approved by the shareholders' meeting of 17 November 2023.

In particular, the Shareholders' Meeting authorised the purchase, in one or more instalments and for a maximum period of 18 months from the date of the resolution, of a maximum number—also on a revolving basis—of 2,000,000 ordinary shares, taking into account that the maximum number of ordinary shares held in the Company's portfolio may in no case exceed the maximum number allowed by law (currently a number of shares not exceeding 20% of the share capital).The purchases were made on the Euronext Milan market in compliance with the provisions of Art. 132 of Italian Legislative Decree58/1998 and Art. 144-bis, paragraph 1, letter b) of Consob Regulation 11971/1999, so as to ensure equal treatment among shareholders.

The unit price for the purchase and sale of treasury shares is set on a case-by-case basis for each day of trading, but it should be noted that:

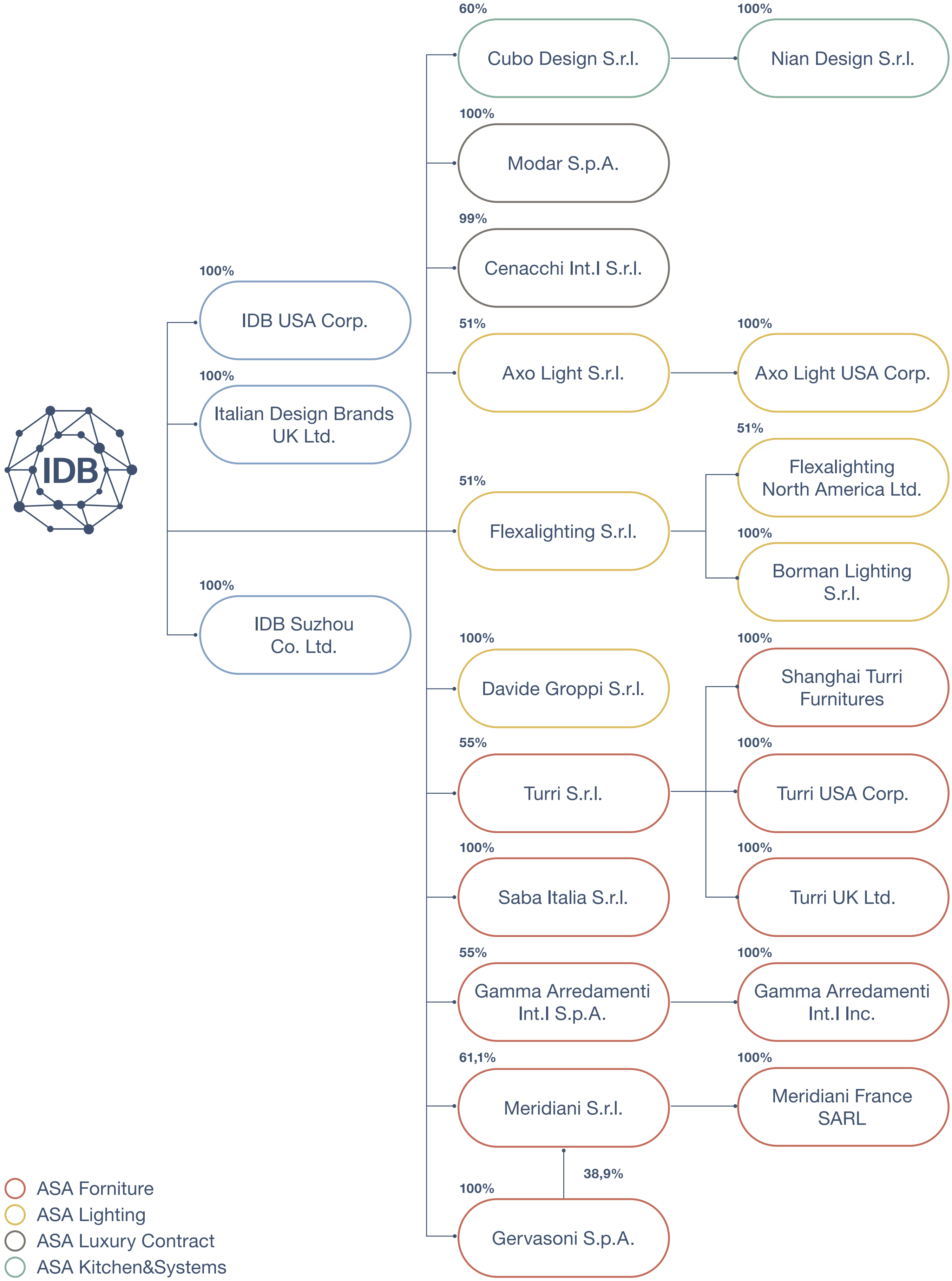
- the purchase price of each share must not be lower than 20% below the official stock exchange price of the share on the day preceding the day on which the purchase transaction is to be carried out, and no higher than 10% above the official stock exchange price on the day preceding the day on which the purchase transaction is to be carried out, without prejudice to the application of the terms and conditions set out in Article 5 of Regulation (EU) No. 596/2014 and Article 3 of Delegated Regulation (EU) 2016/1052;
- the sale price of each share must not be lower than 20% below the official stock exchange price of the share on the day preceding the day on which the sale transaction is to be carried out, without prejudice to the application of the terms and conditions set out in Article 5 of Regulation (EU) No. 596/2014 and Article 3 of Delegated Regulation (EU) 2016/1052.

For more details please see paragraph “Italian Design Brands S.p.A. on the **stock exchange**” (in the management report).

With reference to the acquisition transactions completed during 2023, it should be noted:

1) the acquisition of Cubo Design S.r.l. and its subsidiary, Nian Design S.r.l. On 31 January 2023, by means of special-purpose vehicle Fincubo S.r.l.(60% held by IDB and 40% by former shareholders of Cubo Design S.r.l.), IDB acquired the entire share capital of Cubo Design S.r.l., a company specialised in the production of modular kitchens, with a 51%-owned subsidiary, Nian Design S.r.l., specialised in the processing of marble for kitchen manufacturing. On 26 June 2023, the reverse merger of Fincubo S.r.l. into Cubo Design S.r.l. was carried out on the basis of the draft merger dated 22 May 2023.The aforementioned merger was approved by both companies involved in the merger by means of resolutions of their respective shareholders’ meetings held on 24 May 2023.It should also be noted that in December 2023, Cubo Design S.r.l. acquired the remaining 49% of the shares of Nian Design S.r.l., thus gaining full control of the company;
2) the purchase on 18 July 2023 of 31% of the shares in Axo Light S.r.l. and the consequent control of this company, compared with the previous joint control of 20%;
3) the purchase on 29 September 2023, through the newly formed Finturri S.r.l., which is 51% owned, of the entire capital of Turri 2K S.r.l., which in turn wholly owns Turri UK Ltd., Turri ISA Corp. and Shanghai Turri Furnitures. It should be noted that on 22 December 2023, the reverse merger of Finturri S.r.l. into Turri 2K S.r.l. was completed and the name changed at the same time to Turri S.r.l, on the basis of the merger plan dated 13 November 2023.The aforementioned merger was approved by both companies involved in the merger by means of resolutions of their respective shareholders’ meetings held on 16 November 2023.

The structure of the IDB Group as at 31 December 2023 is provided below:



At the reference date of the financial statements, the organisation of the IDB Group is divided into four operating segments or strategic business areas (SBAs), as defined at operational management level, and one other segment (mainly attributable to the Parent Company with a holding company function):

- Furniture: dedicated to the design, production (both in-house and through third-party manufacturers) and marketing of indoor and outdoor furniture products, mainly dedicated to the living area. At the reference date of the financial statements, this business activity is concentrated in Gervasoni S.p.A., Meridiani S.r.l., Saba Italia S.r.l., Gamma Arredamenti International S.p.A. and Turri S.r.l.;
- Lighting: dedicated to the design, production (both in-house and through third-party manufacturers) and marketing of high-quality designer lighting products. At the reference date of the financial statements, this segment was made up of Davide Groppi S.r.l., Flexalighting S.r.l., Flexalighting North America Ltd. and Axo Light S.r.l.;
- Luxury Contract: dedicated to the design and installation of bespoke and commissioned fittings for luxury brand shops and high-end hotels and homes, commissioned and in collaboration with well-known architects and designers. At the reference date of the financial statements, this SBA was concentrated and active at Cenacchi International S.r.l. and Modar S.p.A.;
- Kitchens and Systems: dedicated to the design, production and marketing of modular kitchen solutions and systems. At the reporting date, Cubo Design S.r.l. and its subsidiary Nian Design S.r.l. were part of this segment.

Preparation criteria

The separate financial statements as at 31 December 2023 were drawn up in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union, as well as the measures adopted in implementation of Article 9 of Italian Legislative Decree No. 38/2005 et seq. IAS/IFRS refers to the International Financial Reporting Standards (IFRS), which represent the evolution of International Accounting Standards (IAS), as well as all interpretations to date issued by the International Financial Reporting Commission (IFRIC).

The Company's financial statements consist of:

- a separate statement of financial position for current and non-current assets and liabilities on the basis of their realisation or settlement within the normal business cycle, within 12 months of the end of the reporting period;
- a statement of profit or loss and other comprehensive income for the period that shows costs and revenue using a classification based on the nature of those costs and revenue, which is considered to be more representative than the business line in which the Company operates;
- a cash flow statement drawn up using the indirect method;
- a statement of changes in equity for the period;
- the explanatory notes containing the information required by applicable law and international accounting standards, as set out with reference to the balance sheet formats used.

These separate financial statements are expressed in euro, the functional currency adopted by the Company in accordance with IAS 1.

The separate financial statements are subject to statutory audit by EY S.p.A.

Please refer to the Single Management Report of the Board of Directors for further information on the company's position, performance and operating result, as a whole and in the various sectors in which it has operated (in particular with regard to costs, revenues and investments), for information on the main events of the 2023 financial year and the business outlook.

The financial statements are prepared on a historical cost basis, except for financial derivatives and potential charges that are recorded at fair value.

Current/non-current classification

Assets and liabilities in the Company's financial statements are classified as current or non-current. An asset is current when:

- it is expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle;
- it is held primarily for the purpose of being traded;
- it is expected to be realised within 12 months after the balance sheet date; or
- it is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in the entity's normal operating cycle;
- it is due to be settled within 12 months after the balance sheet date; or
- the entity does not have an unconditional right to defer the settlement of the liability for at least 12 months after the balance sheet date.

Any contractual terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Cash flow statement

With respect to the cash flow statement, in accordance with IAS 7, the Company has opted for the following approaches:

- the standard allows the company to prepare the cash flow statement from operating activities using either the direct or indirect method. The Company has presented its cash flow statement using the indirect method;
- the company reconciled its net result for the year with its net cash flows from operating activities;
- the standard allows interest expense and interest income to be represented both as operating activities and as financing activities, as deemed relevant by the Company. The Company decided to classify the interest received and paid as cash flow from operating activities.

Luxury Contract

MODAR

Part of IDB Group since 2019

Founded in 1971 by Dante Malagola, specializes in the design and the subsequent production of furnishings for upscale luxury stores, residences, hotels and offices. It has built more stores in the most important cities in Europe, America, Asia and Oceania with the collaboration with some of the most brilliant architects and designers.

Evaluation criteria

Intangible assets

Intangible assets consist of identifiable, non-monetary items that have no physical form, which are controllable and likely to generate future economic benefits. Intangible assets acquired separately are recognised at cost, while intangible assets acquired through business combination transactions are recognised at fair value at the acquisition date. After initial recognition, intangible assets are recognised at cost, net of related amortisation and any accumulated impairment losses. Internally produced intangible assets, with the exception of development costs, are not capitalised and are recognised in the result of the financial year at the time when they were incurred.

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

Intangible assets with a finite life are amortised on a straight-line basis over their useful life and are subject to a test on the recoverable amount whenever there are indicators of possible impairment.

In particular, the estimated useful life for costs related to long-term IT systems and procedures is three years. For concessions, licences and brands, amortisation takes place over 18 years; therefore, the rate applied is 5.56%, unchanged from the previous year. For intangible assets, the amortisation period shall not exceed the legal or contractual limit. Where the Company expects to use the asset for a shorter period, the useful life shall reflect that shorter period rather than the legal or contractual limit for the purposes of calculating amortisation.

The period and method of amortisation applied shall be reviewed at the end of each financial year, or more frequently if necessary. Changes in the expected useful life or how the future economic benefits of the intangible asset are achieved by the Company are recognised by changing the period or amortisation method, as appropriate, and treated as changes in accounting estimates.

The Company shall not record intangible assets with an indefinite useful life in its financial statements.

Gains or losses arising from the sale of an intangible asset are measured as the difference between the net proceeds of sale and the book value of the asset, and shall be recognised in the operating result at the time of the sale.

Right-of-use assets

Upon entering into a contract, the Company assesses whether it involves or contains a lease; in other words, whether the contract confers the right to control the use of an identified asset for a period of time in exchange for consideration. The Company uses a single recognition and measurement model for all leases, with some exceptions for short-term and low-value leases, for which it uses the exemption in IFRS 16.For such contracts, the payments of related charges are recognised as costs in the income statement on a straight-line basis, broken down over the duration of the contract.

Short-term leases are leases of 12 months or less. A lease containing a purchase option cannot be treated as a short-term lease.

An asset is considered to be of low value if two criteria are met: the lessee must be able to derive benefits from the asset individually or together with other resources that must be readily available, and the asset must not be dependent on or closely interrelated to other assets. The IASB has defined a low-value lease as one with an annual cost of USD 5,000; however, the nature of the asset is also taken into account when determining whether or not an asset is of low value.

The Company recognises liabilities related to lease payments and the right-of-use asset representing the right to use the asset underlying the contract.

The Company recognises right-of-use assets at the start date of the lease (i.e. the date on which the underlying asset is available for use).

Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis from the commencement date to the end of the useful life of the right-of-use asset, or to the end of the lease term, whichever is earlier, as follows:

- Rights of use on land and buildings	from 4 to 6 years
- Rights of use on other assets	from 4 to 5 years

Right-of-use assets are subject to impairment.

Lease liabilities

At the contract start date, the Company recognises lease liabilities by measuring them at the present value of the lease payments that are not yet paid at that date. Payments due include fixed payments (including in-substance fixed payments) less any lease incentives to be received, variable lease payments that depend on an index or rate, and the amounts expected to be payable under residual value guarantees. Lease payments also include the exercise price of a purchase option if the Company is reasonably certain that it will exercise such option and the payments of penalties for terminating the lease, if the lease term takes into account the Company exercising an option to terminate the lease.

Variable lease payments that do not depend on an index or rate are recognised as an expense in the period in which the event or condition that generated the payment occurs.

In calculating the present value of payments due, the Company shall use the incremental borrowing rate at the start date. After the commencement date, the amount of the lease liability increases to account for interest on the lease liability and decreases to account for payments made. In addition, the carrying amount of the lease payables is restated in the event of any changes to the lease or the revision of the contractual terms relating to changes in payments; it is also restated if there are changes in the measurement of the option to purchase the underlying asset or changes in future payments resulting from a change in the index or rate used to determine such payments.

Leasing liabilities are presented under “Financial payables to lessors”, distinguishing between current and non-current.

Property, plant and equipment

Property, plant and equipment (hereinafter also “tangible assets”) are recognised at their historical cost and are shown in the financial statements net of related depreciation and any accumulated impairment losses. In particular, the cost of property, plant or machinery, purchased from third parties or self-constructed, include directly attributable charges and all the costs necessary to put the asset into operation for the use for which it was purchased. This expense includes the costs of replacing parts of plant and equipment at the time they are incurred, if they comply with the recognition criteria. Where it becomes necessary to periodically replace significant parts of plant and equipment, the Company depreciates these separately according to their specific useful life. Similarly, where there are major revisions, the cost is included in the carrying amount of the equipment or machinery as it is for replacement, where the recognition criterion is met. Maintenance and repair costs, other than incremental costs, are recognised in the result for the year in which they occurred.

Tangible assets, the use of which is limited in time, shall be depreciated systematically in each financial year in relation to their remaining useability. Depreciation shall take effect from the moment the fixed asset is available and ready for use.

Depreciation is recognised on a straight-line basis using rates that allow assets to be depreciated until their useful life is exhausted. Where the depreciated asset is composed of distinctly identifiable items, the useful life of which differs significantly from that of the other parts of the asset, depreciation is carried out separately for each of those parts, using the component approach method.

For the depreciation of electronic office machinery, the rate applied is 20%. For improvements on third-party assets, the shortest period of the remaining useful life of the asset and the term of the contract is used.

The useful life of tangible assets and their residual value shall be reviewed and updated, where necessary, at least at the end of each financial year. The carrying amount of an item of property, plant and equipment and any significant component initially recognised is eliminated upon disposal (i.e. the date on which the purchaser obtains control of it) or when no future economic benefit is expected from its use or disposal. The gain/loss that arises upon derecognition of the asset (calculated as the difference between the net carrying amount of the asset and the consideration received) is recognised in the income statement at the time that the item is derecognised.

Impairment losses of non-financial assets

At each reporting date, tangible assets and intangible assets are analysed in order to identify the existence of any impairment indicators. Where such indicators are identified, the recoverable amount of those assets are estimated and any write-down is entered in the income statement.

An intangible asset with an indefinite useful life is amortised but is subject to an impairment test each year or more frequently, whenever there is an indication that the asset may have suffered an impairment.

The recoverable amount of an asset is the greater of its fair value, less sale costs, and its value in use, the latter being the present value of the estimated future cash flows for that asset. For an asset that does not generate cash flows that are largely independent, the realisable value is determined in relation to the subsidiaries to which that asset belongs. When determining value in use, expected future cash flows are discounted at a discount rate that reflects the current market valuation of the cost of money, relative to the investment period and the asset-specific risks. The value in use is determined net of the tax effect.

An impairment is recognised in the income statement when the recognition value of the asset is higher than the recoverable amount. The terms and conditions of any reversal of an impairment loss on a previously devalued asset applied by the Company are those set out in IAS 36, thus excluding any possibility of impairment of goodwill.

Equity investments in subsidiaries and associate companies

Subsidiaries are those undertakings over which the Company has the power, directly or indirectly, to determine its financial and operational policies in order to obtain the related benefits. Control is generally assumed to exist when more than half of the voting rights are held, directly or indirectly, and can be exercised in ordinary shareholders' meetings, including potential voting rights that can currently be exercised or converted at the reporting date.

Associate companies are those undertakings over which the Company has significant influence in determining their strategic choices, i.e. the power to participate in, but not control, the financial and management policies of the investee. Significant influence is assumed when Italian Design Brands holds, directly or indirectly, between 20% and 50% of the voting rights exercisable in the ordinary shareholders' meeting, including potential voting rights that can currently be exercised or converted at the reporting date.

Equity investments in subsidiaries and associate companies are valued at the acquisition cost, including the costs incurred in acquiring the investment, which may be reduced if there are impairment losses. If any impairment loss exceeds the carrying amount of the shareholding, the value of the shareholding is written down and the portion of share of further losses is recognised as a liability provision in the event that the Company is liable for them. The cost is reinstated in subsequent years if the reasons for the write-downs no longer apply.

Financial instruments

The financial instruments held by the Company are included in the following financial statement items:

- Equity investments: recorded at historical cost, which may be reduced in the event of impairment losses;
- Non-current financial assets: includes non-current loans and financing;
- Other current financial assets: includes receivables from financing activities, current securities and other current financial assets (including the positive fair value of financial derivatives);
- Cash and short-term deposits: includes bank deposits;
- Bank loans: refers to financial payables, other financial liabilities and the negative fair value of financial derivatives.

Non-current financial assets, other than equity investments, as well as current financial assets and liabilities, are accounted for in accordance with IFRS 9.

In particular, all financial assets within the scope of IFRS 9 are initially recognised in the financial statements at their fair value and shall subsequently be recognised at amortised cost or fair value based on the Company's business model for financial assets and the characteristics of the contractual financial flows of the financial asset.

Specifically:

- financial assets held as part of a business model, which are held for the purpose of raising contractual cash flows, and which have cash flows consisting solely of principal payments and interest on the amount of principal to be returned, are subsequently valued at amortised cost;
- financial assets held as part of a business model, the objective of which is achieved both by raising the contractual cash flows and by selling them, and which have cash flows consisting solely of principal payments and interest on the amount of principal to be returned, are subsequently measured at fair value through other comprehensive income (FVTOCI);
- all other financial assets and investments in equity instruments are subsequently measured at fair value, with changes recognised under profit or loss (FVTPL).

Fair value is the price that would be received for the sale of an asset, or paid for the transfer of a liability, in an regular transaction between market operators at the valuation date. The fair value of an asset or liability is measured using the assumptions that market operators would use when pricing the asset or liability, assuming that market operators are acting to best satisfy their economic interest.

Financial assets valued at the Company's amortised cost include loans and receivables, which include both trade and other receivables. As at the reporting date and in the comparative period presented, the Company had no financial assets measured at fair value with changes recognised in other comprehensive income or in profit or loss for the period.

Notwithstanding the above, the Company may make the following irrevocable appointment upon initial recognition of a financial asset:

- the Company may make an irrevocable choice to present subsequent changes in the fair value of an investment in equity instruments that is neither held for trading, nor a contingent consideration recognised by a purchaser in a business combination transaction under other items of the statement of comprehensive income;
- the Company may irrevocably designate an investment in debt instruments that meets the amortised cost or FVTOCI criteria, as measured at fair value, with recognised changes in profit or loss (FVTPL) if this removes or significantly reduces an accounting asymmetry.

During the 2023 financial year, the Company did not appoint any debt instruments that meet the amortised cost or FVTOCI criteria as measured at fair value through profit or loss for the period.

When financial assets do not have a fixed maturity, they are valued at acquisition cost. Loans with a maturity of more than one year, which are non-interest bearing or accrue interest below the market rate, shall be discounted using market rates.

Regular assessments shall be carried out to ascertain whether there is objective evidence that a financial asset or group of assets may have been impaired. If there is objective evidence, the impairment loss is recognised as an expense in the income statement for the period.

Trade receivables and financial receivables are initially recorded on the balance sheet at their current value and are subsequently shown net of the provision for doubtful accounts required to adjust them in accordance with the impairment logic introduced by IFRS 9 (the expected losses model).Allocations for the provision for doubtful accounts shall be accounted for in the income statement.

All financial liabilities are initially recognised at fair value, to which—in the case of mortgages, loans and debts—transaction costs directly attributable to them are added. With the exception of financial derivatives, financial liabilities are subsequently exposed to amortised cost using the effective interest method.

Financial derivatives

Derivatives finalised by the Company are intended to address exposure to interest rate risk on some outstanding loans.

All financial derivatives are measured at fair value, as required by IFRS 9.In line with IFRS 9, financial derivatives may be accounted for in the manner established for hedge accounting only when, at the start of the hedging, there is formal appointment and documentation of the hedging relationship and the hedging is effective based on the assessment of the "economic relationship" between the hedged item and the hedging item.

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

- Fair value hedge: if a financial derivative is designated as a hedge of the exposure to changes in fair value of a recognised asset or liability on the financial statements attributable to a particular risk that could affect profit or loss, the gain or loss arising from subsequent fair value measurements of the hedging instrument is recognised in the income statement. The gain or loss on the hedged item, attributable to the hedged risk, changes the book value of this hedged item and is recognised in the income statement.
- Cash flow hedge: if a financial derivative is designated as a hedge of the exposure to variability in future cash flows of a recognised asset or liability on the financial statements, or a highly probable forecast transaction that could affect profit or loss, the effective portion of the gains or losses on the financial derivative is recognised in shareholders' equity. The accumulated gain or loss is derecognised from shareholders' equity and recorded on the income statement in the same period in which the related economic effect of the hedged transaction is recognised.

If hedge accounting cannot be applied, gains or losses arising from the fair value measurement of the financial derivative are immediately recognised on the income statement.

If a hedging instrument or hedging relationship is terminated, but the hedged transaction has not yet been carried out, the cumulative gains and losses, which up to that point have been recognised in shareholders' equity, are recognised in the income statement when the related transaction is carried out. If the hedged transaction is no longer considered probable, unrealised gains or losses suspended in shareholders' equity are recognised in the income statement.

The Company has established derivative contracts to hedge the variability of future cash flows of financial liabilities. In particular, the fair value of interest rate swaps used to hedge rate risk represents the amount that the Group estimates it will have to pay or cash in so as to close the contract at the reporting date, taking into account current interest rates and the creditworthiness of the counterparty. The fair value of interest rate swaps is determined with reference to the market value for similar instruments.

Financial assets and liabilities measured at fair value, and in particular derivative contracts, are classified using the following three levels of hierarchy, based on the relevance of the information (inputs) used to determine fair value. In particular:

- Level 1: financial assets and liabilities whose fair value is determined on the basis of quoted (unadjusted) prices in 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 included within level 1, but that are observable directly or indirectly (such as, primarily: market exchange rates at the reference date, expected rate differentials between the currencies concerned and volatility of the reference markets, interest rates);
- Level 3: financial assets and liabilities whose fair value is determined on the basis of inputs that are not based on observable market data.

Put & call agreements on minority interests

Put & call agreements are financial instruments that comply with the provisions of IFRS 9.The fair value of financial instruments that are traded on an active market is determined, at each reporting date, with reference to the market or operator quotes (offer price for long-term positions and bid price for short-term positions), without any deduction for transaction costs. For financial instruments not traded on an active market, fair value is determined using a valuation technique.

This technique may include: (i) the use of recent transactions under market conditions; (ii) reference to the current fair value of another instrument that is substantially similar; and (iii) a discounted cash flow analysis or other valuation models.

The earn-out is normally agreed by the special purpose vehicle used for the acquisition and therefore the related accounting treatment does not affect the carrying amount of the investment held by IDB.

Net liabilities for defined benefits for employees

A defined benefit plan is based on the employee's working life and the remuneration received by the employee over a predetermined period of service. Severance pay (TFR) is also included in defined benefit programmes. In particular, the liability recorded in the financial statements represents the present value of the obligation that will be recognised at the end of the employment relationship.

The determination of the liability recognised in the financial statements in accordance with the aforementioned accounting standard involves making estimates based on statistical assumptions about the occurrence of future events, including subjective ones (mortality rate, staff turnover, discounting interest rates, wage growth etc.): in this process, the Directors use independent actuaries.

Any actuarial gains or losses are recorded directly under "Other reserves" of shareholders' equity with immediate recognition of such gains or losses in the statement of comprehensive income, without subsequent reclassification to profit or loss.

Provisions for risks and charges

Provisions for risks and charges relate to costs and charges of a specific nature that are certain or probable, which at the end of the reporting period are undetermined in their amount or date of occurrence.

Provisions are recognised when: (i) a present legal or constructive obligation arising from a past event is likely; (ii) the obligation is likely to be onerous; and (iii) the amount of the obligation can be reliably estimated.

If the Company has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Company recognises any impairment loss that has occurred on assets used in fulfilling the contract. An onerous contract is a contract in which the non-discretionary costs (i.e., the costs that the Company cannot avoid because it is a party to a contract) necessary to fulfil its obligations exceed the economic benefits that are supposed to be obtainable from the contract. The non-discretionary costs of a contract reflect the lower net output cost, which is the lower out of the cost of performance and any compensation or penalty resulting from non-performance.

If the effect of the value of money over time is significant, provisions are discounted using a pre-tax discount rate that reflects, where appropriate, the specific risks of liabilities. When the liability is discounted, the increase in the provision due to the passing of time is recognised as a financial charge.

Financial liabilities - Financing

Financial liabilities include mortgages, bank loans and overdrafts and financial derivatives.

All financial liabilities are measured at amortised cost, except for financial derivatives that are measured at fair value as described in the previous paragraph. As a result, if the interest rate of the transaction is not significantly different from the market rate, the liability is initially recognised at a value equal to the nominal value, net of all transaction costs and all premiums, discounts and allowances directly arising from the transaction that generated the liability. These transaction costs, such as incidental expenses for obtaining financing, any fees and any difference between the initial value and the nominal value at maturity are allocated over the term of the liability using the effective interest method. When, on the other hand, it appears that the interest rate of the transaction that can be deduced from the contractual terms is significantly different from the market rate, the liability is initially recorded at a value equal to the present value of future cash flows, determined by applying the market rate, and taking into account any transaction costs.

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

The value of liabilities is subsequently reduced by the amounts paid, both principal and interest.

Loans are classified as current liabilities if their maturity is less than 12 months after the reporting date and at the time when the Company has no unconditional right to defer their payment for at least 12 months.

Loans cease to be recognised in the financial statements when they are paid off or when all risks and charges relating to them have been transferred to third parties.

Trade payables

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

Treasury shares

Repurchased treasury shares are recognised at cost and deducted from shareholders' equity. The purchase, sale or cancellation of treasury shares does not give rise to any profit or loss in the income statement. The difference between the purchase value and the consideration, in case of reissue, is recognised in the share premium reserve.

Phantom stock option

Financial payables include the best estimate of the present value of the incentive plan payable to the Company's CEO. These financial liabilities are remeasured at every period-end or when a liquidation event occurs. Their effects are then reflected under financial income or expenses in the income statement, together with the estimated cost of discounting. As at 30 June 2023, this remuneration was paid to the Company's Chief Executive Officer following the occurrence of the "Listing" event.

Long-Term Incentive Plan

In order to align the interests of management with those of shareholders, the Company has established a medium- and long-term incentive plan linking remuneration to results.

To this end, on 9 May 2023, the Board of Directors approved – subject to the start of trading of the Company's shares on the regulated market of Borsa Italiana – an incentive plan addressed to the Company's Chief Executive Officer and Managing Director. The value and recognition of this incentive plan is linked to the increase in value of the Company's share price, recorded for a period of at least 30 consecutive days on the trading market compared to the IPO price, during the first three years of office and/or during the second three years of office in the case of renewal of office and failure to meet the objectives during the first three years of office. This is calculated and paid in cash by the Company during the month, following a positive verification by the Board of Directors that the long-term incentive has accrued.

The plan provides for the recognition of EUR 5,250 thousand in the case of an increase in value of the share equal to or greater than 30% and up to 49%; and the recognition of an additional amount of EUR 3,500 thousand in the case of an increase in value of the share equal to or greater than 50% (for a total amount of EUR 8,750 thousand).

This incentive plan falls within the scope of IAS 19.The liability is remeasured at each period-end or when the event requiring payment occurs. Its effects are recorded in the income statement under costs for services, showing among interest payable the financial component related to the cost of discounting, in addition to the related anticipated taxation.

To determine the amount to be set aside for the incentive plan resolved by the Board of Directors, the Group used certain assumptions and estimates in accordance with IAS 19, providing for certain possible time scenarios and also weighing the probabilities that they will occur. In doing so, the Group has used the information provided by the analyst reports available at the date of this annual financial report. As required by IAS 19, the probability that the event reported will occur affects the measurement of the obligation, but does not determine its existence.

As at 31 December 2023, the Group has set aside an amount totalling EUR 702,000 in costs for services, plus interest payable amounting to EUR 8,000 and related expected taxation of EUR 169,000.

Costs and revenues

Revenues of a financial nature and from the provision of services are recognised on an accrual basis. Where performance results cannot be reliably estimated, revenues are recognised to the extent that the related costs will be recoverable. Therefore, revenue accounting allows appropriate information to be provided on the activity performed and the results obtained during the period.

Costs are presented on an accrual basis, as identified at the time when the service is completed or the consideration has accrued.

Dividends

Dividends received from investee companies are recognised in the income statement at the time when the Company's right to receive payment of the dividend arises.

The distribution of the dividend to shareholders is recognised as a liability in the financial statements upon its approval by the shareholders' meeting.

Financial income and expenses

Financial income includes interest income on invested liquidity and gains on hedging instruments recognised in the operating result. Interest income shall be recognised in the operating result on an accrual basis using the effective interest method.

Borrowing costs include interest expense on liabilities measured at amortised cost, losses on hedging instruments recognised in the operating result and cash discounts. Costs related to liabilities measured at amortised cost are recognised in the operating result using the effective interest method. There are no capitalised borrowing costs within the asset items.

Income tax

The Company continues to adhere to the national tax consolidation regime set out by the TUIR, with almost all subsidiaries based in Italy and listed below. The relationships resulting from adherence to the above tax consolidation are governed by specific regulations approved and signed by all member companies.

The related parties initially involved in the consolidated tax were Gervasoni S.p.A., Cenacchi International S.r.l. and Meridiani S.r.l., as well as IDB in the role of consolidating company.

In 2020, the related parties Modar S.p.A., Saba Italia S.r.l. and Davide Groppi S.r.l. were also involved in the tax consolidation as consolidated companies.

During 2021 Flexalighting S.r.l. was included in the tax consolidation, whereas during 2023 it came under the Gamma Arredamenti International S.p.A. agreement.

Unless new agreements are reached, the tax consolidation shall last for the three-year period 2023–2025.

Participation in the national tax consolidation means that the Company can recognise consolidated income at the current IRES rate, taking into account the positive taxable amount transferred by the subsidiaries and the negative tax result of the Company. Conversely, in the case of a positive tax base, current taxes result in a charge being recognised in the income statement and a related debt to the tax authorities of the consolidated company.

Taxes for the period represent the sum of current and deferred taxes. Income taxes are recognised in profit or loss for the year, except for those relating to transactions recognised directly in shareholders' equity that are accounted for under the same. Current taxes represent the estimate of the amount of income taxes due calculated on taxable income for the period, determined by applying the tax rates in force or substantially in force at the reporting date and any adjustments to the amount for previous periods.

Deferred taxes are calculated on the temporary differences between the carrying amounts of assets and liabilities recorded in the financial statements and the corresponding amounts recognised for tax purposes. Deferred tax assets and liabilities are measured using the tax rates that should be applicable in the period in which the relevant asset will be realised or the liability will be settled, based on tax rates established by the provisions in force or substantially in force at the reporting date.

Deferred tax assets are recognised to the extent that future taxable income is likely to be available against which such assets can be used. The value of the deferred tax assets is revised at each reporting date and is reduced to the extent that the related tax benefit is no longer likely to be realised.

Furniture

MERIDIANI

Part of IDB Group since 2016

Company in the international furniture scene that is able to create contemporary yet versatile collections that allow the home to be experienced in a highly personalized, modern way, with the highest quality of design and craftsmanship. The purity of the design and the continuous search for new materials and textures suggest sophisticated ways to adorn everyday living spaces.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE TO FINANCIAL STATEMENTS AS AT 31 DECEMBER 2023

Below is a brief description of the accounting standards, amendments and interpretations applicable for the first time to the financial statements as at 31 December 2023.Standards, amendments and interpretations that, by their nature, cannot be adopted by the Group are excluded from the list.

Several changes were applied for the first time in 2023, but these had no impact on the Group's consolidated financial statement as at 31 December 2023.

IFRS 17 Insurance contracts

In May 2017, the IASB issued IFRS 17 Insurance contracts, a new accounting standard for insurance contracts that considers recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance contracts issued in 2005.IFRS 17 applies to all types of insurance contracts (e.g. life, non-life, direct insurance and reinsurance), regardless of the type of entity issuing them, as well as to certain guarantees and financial instruments with discretionary participation features; some exceptions to the scope apply. The general objective of IFRS 17 is to provide a more useful and consistent accounting model for insurance contracts for insurers. Contrary to the requirements of IFRS 4, which rely largely on the maintenance of previous local accounting standards, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach);
- a simplified approach (the premium allocation approach) mainly for short-term contracts.

The changes did not have any impact on the Group's consolidated financial statements as at 31 December 2023.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the difference between changes in accounting estimates, changes in accounting policies and correction of errors. They also clarify how entities use valuation techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's consolidated financial statements as of December 31, 2023.

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

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply significant judgements to disclosures on accounting standards. The amendments aim to help entities provide information on accounting standards that are more useful by replacing the requirement for entities to disclose their "significant" accounting standards with the requirement to disclose their "material" accounting policies, as well as adding guidance on how entities apply the concept of materiality in taking decisions on the disclosure of accounting standards.

The amendments had an impact on the disclosure of the Group's accounting standards, but not on the measurement, recognition and presentation of items in the Group's consolidated financial statements as at 31 December 2023.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Taxes narrow the scope of the exception to initial recognition so that it no longer applies to transactions that give rise to equal amounts of temporary taxable and deductible differences, such as leases and decommissioning liabilities. The changes did not have any impact on the Group's consolidated financial statements as at 31 December 2023.

International Tax Reform – Pillar Two Model Rules – Amendments of IAS 12

The amendments to IAS 12 were introduced to comply with the OECD's BEPS Pillar Two Rules and include:

- a temporary mandatory exemption to the recognition and disclosure requirements for deferred taxes resulting from the implementation in jurisdictions of the Pillar Two rules; and
- disclosure requirements for affected entities to help users of financial statements better understand the income tax impacts arising from such legislation, particularly prior to the effective date.

The temporary mandatory exemption, for which disclosure is requested, is immediately applicable. The remaining disclosure requirements apply for periods beginning on or after 1 January 2023, but not for interim periods prior to 31 December 2023.

The amendment has no impact on the Group's consolidated financial statements as at 31 December 2023 as the Group is not affected by the Pillar Two rules.

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

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

- *Classification of liabilities as current or non-current and non-current liabilities with covenants – Amendments to IAS 1*.The purpose of the document is to clarify accounting and the requirements for presenting liabilities on financial statements as current or non-current. The amendments clarify what is meant by a right to defer settlement, that the right to defer settlement must exist at the end of the reporting period, that classification is not affected by the probability with which the entity will exercise its right to defer settlement, and that only if a derivative embedded in a convertible liability is itself an equity instrument does the maturity of the liability not impact its classification. The changes will be effective as of 1 January 2024.
- *Lease liability in a sale and leaseback – Amendments to IFRS 16*.The purpose of the document is to clarify the requirements that a seller-lessee applies in measuring the lease liability arising from a sale and leaseback transaction to ensure that the seller-lessee does not recognise gain or loss with respect to the right of use it retains. The changes will be effective as of 1 January 2024 or subsequently.
- *Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7*.The purpose of the document is to clarify the characteristics of reverse factoring arrangements and require additional disclosures of such arrangements. The disclosure requirements are intended to assist users of financial statements in understanding the effects of reverse factoring arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The changes will be effective for financial years starting 1 January 2024 or later.

The Company is currently analysing the impact of these new standards, amendments and interpretations, which do not seem to entail any significant effects for the Group at present.

DISCRETIONARY MEASUREMENTS AND SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of financial statements and the related notes in accordance with IFRS requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date. The results that will be reported year-on-year may differ from the initial estimates.

The Company has used estimates for valuation of the assets subject to the impairment test, for provisions allocated to stock option plans, depreciation, employee benefits, deferred taxes, and generally to other provisions and funds. Estimates and assumptions are reviewed periodically and the effects of any changes to them are reflected in the income statement in the period in which the estimate revision occurs, if the revision affects only that period, or in subsequent periods if the revision affects both current and future periods.

STRATEGIC BUSINESS AREA INFORMATION

Paragraph 4 of IFRS 8 provides that when the Company's consolidated financial statements and separate financial statements are published at the same time, strategic business area information should only be presented in respect of consolidated financial statements. Consequently, no such disclosures are made in these financial statements.

COMPOSITION OF THE MAIN ITEMS IN THE FINANCIAL POSITION

1) Intangible assets

The following table provides analytical information on the composition of the item under consideration and movements in intangible assets in respect of purchases, divestments/disposals, depreciation during the period, any write-downs or revaluations made and any effects resulting from the extraordinary operations on 31 December 2022 and 31 December 2023.

Intangible assets (Brands)	31/12/2022	31/12/2023
initial gross value	9,053	9,053
initial depreciation fund	(2,424)	(2,927)
initial net value	**6,629**	**6,126**
transactions in the period		
acquisitions	-	3,150
business combinations	-	-
divestments	-	-
other changes	-	-
depreciation of the period	(503)	(678)
business combinations (fund)	-	-
other fund changes	-	-
total transactions of the period	**(503)**	**2,472**
final gross value	9,053	12,202
final depreciation fund	(2,927)	(3,605)
final net value	**6,126**	**8,597**

As can be seen from the table above, intangible assets are composed solely of the brands owned by the Company.

2) Right of use

The balance sheet values of rights-of-use assets and their movements during the reporting periods are provided below.

Right of use	31/12/2022	31/12/2023
initial gross value	572,955	881,931
initial depreciation fund	(109,827)	(234,194)
initial net value	**463,129**	**647,737**
transactions in the period		
acquisitions	308,975	48,380
business combinations	-	-
divestments	-	-
other changes	-	-
depreciation of the period	(124,367)	(188,617)
business combinations (fund)	-	-
other fund changes	-	-
total transactions of the period	**184,609**	**(140,237)**
final gross value	881,931	930,310
final depreciation fund	(234,194)	(395,212)
final net value	**647,737**	**535,098**

The rights of use registered as at 31 December 2023 primarily relate to the lease contract for the registered office of IDB, located in Corso Venezia 29 20121 Milano (MI), entered into in 2020, for a net residual amount of EUR 243,673; the remaining amounts refer to cars leased to directors and some Company employees.

It should be noted that the leasing, rental and hire contracts currently in place do not provide for variable payments which are not linked to significant indexes or rates. At the reference date, there are no contracts with guarantees for the redemption of the residual value or undertakings in relation to contracts that have yet to commence.

The Company does not have any sub-lease contracts in place. No sale or leaseback transactions were carried out during the financial year.

The amounts recorded in the income statement for the two periods are as follows:

	31/12/2023	31/12/2022
Depreciation on assets for rights of use	188,617	124,367
Interest expense for leases	18,116	11,841
Rental costs – short-term and/or moderate unit value leasing	50,218	53,120
Total costs recorded in the income statement	**256,951**	**189,327**

The total cash flow for the payment of the company's capital leasing shares was EUR 238,835 for 2023 and EUR 177,487 for 2022; in particular, EUR 161,019 relates to depreciation for rights of use, subject to IFRS 16, whilst EUR 50,218 relates to depreciation for low value and short-term leases, for which the above principle does not apply.

This change was due to new leases entered into during the year, primarily relating to business vehicles.

3) Property, plant and equipment

The following table provides analytical information on the composition of the item under consideration and movements in tangible assets in respect of purchases, divestments/disposals, depreciation during the period, any write-downs or revaluations made and any effects resulting from extraordinary operations.

Property, plant and equipment	**Other tangible fixed assets**	**Improvements to third-party assets**	**Total**
initial gross value	127,126	96,952	224,078
initial depreciation fund	(28,903)	(8,076)	(36,979)
initial net value 01/01/2022	**98,223**	**88,876**	**187,099**
transactions in the period			
acquisitions	33,880	8,476	42,356
business combinations	-	-	-
divestments	(33,824)	(1,000)	(34,824)
other changes	-	-	-
depreciation of the period	(24,339)	(8,429)	(32,768)
business combinations (fund)	-	-	-
other fund changes	18,584	167	18,751
total transactions of the period	**(5,699)**	**(786)**	**(6,485)**
final gross value	127,182	104,428	231,610
final depreciation fund	(34,658)	(16,338)	(50,996)
final net value 31/12/2022	**92,524**	**88,090**	**180,614**

Property, plant and equipment	**Other tangible fixed assets**	**Improvements to third-party assets**	**Total**
initial gross value	127,182	104,428	231,610
initial depreciation fund	(34,658)	(16,338)	(50,996)
initial net value 01/01/2023	**92,524**	**88,090**	**180,614**
transactions in the period			
acquisitions	445,593	750	446,343
business combinations	-	-	-
divestments	(1,289)	-	(1,289)
other changes	-	-	-
depreciation of the period	(20,427)	(8,730)	(29,157)
business combinations (fund)	-	-	-
other fund changes	1,289		1,289
total transactions of the period	**425,165**	**(7,980)**	**417,185**
final gross value	571,486	105,178	676,664
final depreciation fund	(53,796)	(25,068)	(78,864)
final net value 31/12/2023	**517,689**	**80,110**	**597,799**

Other tangible fixed assets relate to furniture, office machinery and works of art. The variation which took place during the financial year is primarily due to the purchase of a non-depreciable work of art, for EUR 440,000.

4) Deferred tax assets

The composition of the deferred tax assets as at 31 December 2023 is as follows:

	31/12/2023		31/12/2022		
Deferred tax assets	**Amount of temporary differences**	**Tax effects**	**Amount of temporary differences**	**Tax effects**	**Change**
Phantom stock option	702,399	168,576	2,499,716	599,931	(431,355)
Unpaid employee and director bonuses	308,000	73,920	334,000	80,160	(6,240)
Financial derivatives	111,905	26,857	-	-	26,857
Sundry items	-	-	39,013	9,363	(9,363)
Total deferred tax assets	**1,122,304**	**269,353**	**2,872,729**	**689,454**	**(420,101)**

5) Equity investments

Acquisitions of companies completed over the last few years and in 2023 usually take place through a process involving the establishment of a special purpose vehicle to acquire the target company and the subsequent reverse merger of the special purpose vehicle into the target company. The purchase price usually involves the recognition of an earnout, to be settled by the company resulting from the merger between the special purpose vehicle and the target company, within a relatively short time frame at a price with predefined parameters. The earnout is directly linked to the performance of the target company, usually the EBITDA and net financial position as contractually defined between the parties. These parameters may differ in the final figures compared with the estimates in the business plan of the target company.

Acquisitions are very rarely 100%, but in some cases involve the initial acquisition of the majority stake and a put-and-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 was also subject to a contractual definition that links its value to actual company performance compared with the estimates in the business plan, using calculation parameters that are still contractually predefined between the parties (usually EBITDA and net financial position).These minority stakes will be recorded in the separate financial statements when the acquisition of the relevant stake is completed, at which point the financial obligation of the Company actually arises. An estimate of the commitments arising from the put & call options entered into is presented in the following paragraph: “commitments, guarantees and contingent liabilities not shown in the statement of financial position”.

On the date to which the balance sheet was made up, the management has verified, through the analysis of comparable transactions, that the market value does not substantially differ from the expected value in relation to exercise of the options; therefore, the underlying derivative financial instruments as at 31 December 2023 for non-controlling interests have a value of zero and this has not resulted in the recognition of financial liabilities or assets.

The following table shows the movements taking place in the financial years 2022 and 2023 for the item "Equity investments in subsidiaries and associated companies".

	Subsidiaries	Associated companies	Total
Value at 01/01/2022	**33,471,788**	**932,196**	**34,403,984**
Investments	4,902,267		4,902,267
Revaluations/(write-downs)	(175,596)		(175,596)
Divestments			-
Reclassification/Other			-
Value as at 31/12/2022	**38,198,459**	**932,196**	**39,130,655**
Investments	53,884,627		53,884,627
Revaluations/(write-downs)	(1,368,089)		(1,368,089)
Divestments			-
Reclassification/Other	932,196	(932,196)	-
Value as at 31/12/2023	**91,647,193**	**-**	**91,647,193**

The increases in the period, equal to EUR 53,884,627, related primarily to:

- the imputed charges associated with the provision of non-interest-bearing finance to subsidiary Gamma Arredamenti International S.p.A. for EUR 453,845;
- the purchase of 60% of the subsidiary Cubo Design S.r.l. for EUR 13,780,000;
- the purchase of 25% of the shares in Modar S.p.A.(EUR 1,446,048), the purchase of 43% of the shares of Davide Groppi S.r.l.(EUR 12,961,195) and the purchase of 40.3% of the shares of Cenacchi International S.r.l.(EUR 16,220,027), following the listing process completed in May 2023 and the concurrent exercise of the options contracted with the former shareholders. As a result of the above changes, the Company holds 100% of the share capital of Modar S.p.A. and Davide Groppi S.r.l. and 99% of the shares of Cenacchi International S.r.l.;
- the purchase of 31% of the shares in Axo Light S.r.l. for EUR 1,379,556 and the consequent control of this company, compared with the previous joint control;
- the purchase of 51% of Turri S.r.l. for EUR 5,100,000, which in turn controls 100% of Turri UK Ltd., Turri USA Corp. and Shanghai Turri Furnitures;
- capital payments totalling EUR 2,543,955 for the subsidiaries IDB Suzhou, IDB UK and IDB USA.

The write-downs for the 2023 financial year relate to the equity investment held in IDB Suzhou Co.Ltd. for EUR 582,952, IDB US for EUR 385,137 and IDB UK for EUR 400,000.

Information on equity investments in subsidiaries

The following statement sets out the information for each subsidiary at the end of the reporting period.

Equity investments	Registered Office	% Stake held	Share capital in EUR	Profit (loss) in EUR	Shareholders' equity in EUR	Relevant equity stake	Balance sheet value	Difference between relevant equity stake and the balance sheet value
Gervasoni S.p.A.	Pavia di Udine (Udine)	100.0%	1,000,000	4,232,113	19,827,098	19,827,098	11,512,720	8,314,377
Meridiani S.r.l.	Misinto (Monza and Brianza)	61.1%	120,000	1,479,394	8,837,904	5,400,843	3,300,000	2,100,843
Cenacchi International S.r.l.	Ozzano dell'Emilia (Bologna)	99.0%	10,000	5,427,542	19,534,832	19,339,484	23,888,415	(4,548,932)
Davide Groppi S.r.l.	Piacenza (PC)	100.0%	20,000	2,180,062	10,015,421	10,015,421	14,671,195	(4,655,774)
Saba Italia S.r.l.	San Martino di Lupari (PD)	100.0%	50,000	626,569	7,135,148	7,135,148	3,300,000	3,835,148
Modar S.p.A.	Barlassina (Monza and Brianza)	100.0%	500,000	2,620,029	10,137,311	10,137,311	6,063,536	4,073,775
Flexalighting S.r.l.	Pontassieve (Florence)	51.0%	10,000	1,017,935	5,467,329	2,788,338	1,304,644	1,483,694
IDB Suzhou	Cina	100.0%	9,158,495 CNY	(821,672)	(227,973)	(227,973)	-	(227,973)
IDB UK	Great Britain	100.0%	446,500 GBP	(172,175)	(33,413)	(33,413)	-	(33,413)
IDB USA	USA	100.0%	10,000 USD	(657,015)	1,821,307	1,821,307	1,828,038	(6,731)
Cubo Design S.r.l.	Notaresco (Teramo)	60.0%	84,000	332,100	23,914,269	14,348,561	13,864,680	483,881
Gamma Arredamenti International S.p.A.	Forlì (Forlì-Cesena)	55.0%	2,000,000	(962,104)	8,662,514	4,764,383	4,502,212	262,171
Axo Light S.r.l.	Scorzè (Venice)	51%	119,000	255,149	1,149,719	586,357	2,311,752	(1,725,395)
Turri S.r.l.	Carugo (Como)	51%	1,000,000	1,204,684	11,699,825	5,966,911	5,100,000	866,911
Partecipazioni in società controllate							**91,647,193**	

The data of the subsidiaries (profit and loss and shareholders' equity) refer to the financial statements drawn up on the basis of national accounting standards as at 31 December 2023, prepared by the respective administrative bodies.

The recoverability of the carrying amount of equity investments in subsidiaries for which an indicator of impairment losses arises was verified by means of an appropriate impairment test carried out by determining the value in use of the equity investment in accordance with the discounted cash flow (DCF) method.

The cash flow of the companies subject to the impairment test was estimated by the Directors for the three-year period 2024-2026.The terminal value was added to the current value of the cash flow for the periods in question, determined by reference to the expected operating cash flow at the end of the plan period, calculated using the perpetual income method, with a growth rate g of 1.88%.The weighted average cost of capital (WACC) used for discounting the operating cash flow was estimated at 10.76%.The fair value of the investee's net financial liabilities as at 31 December 2023 was deducted from the Enterprise Value thus calculated in order to compare it with the carrying amount of the equity investments recorded in the financial statements. In particular, the equity investments held by Cenacchi International

S.r.l., Davide Groppi S.r.l. and Axo Light S.r.l. are recorded at a value which is higher than the Company's shareholders' equity for accounting purposes. No write-down has been carried out of the estimate of the recoverable value of the shareholding determined using the expected future cash benefits to the parent as shown in the impairment test.

By contrast, write-down on the basis of impairment losses has been applied to the equity investments of IDB Suzhou Co.Ltd., IDB USA and IDB UK as described above, the amount of EUR 33,512 for IDB UK and EUR 168,570 for IDB Suzhou having also been set aside in a risk fund to reflect the negative shareholders' equity of the investee.

6) Other non-current assets

Other non-current assets	31/12/2023	31/12/2022	Change
Security deposits	7,040	7,040	-
Loans to subsidiaries	-	50,000	(50,000)
Derivative financial instrument assets	14,520	19,896	(5,376)
Other non-current assets	**21,560**	**76,936**	**(55,376)**

This item includes other non-current assets relating to security deposits of EUR 7,040.

Non-current loans to subsidiaries in 2022, which relate to long-term loans to the subsidiary IDB USA, have been reclassified as other current assets, as they are expected to be collected in 2024.

As already indicated in the paragraph "Financial risk management", derivative contracts were entered into to hedge rate risks, decreasing in proportion to the repayments of the related loans. The mark to market value recorded is EUR 14,520.The variation in the year is offset by the reserve for operations to hedge expected cash flow of EUR 11,035, and deferred tax liabilities of EUR 3,485.

7) Other current and non-current financial assets

Financial assets	current	non-current	Total
Financial receivables vis-à-vis subsidiaries	7,634,993	11,185,759	18,820,752
Other financial assets	20,000,000		20,000,000
Financial assets	**27,634,993**	**11,185,759**	**38,820,752**

The financial assets vis-à-vis subsidiaries for EUR 18,820,752 as at 31 December 2023 relate to:

- interest-bearing finance granted to Finturri S.r.l. for the acquisition of the shareholding in Turri S.r.l. for EUR 16,774,093, including a current amount of EUR 6,509,993 and a non-current amount of EUR 10,264,100.The financing contract provides for the repayment of the instalments of the principal sum every six months with a final payment date of 30 September 2029, the payment of the first instalment of the principal sum being due on 30 September 2024;
- non-interest-bearing finance granted to Gamma Arredamenti International S.p.A. and deferred until termination of the bank finance with UniCredit. The amount granted is equal to EUR 2,046,659, including a current amount of EUR 1,125,000 and a non-current amount of EUR 921,659.The finance contract entered into provides for the repayment of the finance on 31 December 2029 (the date on which the bank finance terminates).

It is specified that both contracts were entered into during the year 2023.The following shows the breakdown of the loans relating to the two financing arrangements within one year, five years and beyond:

	31/12/2023	**within 1 year**	**from 1 to 5 years**	**beyond 5 years**
Financial receivables vis-à-vis subsidiaries	18,820,752	7,634,993	5,571,697	5,614,062
total	**18,820,752**	**7,634,993**	**5,571,697**	**5,614,062**

The other current financial assets amount to EUR 20,000,000 and relate to time deposits that the Company has subscribed to during the year, in order to temporarily invest surplus liquidity mainly resulting from the share capital increase related to the company's listing. It should be noted that deposits have a duration of 3 to 6 months and can be closed early, with minimum notice, but with a penalty on the returns granted to the company.

8) Income tax credits

The income tax credits at 31 December 2023 amounted to EUR 1,756,783 and relate to the net balance of the IDB Group's tax consolidation at 31 December 2023.It should be noted that the Company chose the option of the national tax consolidation scheme as a consolidating company.

9) Other current assets

Other current assets are detailed as follows:

Other current assets	**31/12/2023**	**31/12/2022**	**Change**
Financial receivables	69,405	33,000	36,405
Loans to subsidiaries for tax consolidation	1,817,691	2,376,422	(558,731)
Prepaid expenses	39,502	520,664	(481,162)
VAT receivables	673,494	419,100	254,393
Advances to subsidiaries	110,339	109,029	1,310
Other current assets	**2,710,431**	**3,458,216**	**(747,785)**

It should be noted that the financial receivables as at 31 December 2022 equate to EUR 69,405, consisting of EUR 50,000 of loans to IDB USA and EUR 19,406 of interest income on bank current accounts.

Receivables from subsidiaries refer exclusively to the tax consolidation relationships that are in place with the subsidiaries, details of which are referred to in the relationships with related parties paragraph.

Prepaid expenses, on the other hand, amount to EUR 39,502, compared with EUR 520,664 as at 31 December 2022, since, in 2022, these were mainly related to the part of the suspended costs related to the listing activity.

Advances, amounting to EUR 110,339, refer to advances to the subsidiary IDB USA for EUR 109,029 and for EUR 1,310 to various suppliers.

10) Cash and cash equivalents

Cash balances are broken down as follows:

Cash and cash equivalents	31/12/2023	31/12/2022	Change
Bank and postal deposits	10,038,887	7,199,009	2,839,877
Cash and cash assets	420	467	(48)
Cash and cash equivalents	**10,039,307**	**7,199,477**	**2,839,830**

End-of-period cash balances refer to the balance of bank accounts accessed at the various credit institutions.

11) Shareholders' equity

Shareholders' equity is detailed in the following table:

Shareholders' equity	31/12/2023	31/12/2022	Change
Share capital	26,926,298	20,216,740	6,709,558
Legal reserve	1,179,684	1,179,684	-
Share premium reserve	66,970,569	3,563,160	63,407,409
Retained earnings	2,746,728	1,541,662	1,205,066
Expected cash flow hedge provision	(74,013)	15,121	(89,134)
Actuarial reserve	(10,549)	(10,549)	0
IFRS first application reserve	(91,865)	(91,866)	1
Reserve for treasury shares in portfolio	(47,321)	0	(47,321)
Result for the year	3,032,400	1,904,887	1,127,514
Shareholders' equity	**100,631,932**	**28,318,839**	**72,313,094**

Please see the statement of changes in shareholders' equity for a description of the change in shareholders' equity at 31 December 2023.

The share capital is fully paid up and subscribed and rose from EUR 20,216,740 as at 31 December 2022 to EUR 26,926,298 as at 31 December 2023, divided into 26,926,298 ordinary shares with no nominal value.

The aforementioned listing transaction of the Company and the start of trading on 18 May 2023 resulted in the issue of 6,433,823 new ordinary shares of the Company, at an Offer Price of EUR 10.88 per share including share premium, amounting to approximately EUR 70 million. In addition, there is a concurrent confidential offer of approximately EUR 3 million for 275,735 newly issued shares in the Company at the same price. The events mentioned have therefore generated an increase in the value of the share capital of EUR 6,709,558 in the half-year. The change in the share premium reserve of EUR 63,407,409 was therefore recorded net of distribution fees, costs related to the capital increase and related tax effects amounting to a total of EUR 2,883,024.

In addition, as mentioned above, the share buy-back programme designed to increase treasury shares in the order backlog became operational on 18 December 2023.As at 31 December 2023, 4,977 ordinary shares had been acquired, at an average unit price of EUR 9.495 for a total equivalent of EUR 47,259.

Availability and use of shareholders' equity:

Reserves of shareholders' equity may be used for different transactions depending on their constraints and nature. The concept of distributability of the reserve may differ from that of availability. Availability concerns the possibility of using the reserve (e.g. for free increases in capital), while distributability concerns the possibility of paying shareholders (e.g. in the form of a dividend) sums which can be drawn in whole or in part from the relevant reserve. Therefore, availability and distributability may or may not coexist. The origin, the possibility of use, and the distributability of each item under Carrying amount of shareholders' equity, as well as its actual use in the 3 previous financial years, are shown in the following table:

Shareholders' equity	Amount	Possibilities of use	Available quota
Share capital	26,926,298		
Legal reserve	1,179,684	B	
Share premium reserve	66,970,569	A, B	66,970,569
Retained earnings	2,746,728	A, B, C	2,746,728
Expected cash flow hedge provision	(74,013)		(74,013)
Actuarial reserve	(10,549)		(10,549)
IFRS first application reserve	(91,865)		(91,865)
Reserve for treasury shares in portfolios	(47,321)		(47,321)
Result for the year	3,032,400		
Shareholders' equity	**100,631,932**		
Total reserves			**69,493,550**
Non-distributable quota			**66,746,821**
Distributable quota remaining			**2,746,728**

Key:
- **A.** Capital increase
- **B.** Hedging losses
- **C.** Distribution to shareholders
- **D.** Other statutory constraints
- **E.** Other

The following are the gains and losses less their tax effect included in other items of the statement of comprehensive income:

	Other items of the 2023 statement of comprehensive income	Other items of the 2022 statement of comprehensive income
Total profit/(loss) from cash flow hedge	(112.507)	27.252
Tax effects	23.373	(6.541)
Total profit/(loss) from cash flow hedges, net of tax	**(89.134)**	**20.712**
Total actuarial profits/(losses)	-	15.574
Tax effects	-	(3.738)
Total actuarial profit/(loss), net of taxes	**-**	**11.836**

Other components of the statement of comprehensive income relate to changes in the cash flow hedge provision in relation to the fair value measurement of derivative instruments hedging financial risks from interest rate changes. These are interest rate swap instruments, described in the financial risks section under IFRS 7, which should be referred to for further details. Since these financial instruments have characteristics to allow for hedge accounting, changes in fair value are recognised directly under shareholders' equity, net of their tax effect.

In addition, as a result of the amendments to IAS 19, actuarial gains and losses are entered in the statement of comprehensive income from 2013 onwards and will not be entered subsequently in the income statement.

12) Post-employment benefits

The item refers to employees' severance payments (TFR), and in the financial year showed the following movements in the financial year 2023:

Post-employment benefits	Post-employment benefits 31/12/2023	Post-employment benefits 31/12/2022
Initial fund	91,183	76,345
Accrual period	32,065	31,186
Interest	2,480	1,522
Actuarial (gains)/losses	4,328	(15,574)
Other changes	-	-
Paid	-	(2,296)
Final provision	**130,056**	**91,183**

The actuarial valuation of severance pay is performed according to the "accrued benefit" method using the projected unit credit (PUC) criterion, as set out in paragraphs 67–69 of IAS 19.The actuarial reference model for the assessment of severance pay is based on a number of assumptions, both demographic and economic. For some of the assumptions used, reference best practices were taken into account where possible.

The technical and economic bases used in the two periods.

Assumptions	31/12/2023	31/12/2022
Annual discount rate	3.17%	3.77%
Annual inflation rate	2.00%	2.30%
Annual rate of severance pay increase	3.00%	3.23%
Annual rate of salary increase	1.00%	1.00%

13) Provisions for risks and charges

Provisions for risks and charges shows the value of the write-down of the holdings in IDB UK Ltd. and IDB Suzhou Co.Ltd. and IDB USA, for the portion exceeding the value of the investment itself, in order to align the book value of the investments with the shareholders' equity of investee companies.

Provisions for risks and charges	31/12/2023	31/12/2022	Change
Provisions for subsidiary holding risks	203,417	308,989	(105,572)
Provisions for risks and charges	**203,417**	**308,989**	**(105,572)**

14) Bank loans

The entry is composed as follows:

Bank loans	31/12/2023	31/12/2022	Change
Bank loans short-term	5,684,767	716,307	4,968,460
Bank loans M/L term	18,703,225	1,501,539	17,201,687
Financial derivatives	111,905	-	111,905
Other financial payables	10,416	9,385	1,031
Bank loans	**24,510,313**	**2,227,230**	**22,283,083**

It should be noted that bank payables relate to the loans outstanding with the credit institution Unicredit and Cassa Depositi e Prestiti, which as at 31 December 2023 amounted to EUR 24,387,992.In particular, on 30 January 2023, a new bank loan for EUR 12,000,000 was concluded with Unicredit, for the purposes of acquiring the subsidiary Cubo Design S.r.l. and on 3 November 2023 a new bank loan for EUR 10,800,000 was concluded with Cassa Depositi e Prestiti, in order to finance the acquisition of the subsidiary Turri S.r.l.

The following information is given on the financing in question, on the movement during the 2023 financial year and on the breakdown within and beyond the year.

Grantor	Nominal value	Date granted	Expiry date	Outstanding debt as at 31/12/2023	of which within 12 months	of which over 12 months	Outstanding debt as at 31/12/2022
Unicredit	3,600,000	13/06/2019	30/06/2025	1,508,819	761,135	747,684	2,217,845
Unicredit	12,000,000	30/01/2023	31/12/2026	12,023,343	4,010,646	8,012,698	-
Cassa Depositi e Prestiti	10,800,000	03/11/2023	28/09/2029	10,855,829	912,986	9,942,843	-
	26,400,000			**24,387,991**	**5,684,767**	**18,703,225**	**2,217,845**

	Balance at 31/12/2022	Loans taken out	Repayments/	Altre variazioni	Saldo 31/12/2023
Payments	Other changes	Balance at 31/12/2023	(720,000)	90,146	24,387,991
	2,217,846	**22,800,000**	**(720,000)**	**90,146**	**24,387,991**

The amortisation plan for the financing already in place with Unicredit as at 31 December 2021 was not extended in 2023.

It should be noted that the medium- to long-term financing with Unicredit involves compliance with certain economic/financial parameters ("covenants") to be calculated annually on the basis of the results of the consolidated financial statements.

The expected covenants are reported annually. Failure to comply with the financial covenants would result in the withdrawal of the benefit of the deadline and the possibility of the banks requesting early repayment of the entire loan.

As of the date of these financial statements, the contractually agreed parameters have been respected.

15) Financial payables to lessors

This item covers financial liabilities to lessors as a result of applying IFRS 16 and is composed as follows:

Payables to lessors	31/12/2023	31/12/2022	Change
Non-current financial liabilities to lessors	376,881	483,847	(106,965)
Current financial liabilities to lessors	171,917	145,212	26,705
Financial payables to lessors	**548,799**	**629,059**	**(80,260)**

Payables to lessors as at 31 December 2023 amounted to EUR 548,799, compared to EUR 629,059 as at 31 December 2022.The change in the financial year is shown in the table below and is due to new contracts entered into and reimbursed during 2023:

	Balance at 31/12/2022	Loans taken out	Repayments/ Payments	Other changes	Balance at 31/12/2023
Financial liabilities to lessors	629,059	77,856	-158,117	-	548,799
	629,059	**77,856**	**158,117**	**-**	**548,799**

The following is a breakdown of payables to lessors:

Financial payables to lessors	31/12/2023	of which within 1 year	from 1 to 2 years	beyond 2 years	31/12/2022
Financial liabilities to lessors	548,799	171,917	172,636	204,246	629,059
	548,799	**171,917**	**172,636**	**204,246**	**629,059**

It should be noted that there are no financial payables to lessors over 5 years; the existing leasing contracts do not have maturities beyond the 2026 financial year.

16) Other current and non-current financial liabilities

This entry is composed as follows:

Other financial liabilities	**31/12/2023**	**31/12/2022**	**Change**
Payables to subsidiaries for cash pooling	17,415,574	13,208,286	4,207,288
Payables for phantom stock options	-	2,557,729	(2,557,729)
Other financial liabilities	**17,415,574**	**15,766,015**	**1,649,559**

This item stands at EUR 17,415,574 as at 31 December 2023, compared to EUR 15,766,015 as at 31 December 2022, and relates entirely to cash pooling to subsidiaries.

In the context of financial strategies common to the Company and its subsidiaries, in view of the generation by some companies of liquidity that exceeds their actual short- to medium-term needs, and the need for others to have access to such surplus and available liquidity in the short- to medium-term under more favourable terms and conditions than the alternative of bank or third-party borrowing, it was considered appropriate to activate a centralised treasury system with the Company through group cash pooling, in accordance with practices that are now widespread at the level of corporate groups.

The instrument adopted has the following general characteristics:

- on a daily basis, the available liquidity assets balances in the current accounts of the companies participating in the cash pooling are transferred to a centralised current account, but each company retains the availability and usability of the centralised liquidity;
- in agreement with UniCredit S.p.A., which has made itself available as a back-up bank for the cash pooling system, the corporate scope of the group concerned by cash pooling has been defined with regard to the companies in the IDB group. In fact, during 2020, the company activated cash pooling as a pool leader, identifying the Unicredit current account held by IDB as a pool account. The subsidiaries currently involved in the cash pooling are Gervasoni S.p.A., Cenacchi International S.r.l., Meridiani S.r.l., Modar S.p.A., Saba Italia S.r.l., Davide Groppi S.r.l. and Flexalighting S.r.l., Gamma Arredamenti International S.r.l.

Payables for phantom stock options as at 31 December 2022 were cleared because, as mentioned above, due to the Company's listing on the stock exchange (in May 2023) the amount relating to the phantom stock option incentive plan accrued on that date was paid to the CEO

Net financial debt

The financial debt of the Company is as follows:

	Balance at 31/12/2023	Balance at 31/12/2022
A Cash	10,039,307	7,199,477
B Cash equivalents	-	-
C Other current financial assets	27,634,993	-
D Cash and cash equivalents (A + B + C)	**37,674,299**	**7,199,477**
E Current financial debt (including debt instruments but excluding the current portion of non-current financial debt)	(17,587,491)	(15,911,227)
F Current portion of non-current financial debt	(5,695,182)	(725,692)
G Current financial indebtedness (E + F)	**(23,282,673)**	**(16,636,919)**
H Net current financial indebtedness (G - D)	**14,391,627**	**(9,437,442)**
I Non-current financial debt (excluding the current portion and debt instruments)	(19,080,107)	(1,985,385)
J Debt instruments	-	-
K Non-current trade and other payables	-	-
L Non-current financial indebtedness (I + J + K)	**(19,080,107)**	**(1,985,385)**
M Total financial indebtedness (H + L)	**(4,688,480)**	**(11,422,827)**

17) Trade payables

Trade payables amounted to EUR 575,357 as at 31 December 2023 and are broken down as follows:

Trade payables	31/12/2023	31/12/2022	Change
Payables to subsidiaries	-	121,230	(121,230)
Payables to domestic suppliers	294,892	313,746	(18,853)
Payables to foreign suppliers	-	-	-
Invoices to be received	124,853	701,285	(576,432)
Invoices to be received from subsidiaries	155,612	-	155,612
Other financial liabilities	**575,357**	**1,136,261**	**(560,904)**

These are payables due within the next 12 months.

18) Income tax payables

Income tax payables as at 31 December 2022 consisted of the IRES tax payables for the Group.

19) Other current liabilities

The item concerned is composed as follows:

Other current liabilities	**31/12/2023**	**31/12/2022**	**Change**
Payables for indirect taxes and withholding	99,615	108,447	(8,832)
Payables to directors and statutory auditors	793,544	274,000	519,514
Payables to staff and social security organisations	452,327	149,761	302,566
Payables to subsidiaries for tax consolidation	1,042,456	196,787	845,669
Liabilities accruals	-	48,000	(48,000)
Other current liabilities	**2,387,942**	**776,995**	**1,610,947**

The item "Payables to directors and statutory auditors" also includes the amount related to the new incentive plan for directors of the Company, which came into effect in 2023, as described above.

COMPOSITION OF THE MAIN ITEMS IN THE INCOME STATEMENT

20) Revenue

Revenues were reported net of returns, discounts, rebates and premiums, as well as taxes directly related to the provision of services to subsidiaries such as Gervasoni S.p.A., Meridiani S.r.l., Davide Groppi S.r.l., Saba Italia S.r.l., Cenacchi International S.r.l., Flexalighting S.r.l. and Modar S.p.A. and amounted to EUR 332,000.

Revenue	2023	2022
Revenue	332,000	332,019
Revenue	**332,000**	**332,019**

La ripartizione per area geografica è la seguente:

Revenue	Italy	EU	Non-EU	Total
Revenue	332,000	-	-	332,000
Revenue	**332,000**	-	-	**332,000**

21) Other income

Other income as at 31 December 2023 amounted to EUR 229,050 and refers to the release of debts for phantom stock options arising as a result of the payment to directors of the Company, lower than the estimated value of the debt recorded in the balance sheet as at 31 December 2022.

22) Staff costs

Staff costs	2023	2022
Salaries and wages	860,175	544,823
Social expenses	232,518	145,693
Severance payments	41,977	32,302
Other staff costs	184,330	695
Staff costs	**1,319,000**	**723,513**

The item “Other staff costs” includes an additional EUR 176,333 referring to the new incentive plan for the Company’s management, which came into effect during 2023.

The average number of employees per category in the two financial years under consideration is set out in the following table:

	2023	2022
Executives	2	2
Managers	2	1
Clerical workers	5	4
Total	**9**	**7**

23) Costs for services and rental costs

Costs for services and use of third-party assets	2023	2022
Other consultancy	548,167	186,860
Other service charges	243,458	325,711
Insurance	72,440	62,170
Fuels and lubricants	33,393	19,853
Auditor fees	266,571	64,789
Administrative and tax consultancy	75,915	147,065
Consultancy for IPO project	2,103,072	1,978,715
Rentals	50,218	53,120
Charge back costs from subsidiaries	961,537	440,089
Travel and transfers	65,297	29,191
Director and auditor emoluments	1,683,192	2,373,968
Bank charges	53,155	141,420
Other service charges	115,000	160,882
Costs for services and use of third-party assets	**6,271,415**	**5,983,833**

Costs for services and use of third-party assets mainly consists of:

- the amount of Directors' emoluments, equal to EUR 1,683,192 as at 31 December 2023, which is shown net of chargebacks to subsidiaries for EUR 491,657.The amount includes directors' fees (EUR 1,109,734), fees related to the long-term incentive plan (EUR 526,066);
- the amount of EUR 2,103,072 relates to the costs incurred for the listing transaction. These are charges for professional services provided by lawyers and other professionals, including Independent Auditors and entities in their network;
- Chargebacks from subsidiaries for EUR 961,537, refer to IDB UK Ltd. For EUR 159,627 and IDB USA for EUR 770,000;
- Administrative and tax consultancy for EUR 75,915, against EUR 147,065 as at 31 December 2022;
- Other consultancy for EUR 456,353, against EUR 186,860 as at 31 December 2022;

It should be noted that on 31 December 2023, the costs accounted for in respect of rentals and leasing exempt from IFRS16 amounted to EUR 50,218, as they were short-term leases (duration of 12 months or less) and of low value (annual cost of USD 5,000).

The following are the fees payable to directors and members of the Company's Board of Statutory Auditors:

	2023	2022
Directors	1,635,800	1,149,000
Statutory Auditors	47,392	7,280
Total	**1,683,192**	**1,156,280**

The following table summarises the fees payable to the Independent Auditors and its network entities with regard to the Company.

	2023	2022
Statutory audit	177,430	64,789
Attestation services	35,000	960,358
Other services provided by the auditing company	71,000	137,377
Other services from other network companies		61,000
Total	**283,430**	**1,223,524**

24) Amortisation, depreciation and write-downs of fixed assets

Amortisation, depreciation and write-downs of fixed assets	2023	2022
Depreciation on intangible assets	678	503
Depreciation on property, plant and equipment	29,157	32,768
Depreciation on assets for rights of use	188,617	124,367
Amortisation, depreciation and write-downs of fixed assets	**218,452**	**157,638**

25) Other operating costs

Other operating costs amounted to EUR 25,678 as at 31 December 2023 and EUR 48,988 as at 31 December 2022, and mainly referred to management costs of EUR 17,937.

26) Financial expenses

The item concerned is detailed as follows:

Financial expenses	2023	2022
Capital losses on the sale of shareholdings	-	-
Other interest payable	1,008	132
Interest payable on stock options	24,905	41,488
Interest payable on financing	1,030,363	89,643
Foreign exchange losses	1,676	1,946
Write-down of shareholdings	1,261,182	310,922
Interest payable IFRS 16	18,116	11,841
Interest payable TFR	-	1,522
Interest payable for cash pooling	131,052	-
Financial expenses	**2,468,301**	**457,493**

The item as at 31 December 2023 consists mainly of the value of write-downs of shareholdings in IDB USA Corp. (for EUR 385,137), IDB Suzhou Co.Ltd.(for EUR 175,596) and in IDB UK Ltd.(for EUR 135,326) and interest payable on financing, EUR 1,030,363.

27) Financial income

The item concerned is detailed as follows:

Financial income	2023	2022
Interest income on bank deposits	26,224	46
Interest income for time deposits	275,461	-
Interest income on subsidiary financing	261,425	46,650
Dividends from shareholdings	10,571,110	7,416,663
Foreign exchange profits	5,592	-
Financial income	**11,139,812**	**7,463,360**

The item at 31 December 2023 consists mainly of the value of dividends received by the subsidiaries Gervasoni S.p.A. for EUR 2,500,000, Saba Italia S.r.l. for EUR 500.000, Meridiani S.r.l. for EUR 611.110, Cenacchi International S.r.l. for EUR 3,960,000, Davide Groppi S.r.l. for EUR 2,500,000 and Modar S.p.A. for EUR 500.000.

28) Income tax

The following is the composition of income taxes as at 31 December 2023:

Income tax	2023	2022
Taxes from previous financial years	(1,944)	30,270
Taxes for IPO	(910,428)	-
(Charges) and income from tax consolidation	2,993,112	1,040,222
Deferred tax assets	(446,355)	388,241
Income tax	**1,634,385**	**1,458,733**

It should be noted that the income from tax consolidation, equal to EUR 2,993,112 as at 31 December 2023 and equal to EUR 1,040,222 as at 31 December 2022, relates to the valuation of the tax loss, used in the context of the tax consolidation in place with the subsidiaries.

The following table shows the reconciliation between the current tax burden and the theoretical tax burden:

	IRES	%	IRAP	%
Pre-tax income	1,398,015		(5,954,496)	
Theoretical tax	(335,524)	*24.0%*		*3.9%*
Total taxable temporary differences	1,010,399			
Total Tax base for reversal of temporary differences	(2,833,716)			
Total taxable permanent differences	(12,045,997)		2,502,514	
Tax base	(12,471,298)		(3,451,982)	
income/(charge) from tax consolidation	**2,993,112**		**-**	

29) Cash flow statement

The cash absorption resulting from current management, amounting to EUR 7.2 million, was offset by dividends paid by the parent company to the Group parent company for EUR 10.6 million and resulted in a positive cash flow of EUR 2.5 million.

The cash flow of investment activities—negative by EUR 76.4 million—is mainly composed of the time deposit subscription totalling EUR 20 million, and the acquisition of the remaining minority shares in Modar, Davide Groppi and Cenacchi International and the majority shares in Cubo Design, Axo Light and Turri for EUR 53.4 million (Note 5)); in order to meet this requirement, the Company took out loans worth EUR 22.7 million over the period and used part of the proceeds from the capital increase related to the Company's listing of a total of EUR 70.1 million. The company also provided financing to its subsidiaries for EUR 15.1 million.

The total cash flow was positive, amounting to EUR 2.8 million in 2023.

FINANCIAL RISK MANAGEMENT

The Company is exposed to the following financial risks related to normal operations:

- liquidity risk, with particular reference to the availability of financial resources and access to credit markets and financial instruments in general;
- interest rate risk, relating to the cost of the debt position;
- remeasurement risk of financial liabilities for long-term incentives.

The Company constantly monitors the risks to which it is exposed, in order to assess in advance the potential negative effects and take appropriate action to mitigate them.

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

Liquidity risk

Liquidity risk may arise when it is not possible to obtain, under favourable economic conditions, the financial resources necessary for the operation of the Company. Liquidity risk relates to the cash flows generated and absorbed by day-to-day operations and the resulting need to access financing to support the expansion of characteristic activities. Liquidity risk is also linked to the existence of contractual obligations to comply with certain financial ratios ("covenants") to be calculated on the consolidated financial statements.

The evolution of cash flows and the use of credit facilities are closely monitored by the Company's Finance Department in order to ensure that financial resources are used efficiently and effectively, including in terms of expenses and interest.

In particular, as at 31 December 2023, the company had liquidity of EUR 37,674,299 of which cash balances of EUR 10,039,307 and other current financial assets of EUR 27,634,993 related to current financial receivables from its subsidiaries Gamma Arredamenti International S.r.l, Turri S.r.l. and time deposits that the company subscribed during the year, in order to temporarily invest the surplus liquidity.

On the same date, nominal third-party financial debt amounts to EUR 42,362,780, of which EUR 24,387,992 to banks and EUR 17,974,788 to others, of which EUR 17,415,574 to subsidiaries for cash pooling and EUR 548,799 for payables to lessors (IFRS 16).The share with a maturity of less than 12 months is EUR 5,856,684, of which EUR 5,684,766 to banks, EUR 171,917 for payables to lessors (IFRS 16).

Interest rate risk

Interest rate risk can be defined as the risk that changes in market interest rates will result in a decrease in business profitability. The Company makes use of external financial resources in the form of debt. Changes in market interest rates influence the cost and return of various forms of financing by affecting financial expenses. Interest rate risk is managed through the use of derivative financial instruments in the form of interest rate swaps.

As at 31 December 2023, the Company had financial exposure to banks for financing for a total amount of EUR 24,387,992, on which variable interest rates accrued ranging from 5.14% to 7.77% over 2023, and cash and cash equivalents totalling EUR 27,634,993.

Interest rate swap contracts are in place to cover this exposure, with a total notional residual amount of EUR 6,360,000. It is noted that a new interest Rate Swap contract was concluded in 2023 in respect of the new financing granted during the year by UniCredit. The contracts have a notion to scale on the basis of the amortisation plan of the underlying loans, as shown below:

amounts are shown in €/1,000	Maturity date	Amount	Type of contract	Mark to market (assets)	Mark to market (liabilities)
UniCredit amortising line	30/06/2024	360	IR Swap	15	-
UniCredit amortising line	31/12/2026	6,000	IR Swap	-	(112)
Total		**6,360**		**15**	**(112)**

The following table shows the sensitivity to a possible change in interest rates on that portion of variable-rate debt and loans, after hedge accounting effects. With all other variables held constant, and therefore based on the value of the financial debt to banks at the end of the period and the repayment flows expected in the respective amortisation schedules, this positive or negative change in interest rates would result in higher or lower financial income and expenses before the tax effect as shown below.

amounts are shown in €/1,000	-500BP	-250BP	+250BP	+500BP
(Lower) / Higher financial income	(3)	(2)	2	3
Lower / (Higher) financial expenses	805	365	(536)	(987)
Total	**802**	**364**	**(535)**	**(984)**

Long-Term Incentive Plan re-measurement risk

To determine the amount to be set aside for the incentive plan resolved by the Board of Directors, the Group used certain assumptions and estimates in accordance with IAS 19, providing for certain possible time scenarios and also weighing the probabilities that they will occur. In doing so, the Group has used the information provided by the analyst reports available at the date of this annual financial report. As required by IAS 19, the probability that the event reported will occur affects the measurement of the obligation, but does not determine its existence.

As at 31 December 2023, the Group has set aside an amount totalling EUR 702,000 in costs for services, plus interest payable amounting to EUR 8,000 and related expected taxation of EUR 169,000.

NON-FINANCIAL RISK MANAGEMENT

Developments in the global economy, the environment of political, economic and financial instability and the volatility of financial markets could influence the performance of the subsidiaries, with possible adverse effects on its economic, capital and financial position. In the overall macroeconomic framework, the uncertainties regarding the impacts of sanctions imposed worldwide relating to the conflict between the Federal Republic of Russia and Ukraine and the risks related to climate change, are important.

Risks related to the global geopolitical situation

The Company and the Group are exposed to the risks associated with the current and future global, European and Italian economic and political situation, which is also aggravated by recent political and military tensions in Ukraine, as well as those in Israel, where the development and political and economic impact are still uncertain and hard to assess. Therefore, it cannot be excluded that the occurrence and/or continuation of any economic downturn and/or political instability and any future negative impact, including any significant impact, on the global, European and/or national economy may lead to a weakening of demand for products, with potential adverse effects on the business and prospects, as well as on the economic, capital and financial position.

The world's geopolitical situation is experiencing extreme tension and complexity, particularly as a result of the conflict between Russia and Ukraine, as well as the more recent conflict between Israel and Palestine. These events have further stimulated inflationary phenomena and speculative dynamics, with particular reference to energy and raw material prices. The Company has very limited involvement in the areas affected by the conflict and its business model is not particularly exposed to inflationary commodity phenomena or higher energy costs; however, it cannot be excluded that the continuation of this situation may lead to margin pressures or impacts on the propensity to consume durable goods.

Risks related to climate change

In preparing the financial statements, taking into account the priorities shared by ESMA and in light of the findings of The Global Risks Report 2023 prepared by the World Economic Forum, IDB's management assessed the effect of climate risks on the Group.

Specifically, by defining the potential impacts of physical risks and transition risks (relating to technological innovations, regulatory changes, and changing market expectations), management was able to obtain a sufficiently complete picture of the situation at the Group level. In the light of these considerations, no significant influence was found in the estimates and assessments of the plans.

Unless there are regulatory changes, which are not foreseeable or conceivable to date and in view of the numerous measures taken by the Group companies to mitigate them (including the appropriate transfer of risk to insurance companies), ongoing climate change is not expected to have any significant impact due to the type of business and production factors used today.

Fully aware of the strategic importance of responsible and sustainable operations, the Company and the Group decided some time ago to take a proactive stance on sustainability, including by voluntarily communicating information to its stakeholders on environmental, social and governance factors. The Group recognises the fundamental role played by strong and long-lasting cooperation with all stakeholders and its commitment to an increasingly sustainable business.

FURTHER INFORMATION

Disclosure pursuant to art. 2497 bis of the Civil Code

Pursuant to Art.2497-Bis, par. 4 of the Civil Code states that the company is not subject to the management and coordination activity of others.

Information pursuant to art. 1, paragraph 125, of Law No 124 of 4 August 2017

Article 1, paragraphs 125–129 of Law 124/2017 requires undertakings to include in the notes to the financial statements information on grants, contributions, paid assignments and any other economic benefits received from: "public administrations, and by the entities referred to in article 2-bis of legislative decree no 33 of 14 March 2013; subsidiaries, de jure or de facto, directly or indirectly by public administrations, including those issuing shares listed on regulated markets and companies owned by them; publicly owned companies, including those issuing shares listed on regulated markets and companies owned by them".

We acknowledge that during 2023 our Company did not receive any grant, contribution, paid assignment and/or economic benefit totalling more than EUR 10,000.

Related party transaction information

During the financial year, services were provided to Group companies for a total of EUR 332,000, transactions as per contracts entered into during the year and regulated at market conditions and detailed below.

Revenues in respect of subsidiaries	2023	2022
Gervasoni S.p.A.	94,900	94,900
Meridiani S.r.l.	69,700	69,700
Davide Groppi S.r.l.	37,400	37,400
Saba Italia S.r.l.	56,800	56,800
Cenacchi International S.r.l.	22,400	22,400
Flexalighting S.r.l.	15,300	15,300
Modar S.p.A.	35,500	35,500
Total revenues in respect of subsidiaries	**332,000**	**332,000**

Below is a breakdown of the financial income received from subsidiaries for dividend distribution:

Financial income in respect of subsidiaries	2023	2022
Gervasoni S.p.A.	2,500,000	5,500,000
Meridiani S.r.l.	611,110	916,663
Saba Italia S.r.l.	500,000	1,000,000
Cenacchi International S.r.l.	3,960,000	-
Davide Groppi S.r.l.	2,500,000	-
Modar S.p.A.	500,000	-
Total financial income	**10,571,110**	**7,416,663**

The following are the costs for services from subsidiaries:

Costs for services in respect of subsidiaries	2023	2022
Gervasoni S.p.A.	10,000	-
Saba Italia S.r.l.	10,000	-
Davide Groppi S.r.l.	11,835	-
IDB UK Ltd.	159,627	123,018
IDB USA	770,000	317,071
Total costs for services in respect of subsidiaries	**961,462**	**440,089**

The following details the main balance sheet transactions with the subsidiaries in respect of financial receivables and cash pooling transactions:

	Assets as at 31/12/2023	Assets as at 31/12/2022	Liabilities as at 31/12/2023	Liabilities as at 31/12/2022
Gervasoni S.p.A.	-	-	873,018	1,123,076
Cenacchi International S.r.l.	-	-	4,001,485	3,373,934
Davide Groppi S.r.l.	-	-	2,964,025	2,694,544
Meridiani S.r.l.	-	-	907,993	3,721,018
Modar S.p.A.	-	-	5,017,780	465,543
Saba Italia S.r.l.	-	-	737,835	1,325,627
Flexalighting S.r.l.	-	-	400,880	504,543
Gamma Arredamenti International S.p.A.	2,046,659	-	2,512,559	-
Turri S.r.l.	16,774,093	-	-	-
Total balance sheet transactions for financing and cash pooling	**18,820,752**	**-**	**17,415,574**	**13,208,286**

The following details the main balance sheet transactions with the subsidiaries in respect of tax consolidation transactions:

	Assets as at 31/12/2023	Assets as at 31/12/2022	Liabilities as at 31/12/2023	Liabilities as at 31/12/2022
Gervasoni S.p.A.	-	274,800	123,005	-
Cenacchi International S.r.l.	745,307	1,621,480	-	-
Davide Groppi S.r.l.	92,769	159,585	-	-
Meridiani S.r.l.	-	146,554	215,819	-
Modar S.p.A.	979,616	34,302	-	-
Saba Italia S.r.l.	-	-	402,650	196,787
Flexalighting S.r.l.	-	139,701	4,180	-
Gamma Arredamenti International S.p.A.	-	-	296,802	-
Total balance sheet transactions for tax consolidation	**1,817,691**	**2,376,422**	**1,042,456**	**196,787**

The other related party transactions presented in the balance sheet at 31 December 2023 mainly concern positions with IDB USA, in particular loans of EUR 159,029, of which EUR 50,000 for a fixed asset and EUR 109,029 for advances paid.

EVENTS OCCURRING AFTER THE END OF THE FINANCIAL YEAR

There are no relevant events that occurred after the end of the 2023 financial year.

PROPOSED PROFIT EARMARKING OR LOSS COVERAGE

On the basis of the information provided, we invite you to approve the financial statements at 31.12.2023 and to allocate the profit of EUR 3,032,400, to the legal reserve in the amount of EUR 246,864 and to profits brought forward in the amount of EUR 2,785,536.

STATEMENT OF THE FINANCIAL STATEMENTS IN ACCORDANCE WITH ARTICLE 154-BIS OF ITALIAN LEGISLATIVE DECREE NO. 58/1998 OF 24 FEBRUARY 1998 (CONSOLIDATED FINANCE ACT), AS AMENDED

While taking into account the provisions of Article 154-bis, paragraphs 3 and 4 of Italian Legislative Decree No. 58 of 24 February 1998, the undersigned Andrea Sasso, as Chair and Chief Executive Officer, and Alberto Bortolin, as Chief Financial Officer and Director in charge of drawing up the financial accounts of the Italian Design Brands Group, attest to:

- adequacy in relation to the characteristics of the undertaking; and
- effective application of the administrative and accounting procedures for drawing up the financial statements during the period from 1 January to 31 December 2023.

It is also stated that the financial statements as at 31 December 2023:

- are drawn up in accordance with applicable international accounting standards recognised in the European Community under Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond to the findings in the accounting books and records;
- are appropriate to provide a true and fair view of the assets, liabilities, economic and financial position of the issuer.

Milan, 11 March 2024

The Chair and Chief Executive Officer
Andrea Sasso

Chief Financial Officer and Director in charge
of drawing up the financial accounts
Alberto Bortolin

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Italian Design Brands S.p.A.

Financial statements as at December 31st, 2023

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010, and article 10 of EU Regulation n. 537/2014

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

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

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Italian Design Brands S.p.A. (the Company), which comprise the statement of financial position as at December 31st, 2023, and the statement of income, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31st, 2023, 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 and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

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 Financial Statements section of our report. We are independent of the Company 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

EY S.p.A.
Sede Legale: Via Meravigli, 12 – 20123 Milano
Sede Secondaria: Via Lombardia, 31 – 00187 Roma
Capitale Sociale Euro 2.600.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. di Milano 606158 - P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998

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Key Audit Matter	Audit Response
Valuation of recoverability on carrying amount of investments The balance of investments at December 31st, 2023 amounted to € 91.6 million. Under the relevant standards, these assets are valued at cost, less any impairment losses, which, if any, are recognized in the income statement. Management assesses the existence of impairment indicators on investments at least annually, in line with its strategy in managing each separate entity within the group and, if present, such investments are subject to an impairment test. The processes and methodologies to evaluate and determine the recoverable amount of investments are based on complex assumptions that, due to their nature, imply the use of judgement by management, in particular with reference to the assumptions underlying future cash flow forecasts in the period covered by the business plan, the estimate of the terminal value and the calculation of the long-term growth and discount rates applied to the future cash flow forecasts. The company employs an independent expert to determine the recoverable value of the investments. Considering the level of judgement and complexity of the assumptions applied in estimating the recoverable amount of goodwill we determined that this area represents a key audit matter. The financial disclosures related to the valuation of investments are included in paragraph "Equity investments in subsidiaries and associate companies" and in note 5 "Equity Investments".	Our audit procedures in response to this key audit matter included, among others: • assessment of the process and key controls implemented by the Company in connection with the valuation of investments; • test of the consistency of the assumptions future cash flow forecasts and the comparison with the data and projections of the relevant markets; • assessment of the accuracy of cash flow projections as compared to historical results; • assessment of the long-term growth rates and discount rates. In performing our analysis, we engaged our experts in valuation techniques, who have independently performed calculation and sensitivity analyses of key assumptions in order to determine any changes in assumptions that could materially impact the valuation of the recoverable amount. Lastly, we evaluated the appropriateness of the disclosures included in the explanatory notes of the financial statements with the relevant standards and the information and data obtained in the course of carrying out the audit work.

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

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, 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 Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company'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

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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 Company to cease to continue as a going concern;

- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate relevant risks or the safeguard measures applied.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Italian Design Brands S.p.A., in the general meeting held on March 17th, 2023, engaged us to perform the audits of the financial statements for each of the years ending December 31st, 2023 to December 31st, 2031.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion on the compliance with Delegated Regulation (EU) 2019/815 and subsequent amendments

The Directors of Italian Design Brands S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 and subsequent amendments for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the "Delegated Regulation") to the financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the financial statements as at December 31st, 2023 with the provisions of the Delegated Regulation.

In our opinion, the financial statements as at December 31st, 2023 have been prepared in the XHTML format in compliance with the provisions of the Delegated Regulation.

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Italian Design Brands S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Italian Design Brands S.p.A. as at December 31st, 2023, including their consistency with the related financial statements and their 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 and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of Italian Design Brands S.p.A. as at December 31st, 2023 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Italian Design Brands S.p.A. as at December 31st, 2023 and comply 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 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Italian Design Brands S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Treviso, March 26th, 2024

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

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2023

IN ACCORDANCE WITH ARTICLE 153 OF LEGISLATIVE DECREE NO. 58/1998 AND ARTICLE 2429, PARAGRAPH 2, OF THE CIVIL CODE

Dear Shareholders,

during the year ended December 31, 2023, the Board of Statutory Auditors of Italian Design Brands S.p.A. (hereinafter "IDB" or "the Company"), in accordance with Article 149 of Legislative Decree 58/98 ("TUF"), and Article. 2403 of the Civil Code, carried out its supervisory activities, also taking into account the "Rules of Conduct for the Board of Statutory Auditors of Listed Companies," recommended by the National Council of Certified Public Accountants and Accounting Experts and Consob Communications on corporate controls and the activities of the Board of Statutory Auditors (in particular, Communication no. DAC/RM 97001574 of February 20, 1997, and Communication No. DEM 1025564 of April 6, 2001, subsequently supplemented by Communication No. DEM 3021582 of April 4, 2003, and Communication No. DEM/6031329 of April 7, 2006, and Attention Reminder No. 1/21 of February 16, 2021), as well as by the Principles and Recommendations contained in the Corporate Governance Code.

The Board of Statutory Auditors was appointed by the Shareholders' Meeting on May 9, 2023, effective as of May 18, 2023, the listing start date, in accordance with current legal, regulatory provisions, for three fiscal years.

The members of the Board of Statutory Auditors have complied with the limit on the accumulation of offices provided for in Article 144-terdecies of the Issuers' Regulations.

The statutory audit assignment, in accordance with the TUF and Legislative Decree 39/2010, is carried out by EY S.p.A. (hereinafter "EY" or the "Auditing Firm"), as resolved by the Shareholders' Meeting of March 17, 2023 for the duration of nine fiscal years (2023-2031).

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It should be noted that, in accordance with Article 149 of the TUF, the Board of Statutory Auditors supervises:

- On compliance with the law and the bylaws;

- On compliance with the principles of proper administration;

- on the adequacy of the Company's organizational structure for the aspects within its competence, the internal control system and the administrative-accounting system as well as the reliability of the latter in correctly representing management events;

- on the procedures for the concrete implementation of the corporate governance rules laid down in codes of conduct drawn up by companies managing regulated markets or by trade associations, to which the Company, by means of public disclosures, declares that it complies with;

- On the adequacy of the provisions issued by the Company to its subsidiaries pursuant to Article 114(2) of the TUF.

- ***Activities to supervise compliance with the law and the bylaws.***

The Board of Statutory Auditors has acquired the information instrumental to the performance of the supervisory duties assigned to it through its participation in the meetings of the Board of Directors and the endo-conciliar committees, hearings of the directors of the Company and the Group, exchanges of information with the Auditing Firm, as well as through the additional control activities carried out.

Specifically, the Board of Statutory Auditors with reference to the activities within its competence carried out during the year ended December 31, 2023, states that it has:

- held four meetings in order to acquire the information instrumental to the performance of its supervisory duties;

- attended all four meetings of the Board of Directors, obtaining from the directors, on a more than quarterly basis, adequate information on the general performance of operations and its foreseeable evolution, as well as on the most significant transactions, in terms of size and characteristics, carried out by the Company and its subsidiaries;

- acquired the elements of knowledge necessary to carry out the activity of verifying compliance with the law, the articles of association, the principles of proper administration and the adequacy and functioning of the Company's organizational structure, through the acquisition of documents and information from the heads of the functions concerned and through periodic exchanges of information with the Auditing Firm;

- attended, at least through its Chairman or other member, all three meetings of the Control, Risk, Related Party Transactions and Sustainability Committee and met, for the purpose of mutual exchange of information, with the Supervisory Board;

- monitored the functioning and effectiveness of the internal control system and the adequacy of the administrative and accounting system, particularly from the standpoint of the latter's reliability in representing operating events, meeting periodically with the Head of Internal Auditing;

- promptly exchanged with the heads of the Auditing Company data and information relevant to the performance of their respective duties pursuant to Article 150, 3rd paragraph of the TUF, including by reviewing the results of the work performed and receiving the reports provided for in Article 14 of Legislative Decree 39/2010 and Article 11 of EU Reg. 2014/537

- monitored the functionality of the control system over the companies of the Group and the adequacy of the provisions issued to them, also in accordance with art. 114, 2nd paragraph, of the TUF;

- ascertained the compliance of statutory provisions with legal and regulatory provisions;

- monitored the concrete methods of implementation of the corporate governance rules adopted by the Company in accordance with the Corporate Governance Code (as reported in the Corporate Governance Report) promoted by the Corporate Governance Committee of Borsa Italiana S.p.A.;

- Supervised the compliance of the internal procedure regarding Transactions with Related Parties, with the principles indicated in the Regulation approved by Consob with resolution No. 17221 of March 12, 2010 and subsequent amendments, as well as its compliance, pursuant to Article 4, paragraph 6, of the same Regulation

- acquired information, through the exchange of information with the bodies in charge, on the completion of the fulfillments related to the regulations referring to Market Abuse (EU Regulation No. 596/2014 - "MAR" and subsequent additions), on corporate reporting and Internal Dealing, with particular reference to the treatment of inside information and the procedures adopted in this regard by the Company;

- acknowledged the contents of the Consolidated Half-Yearly Report, without it being necessary to make any comments, as well as ascertained that the said Report had been made public in the manner required by law;

- met with representatives of the supervisory bodies (Board of Statutory Auditors/ Single Statutory Auditor) of the subsidiaries, in order to discuss issues of common importance;

- took note of the contents of the Quarterly Reports, without it being necessary to make any comments.

In the course of the supervisory activities carried out by the Board of Statutory Auditors in the manner described above, no facts emerged from which to infer non-compliance with the provisions of the law and bylaws or such as to warrant reporting to the Supervisory Authorities or mention in this Report.

- ***Supervisory activities on compliance with the principles of proper administration***

The Board of Statutory Auditors has supervised compliance with the principles of proper administration, ensuring that the transactions resolved and carried out by the directors were in accordance with the aforementioned rules and principles, as well as inspired by principles of economic rationality and not manifestly imprudent or risky, in conflict of interest with the Company, in conflict with the resolutions passed by the Shareholders' Meeting, or such as to compromise the integrity of the Company's assets. The Board believes that the governance tools and institutions adopted by the Company represent a valid safeguard for compliance with the principles of proper administration.

The additional information required by Consob Communication No. DEM/1025564 of April 6, 2001, as amended, is provided below.

I. The most significant economic, financial and equity transactions carried out by the Company have been analytically detailed in the Management Report of the Italian Design Brands Group for the year 2023. Based on the information provided by the Company and the data acquired in relation to the aforementioned transactions, the Board of Statutory Auditors deems it appropriate to highlight the following:

- On May 18, 2023, the initial public offering (IPO) of the Company's ordinary shares, aimed at admission to trading of the ordinary shares on Euronext Milan, a regulated market organized and managed by Borsa Italiana S.p.A., was concluded. Cash from the IPO of IDB shares was mainly used to support organic and external growth.

- As of December 18, 2023, the share buyback program of the parent company Italian Design Brands S.p.A. became operational.

- The acquisition of Cubo Design S.r.l. and its subsidiary Nian Design S.r.l. was finalized. On January 31, 2023 IDB, through the vehicle established for this purpose Fincubo S.r.l. (60% owned by IDB and 40% by the former shareholders of Cubo Design S.r.l.), acquired 100% of the share capital of Cubo Design S.r.l., a company specializing in the production of modular kitchens, with a 51% subsidiary in Nian Design S.r.l., specializing in the processing of marble functional to the production of kitchens. On June 26, 2023, the reverse merger of Fincubo S.r.l. into Cubo Design S.r.l. was executed. It should also be noted that in December 2023, Cubo Design S.r.l. acquired the remaining 49% of the shares of Nian Design S.r.l., thus achieving total control of the same.

- On July 18, 2023, the purchase of an additional 31% of shares in Axo Light S.r.l. and the consequent control of this company, compared with the previous joint control.

- the acquisition on 29 September 2023, through the newly formed Finturri S.r.l., which is 51% owned, of the entire capital of Turri 2K S.r.l., which in turn wholly owns Turri UK Ltd., Turri ISA Corp. and Shanghai Turri Furnitures. It should be noted that on 22 December 2023, the reverse merger of Finturri S.r.l. into Turri 2K S.r.l. and the simultaneous change of name to Turri S.r.l. was completed, on the basis of the merger plan dated 13 November 2023. The aforementioned merger was approved by both companies involved in the merger by means of resolutions of their respective shareholders' meetings held on 16 November 2023.

II. In the course of its audits during the fiscal year ended December 31, 2023, the Board of Statutory Auditors did not detect any atypical and/or unusual transactions with third parties, Group companies, and related parties, as defined by Consob Communication No. DEM/6064293 of July 28, 2006. It is hereby acknowledged that the information provided in the Management Report and in the notes to the separate and consolidated financial statements regarding significant events and transactions that do not recur frequently and intercompany and related party transactions is adequate.

III. The characteristics of intercompany and related party transactions implemented by the Company and its subsidiaries during 2023, the parties involved, and their economic effects are fully disclosed in the Consolidated and Separate Financial Statements, to which reference is made. It should be noted that the Company regularly engages in commercial and financial transactions with its subsidiaries, represented by Group companies, which consist of transactions within the scope of ordinary activities, concluded under market terms and conditions, contractual and economic.

On the whole, the Board of Statutory Auditors assesses the information provided in the ways indicated regarding the aforementioned transactions to be adequate, and assesses that these transactions, on the basis of the data acquired, appear to be congruous and in keeping with the company's interest.

- ***Supervisory activities on the adequacy of the Company's organizational structure, internal control system***

Supervision of the adequacy of the Company's and the Group's organizational structure was carried out through knowledge of the Company's administrative structure and the exchange of data and information with the heads of the various corporate functions, the heads of Internal Audit, the Supervisory Board, and the Independent Auditors.

As a result of the audits conducted, in the absence of any critical issues detected, the Company's organizational structure appears to be adequate in view of the Company's object, characteristics and size.

With reference to the supervision of the adequacy and efficiency of the internal control system, also in accordance with Article 19 of Legislative Decree 39/2010, the Board met with the Internal Auditing Function in order to assess the setting of the audit plan and the risk assessment process; the Board also held additional meetings with other corporate functions, including through the participation of at least one of its members in the relevant meetings with the Control, Risk, Related Party Transactions and Sustainability Committee and with the Supervisory Board.

The Board of Statutory Auditors noted that the Company's system of internal control is based on a structured and organic set of rules, procedures and organizational structures aimed at preventing or limiting the consequences of unexpected results and enabling the achievement of strategic and operational objectives (i.e., consistency of activities with objectives, effectiveness and efficiency of activities, and safeguarding of corporate assets), compliance with applicable laws and regulations (compliance) and correct and transparent internal and market information (reporting).

The guidelines of this system are defined by the Board of Directors, with the assistance of the Audit and Risk, Related Party Transactions and Sustainability Committee.

The Board of Statutory Auditors, to the extent of its competence, has ensured the timely activation of the internal control safeguards, also in the subsidiaries, where this has become necessary or even only appropriate in relation to the circumstances of the case.

Italian Design Brands S.p.A. has the organizational model envisaged by Legislative Decree 231/2001 ("Model 231"), of which the Code of Ethics is an integral part, aimed at preventing the occurrence of criminal offenses relevant under the decree and, consequently, the extension of administrative liability to the Company.

The Group's Model 231 provides for automatic updating, with respect to the crimes that are included from time to time within the scope of Legislative Decree 231/2001, in its general part. Specifically, the latest update of Model 231 was approved at the Board of Directors meeting held on March 11, 2024.

In relation to the 2023 fiscal year, the Board of Directors carried out an overall assessment of the adequacy of the internal control and risk management system on the basis of the information and evidence gathered, believing that it is on the whole suitable to allow, with reasonable certainty, an adequate management of the main risks identified.

According to the Board, in light of the information gathered, the Company's internal control and risk management system appears to be adequate, effective, and effectively operational.

- ***Supervisory activities on the adequacy of the administrative-accounting system and on the statutory audit activities***

The Board of Statutory Auditors supervised the adequacy and reliability of the administrative-accounting system with respect to the correct representation of operating events by obtaining information from the heads of the respective functions, examining company documents, and analyzing the results of the work carried out by the Independent Auditors. The Manager in charge of preparing corporate accounting documents has been assigned the functions established by law and provided with adequate powers and means for the exercise of the related tasks.

The Board of Statutory Auditors acknowledged the attestations issued by the Chief Executive Officer and the Manager in charge of preparing the Company's corporate accounting documents regarding the adequacy of the administrative-accounting system in relation to the characteristics of the business and the effective application of the administrative and accounting procedures for the preparation of the separate financial statements of Italian Design Brands S.p.A. and the consolidated financial statements of the IDB Group.

The Board of Statutory Auditors assessed the company's administrative-accounting system as adequate overall and reliable in correctly representing operating events.

The Board of Statutory Auditors notes that on 26 March 2024 the Independent Auditors issued their report in accordance with Articles 14 and 16 of Legislative Decree No. 39/2010 and Article 10 of EU Reg. No. 2014/537 in which they certified that:

- the separate financial statements of the Company and the consolidated financial statements of the Group as of December 31, 2023 give a true and fair view of the balance sheet, the results of operations and cash flows for the year ended in accordance with IFRS as adopted by the European Union;

- the Management Report and the information in accordance with Article 123-bis of the TUF contained in the Report on Corporate Governance and Ownership Structure is consistent with the Company's separate financial statements and the Group's consolidated financial statements and prepared in accordance with the law;

- the opinion on the separate financial statements and the consolidated financial statements expressed in the aforementioned Reports is consistent with that set forth in the Supplementary Report prepared pursuant to Article 11 of EU Reg. No. 2014/537.

In the aforementioned Independent Auditor's Reports, there were no remarks or references to information or statements made pursuant to Article 14, Paragraph 2, letters d) and e) of Legislative Decree 39/2010.

The Independent Auditors also verified that the directors prepared the first and second sections of the Report on Remuneration Policy and Remuneration Paid as required by Article 123-ter, paragraph 8-bis of the TUF.

During the periodic meetings held by the Board of Statutory Auditors with the Independent Auditors, in accordance with Article 150, Paragraph 3 of the TUF, no issues emerged that need to be highlighted in this Report.

In addition, the Board did not receive any information from the Auditing Firm on material facts deemed reprehensible in the performance of the statutory audit of the separate and consolidated financial statements.

The separate financial statements as of December 31, 2023 have been prepared in the XHTML format in accordance with Delegated Regulation (EU) 2019/815 of the European Commission on regulatory technical standards relating to the specification of the European Single Electronic Format (ESEF) for communications.

The consolidated financial statements as of December 31, 2023 have been prepared in XHTML format and have been marked up in accordance with Delegated Regulation (EU) 2019/815.

Some information contained in the notes to the consolidated financial statements when extracted from the XHTML format in an XBRL instance, due to certain technical limitations may not be reproduced identically to the corresponding information viewable in the consolidated financial statements in XHTML format.

During the year 2023, the Board did not receive any complaints in accordance with Article 2408 of the Civil Code, or complaints from shareholders or third parties.

During the year 2023, it provided its opinion on the awarding of some assignments to the Audit Firm.

In addition, the Board has:

a) verified and monitored the independence of the Independent Auditors, in accordance with Articles 10, 10-bis, 10-ter, 10-quater and 17 of Legislative Decree No. 39/2010 and Article 6 of EU Reg. No. 2014/537, ascertaining compliance with the relevant regulatory provisions

b) examined the transparency report and additional report prepared by the Independent Auditors in compliance with the provisions of EU Reg. 2014/537, noting that, on the basis of the information acquired, no critical aspects emerged in relation to the independence of the Independent Auditors;

c) received confirmation in writing that the Auditing Firm, during the period from January 1, 2023 until the time of issuance of the declaration of independence, has not encountered any situations that may compromise its independence from Italian Design Brands S.p.A. in accordance with the combined provisions of Articles 6(2)(A) of EU Reg. 2014/537, 10 and 17 of Legislative Decree 39/2010 as well as Articles 4 and 5 of EU Reg. 2014/537

d) discussed with the Audit Firm about any risks to its independence and the measures taken to mitigate them, in accordance with Article 6(2)(b) of EU Reg. 2014/537.

Finally, the Board of Statutory Auditors has exchanged information with the supervisory bodies of subsidiaries in accordance with Article 151 of the TUF, without any relevant aspects or ascertained circumstances being brought to its attention to be reported in this report.

- ***Supervisory activities on the methods of concrete implementation of corporate governance rules***

In accordance with Article 149, paragraph 1, letter c-bis, of the TUF regarding the supervision by the Board of Statutory Auditors "on the methods of concrete implementation of the corporate governance rules provided for by codes of conduct drawn up by companies managing regulated markets or by trade associations, which the company, by means of public disclosures, declares that it complies with," the Board of Statutory Auditors confirms the following:

- the Company has adhered to and applies the Corporate Governance Code;

- in accordance with the Code of conduct of the Board of Statutory Auditors of Listed Companies, the Board of Statutory Auditors, as an audit committee, acquires annual confirmation of its independence from the Independent Auditors (Standard Q.5.3) and supervises the proper application of the criteria and assessment procedures adopted by the Board of Directors to assess the independence of certain of its members (Standard Q.3.7). In the latter regard, the Board has verified that the non-executive directors who qualified as independent meet the independence requirements;

- the Company's Board of Directors currently consists of eleven directors, three of whom are independent, as well as an honorary chairman, and was elected by the Shareholders' Meeting on May 9, 2023 with effectiveness subject to the start of trading, an event that subsequently occurred on May 18, 2023. Its composition complies with gender balance regulations.

Independent director Lea Lidia Lavitola serves as Lead Independent Director and promoted a meeting of only independent directors during 2023.

Also in view of the size of the Issuer and the fact that the Board of Directors and its Committees are in office as of May 18, 2023 and will expire with the approval of the financial statements as of December 31, 2025, the Board, at the suggestion of the Appointments, Human Resources and Remuneration Committee, agreed that it would be appropriate to conduct the self-assessment activity in the first half of the 2025 fiscal year.

Regarding to the procedure followed by the Board of Directors for the purpose of verifying the independence of its directors, the Board of Statutory Auditors carried out the evaluations within its competence, noting the correct application of the criteria and procedures for ascertaining the independence requirements under the law and the Corporate Governance Code and compliance with the composition requirements of the administrative body as a whole;

- finally, in accordance with the provisions of Standard Q.1.7. "Self-Assessment of the Board of Statutory Auditors" of the Code of Conduct of the Board of Statutory Auditors of Listed Companies, Recommendation No. 9 of the Corporate Governance Code and current regulations, the Board of Statutory Auditors proceeded to assess the suitability of the members and the adequate composition of the body, with reference to the requirements of professionalism, competence, honorability, and independence required by the regulations at the beginning of its term of office and, in particular, at the meeting of July 19, 2023, and subsequently in relation to the entire 2023 fiscal year.

The Board of Statutory Auditors acknowledged that each Regular Member provided the information necessary to carry out the Board's self-assessment and that, based on the statements made and the analysis carried out by the Board, none of the grounds for ineligibility and disqualification provided for by current regulations and the Bylaws applies to any of them.

The Board of Statutory Auditors also verified that the members of the Board of Statutory Auditors meet and maintain the same independence requirements for directors, and informed the Company's Board of Directors at its meeting on July 27, 2023 for the self-assessment at the beginning of the term of office and on March 11, 2024 for the annual self-assessment.

- ***Supervisory activities on related party transactions***

Pursuant to Article 2391-bis of the Civil Code and Consob Resolution No. 17221 of March 12, 2010, as amended, containing the Regulations for Related Party Transactions (hereinafter also referred to as the "Regulations"), IDB has adopted Procedures for Related Party Transactions (the "Procedures").

During the year 2023, based on the information received, a number of related party transactions were carried out, which, to the best of our knowledge:

- were executed in substantial compliance with the Procedures and the Regulations;

- appear to have been carried out in the interest of the Company, of an ordinary nature and concluded on terms equivalent to market or standard terms;

- do not include atypical or unusual transactions.

Transactions with related parties are adequately described within the financial statements; in particular, information on related party transactions is presented in the specific disclosures in the separate financial statements and in Note 35 to the consolidated financial statements, in which the amounts, types, and counterparties are reported.

- ***Supervisory activities on the adequacy of the arrangements made by the Company to its subsidiaries***

In accordance with Article 114, paragraph 2, of the TUF: (i) listed issuers shall issue the necessary instructions for subsidiaries to provide all the news necessary to comply with the disclosure obligations provided for by law and Regulation (EU) No. 596/2014; (ii) subsidiaries shall promptly transmit the required news.

The Board of Statutory Auditors has supervised the adequacy of the instructions given to the subsidiaries, having found that the Company is able to promptly and regularly comply with the disclosure obligations required by law; this is also through the collection of information from the heads of organizational functions, for the purpose of mutual exchange of relevant data and information. In this regard, there are no particular observations to report.

- ***Supervisory activities on the financial reporting process, proposals regarding the annual financial statements and their approval, and matters within the jurisdiction of the Board of Statutory Auditors***

The Board of Statutory Auditors has verified the existence of rules and procedures underlying the process of formation and dissemination of financial information, and in this regard, the Report on Corporate Governance and Ownership Structure sets out the reference guidelines for the establishment and management of the financial reporting process.

The Board of Statutory Auditors has reviewed the proposals that the Board of Directors, in its meeting of March 11, 2024, resolved to submit to the Shareholders' Meeting, and declares that it has no observations in this regard.

In particular, the Board of Statutory Auditors declares that it has:

- acknowledged the preparation of the Remuneration Report pursuant to art. 123-ter of the TUF and art. 84-quater of the Issuers' Regulations, without making any observations;

- ascertained the adequacy, in terms of method, of the impairment process implemented in order to ascertain the possible existence of impairment losses on the assets recorded in the financial statements;

Lastly, the Board of Statutory Auditors carried out its checks on compliance with the legal provisions inherent in the preparation of the draft separate financial statements and consolidated financial statements of the Group as of December 31, 2023, the respective explanatory notes, and the Report on Operations, also making use of the information shared by the department heads and through the information obtained from the Independent Auditors. In particular, the Board of Statutory Auditors, based on the checks carried out and the information provided by the Company, within the limits of its competence according to Article 149 of the TUF, acknowledges that the separate financial statements and the consolidated financial statements of Italian Design Brands S.p.A. as of December 31, 2023 have been prepared in accordance with the legal provisions governing their formation and layout and with the valuation criteria established by International Financial Reporting Standards and International Accounting Standards issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and adopted by the Commission of the European Community by

Regulation No. 1725/2003, as amended, in accordance with Regulation No. 1606/2002 of the European Parliament.

The separate financial statements and the consolidated financial statements are accompanied by the prescribed declarations of conformity signed by the Chief Executive Officer and the Financial Reporting Officer.

On the basis of the above, summarizing the supervisory activities carried out during the year, the Board of Statutory Auditors did not find any specific critical issues, omissions, reprehensible facts or irregularities and has no observations or proposals to make to the Shareholders' Meeting pursuant to Article 153 of the TUF, to the extent of its competence, noting no reasons to prevent the approval of the resolution proposals formulated by the Board of Directors to the Shareholders' Meeting.

The Board of Statutory Auditors, therefore, in light of the considerations made and to the extent of its competence, does not find any reasons to prevent the approval of the Financial Statements as of December 31, 2023 and the proposal for the allocation of the profit for the year formulated by the Board of Directors.

Milan, 26 March 2024

The Board of Statutory Auditors

Filippo Annunziata

Presidente

FILIPPO
CLAUDIO
ANNUNZIATA
26.03.2024
20:11:57
GMT+01:00

Marzia Nicelli

Sindaco Effettivo

Fabio Buttignon

Sindaco Effettivo

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

Art Direction and Graphic Project
COMMON

IDB

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