ITALIAN DESIGN BRANDS S.p.A.

Head Office Milan (MI) - Corso Venezia, 29

Share capital Euro 20,216,740 REA of Milan no. 2062252

Tax Code and Milan Business Register: 09008930969

REPORT ON OPERATIONS
CONSOLIDATED FINANCIAL STATEMENTS AS AT 31/12/2020
PURSUANT TO ARTICLE 40 OF LEGISLATIVE DECREE 127/1991

Dear Stockholders,

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

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

With reference to the acquisition operations in 2020, the following is specified: on 23 July 2019 the company Finflexa S.r.l. was established, which on 13 February 2020 acquired the entire capital of Flexalighting S.r.l., a company located in Pontassieve (FI), which operates in the lighting sector. On 27 November 2020, Flexalighting incorporated Finflexa S.r.l. through a reverse merger. Therefore, as at 31 December 2020, IDB owns 51% of Flexalighting; however, based on the agreements entered into with the minority shareholders and of the Put option that can be exercised (please refer to the explanatory notes for more details), with the consequent obligation to exchange the shares held at predefined conditions, on the basis of the international accounting standards adopted by the Group for the preparation of the consolidated financial statements, Flexalighting S.r.l. was consolidated at 100% for the period elapsed from the date of acquisition (13 February 2020), with exposure in the liabilities of the estimate of the liability for the purchase of the remaining share owned by the minority and the consideration price payable (so-called earnout), expected in 2022.

The measures adopted to deal with COVID from a health point of view are fully described in the Explanatory Note.

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The consolidated financial statements of the Group as at 31 December 2020 were prepared in compliance with the international accounting standards (hereinafter "IFRS") on the basis of the option allowed by the provisions of Legislative Decree 9/4/1991 no. 127, as modified by the changes introduced by Legislative Decree 17 January 2003, no. 6 containing the “reform of company law” and those contained in Legislative Decree 2 February 2007, no. 32, and in Legislative Decree 3 November 2008, no. 173.

From an economic point of view, the financial statements show a value of revenues equal to Euro 111,885 thousand and an operating result of Euro 6,912 thousand, after depreciation and write-downs of property, plant and equipment and receivables for a total of Euro 8,243 thousand, and an operating result positive of Euro 8,819 thousand, the determination of which is the net negative financial component for a total of Euro 1,646 thousand and the net positive tax component for a total of Euro 3,553 thousand.
To this result must then be deducted a total of Euro 93 thousand resulting from the adjustment of the value at year-end of the outstanding financial instruments in place having the requisites to be considered hedges and the adjustment of the translation reserve relating to the conversion of foreign financial statements in currencies other than euro, net of specific taxes and the actuarial valuation on the post-employment benefits net of taxes, which caused an increased of Euro 137 thousand.

The result of the comprehensive income statement is therefore equal to Euro 8,863 thousand.

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Operating terms and conditions and business development

IDB S.p.A. holds the entire available capital of Gervasoni S.p.A., which in turn fully controls Ifa S.r.l., of Meridiani S.r.l. which in turn fully controls Meridiani France and Meridani UK, 51% of the company Cenacchi International S.r.l., 57% of Davide Groppi S.r.l., the entire capital of Saba Italia S.r.l. and 65% of Modar S.p.A., 51% of Flexalighting, and 100% of IDB China, (Cenacchi International S.r.l., Davide Groppi S.r.l., Modar S.p.A., and Flexalighting S.r.l. have been consolidated at 100% by reason of put options exercisable by minority shareholders, with the consequent obligation to exchange the shares held under predefined conditions). The companies of the group belong to the furniture and lighting sector.

The Italian Wood-Furniture Supply Chain, overwhelmed in 2020 by the Coronavirus emergency and the economic crisis triggered by this, according to the first preliminary results prepared by Federlegno, closes the year with a contraction of -9.1% compared to 2019. It is both the domestic market (-7.5%), but above all the foreign ones (-11.7%), which determine the decline in turnover. Even imports (-13.9%) showed a more marked decrease than production for the domestic market. After the heavily negative data of the first half of the year, starting from the summer the companies recorded an exceptional recovery but not sufficient to make up for the damage caused by the months of closure and social distancing, but on average important enough to halve the entity the loss of the first part of 2020.

Sales in Italy drop by 7.5%; it is the numerous tax breaks available for 2020 that limit the fall, together with the desire of Italians to renovate their homes, a desire enhanced even more by the lockdown that forced them to live more at home by suggesting new solutions. On the other hand, the sectors linked to the non-residential world of offices, retail and hospitality underwent a more significant contraction. Exports of thesupply chain close

2020 at -11.7%. After a start in the first quarter similar to the 2019 trend, they suffered a sharp contraction until May following the numerous lockdowns and the heavy slowdown in international trade. A slow recovery began in June.

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

The Gervasoni sub-group in 2020 suffered a decrease in sales compared to what achieved last year by about 5%; the reference markets are the Italian ones for 20%, the Community one for 45%, and the non-EU one for 35%.

The Meridiani sub-group recorded in the year an decrease in sales, of around 13% compared to what was achieved last year; the reference markets are the Italian ones for 20%, the EU for 50%, and the non-EU for 30%.

During the year, the company Cenacchi International S.r.l. recorded a decrease in the value of production of approximately 58% compared to what was achieved last year due as a result of projects for customers temporarily suspended due to COVID; sales are mainly addressed to contract customers, the reference markets are the EU for 15% and the non-EU for 85%.

The Davide Groppi S.r.l. decreased its turnover by about 4% during the year. The reference markets are the Italian one for 55%, the EU one for 25%, and the non-EU one for 20%.

The Saba Italia S.r.l. decreased its sales for the year by about 2%. The reference markets are the Italian one for 50%, the EU one for 25%, and the non-EU one for 25%.

Modar S.p.A. decreased the value of production during the year by approximately 50% on an annual basis due to projects for customers temporarily suspended due to the COVID-19 pandemic; the reference markets are the Italian one for 20%, the EU one for 20%, and the non-EU one for 60%.

The newly acquired Flexalighting S.r.l. decreased its sales for the year by about 7% during the year, the reference markets are the Italian one for 50%, the EU one for 40%, and the non-EU one for 10%.

The summary data of the Group companies are presented, specifying that Flexalighting income statement data have been included in the consolidated financial statements starting from the date of acquisition and that the data reported here do not take into account the intercompany elisions, which are otherwise contained, in particular with reference to revenues and consequently to intragroup margins.

the values are expressed in Euro/1000	sales revenues	EBITDA	EBIT	profit	Shareholders' Equity	NFP banks
IDB S.p.A.	429	- 1,652	- 1,669	- 694	24,440	- 749
Gervasoni S.p.A.	22,076	3,604	2,628	4,219	22,318	3,002
Ifa S.r.l.	6,309	775	662	487	1,742	- 1,082
Meridiani S.r.l.	19,160	2,746	1,977	1,771	10,839	2,043
Cenacchi Int. S.r.l.	11,472	2,289	2,016	1,193	20,867	3,157
Davide Groppi S.r.l.	10,675	1,967	1,728	2,124	7,817	2,349
Saba Italia S.r.l.	16,134	2,304	1,941	2,257	6,966	1,860
Modar S.p.A.	20,934	1,937	1,189	611	9,408	3,695
Flexalighting S.r.l.	4,289	1,311	1,161	708	3,099	1,594
Other companies	1,166	37	- 363	230	- 60	- 347

Other companies: Meridiani Fr. S.a.r.l., Meridiani UK Limited, Borman Lighting S.r.l., IDB China

ECONOMIC AND FINANCIAL SITUATION OF THE GROUP

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

The income statement is reclassified in scalar form to highlight the gross operating margin (EBITDA) achieved by the Group, which is the difference between revenues and costs associated with the purchase (transformation) sale cycle, regardless of depreciation and write-downs of fixed assets and receivables, from financing methods adopted and the level of taxation.

As already reported, Italian Design Brands S.p.A. draws up the consolidated financial statements for the 2020 financial year by applying the International Accounting Standards IAS/IFRS. The same acknowledges the data of the direct subsidiaries Gervasoni S.p.A., Meridiani S.r.l., Cenacchi International S.r.l., Davide Groppi S.r.l., Saba Italia S.r.l., Modar S.p.A., Flexalighting S.r.l., and IDB China, as well as its indirect subsidiaries Ifa S.r.l., Meridiani France, Meridiani UK, and Borman Lighting S.r.l.

Reclassified Income Statement	**2019**		**2020**	
	value	**%**	**value**	**%**
Revenues	132,221	100.0%	110,188	100.0%
Other revenues and income	1,664	1.3%	1,698	1.5%
Total revenues	**133,885**	**101.3%**	**111,885**	**101.5%**
External operating costs (*)	- 92,871	-70.2%	- 77,112	-70.0%
Value added	**41,014**	**31.0%**	**34,773**	**31.6%**
Personnel expense	- 18,312	-13.8%	- 19,619	-17.8%
Gross operating margin (EBITDA) (**)	**22,701**	**17.2%**	**15,155**	**13.8%**
Depreciation and write-downs	- 8,696	-6.6%	- 8,243	-7.5%
Operating result/EBIT	**14,006**	**10.6%**	**6,912**	**6.3%**
Result of the financial area	- 3,415	-2.6%	- 1,646	-1.5%
Result before taxes	**10,590**	**8.0%**	**5,266**	**4.8%**
Income taxes	- 3,216	-2.4%	3,553	3.2%
Group consolidated net result	**7,375**	**5.6%**	**8,819**	**8.0%**

(*) includes income statement items: consumption of materials, costs for services, use of third party assets;

(**) EBITDA is an interim result, determined gross of amortisation and write-downs of technical fixed assets and receivables, financial charges, and income taxes. Since the composition of EBITDA is not regulated by the reference accounting standards, the determination criterion applied by the Group may not be homogeneous with that used by other entities, and therefore not immediately comparable.

It should be duly highlighted that the income statement for 2020 shows a decrease compared to the previous year, mainly due to the effects of the COVID-19 pandemic.

In support of the above data, the following commentary notes on the various aspects of management are added.

2020 revenues decrease from Euro 133.9 million to Euro 111.9 million.

EBITDA, as defined by the Group and primary indicator of economic performance, in the year 2020 was approximately Euro 15.2 million compared to approximately Euro 22.7 million in 2019, with a decrease of approximately Euro 7.5 million.

EBIT went from Euro 14 million to Euro 6.9 with a decrease of Euro 7.1 million.

There was a decrease in financial management expenses compared to the previous year, essentially deriving from the remeasurement of the value of the put options due to the minority shareholders of the fully consolidated companies.

Income taxes show a positive impact on the income statement equal to Euro 3.6 million compared to the negative impact of Euro -3.2 million in the previous year, essentially due to the positive effects on deferred taxation deriving from the decision of some Group companies to realign the tax values of some intangible assets to the higher values recorded in the financial statements, subject to the payment of a substitute tax equal to 3% of the realigned value (positive net effect on the income statement of Euro 5.0 million).

Finally, the net profit of Euro 8.8 million increased by approximately Euro 1.4 million from the previous value of Euro 7.4 million.

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

Reclassified balance sheet	**2019**		**2020**	
	value	**%**	**value**	**%**
Intangible fixed assets	132,480	110.7%	132,885	110.6%
Tangible assets	4,920	4.1%	5,053	4.2%
Equity investments and other non-current assets	3,728	3.1%	4,482	3.7%
Non-current assets (A)	**141,129**	**118.0%**	**142,419**	**118.6%**
Inventories	13,372	11.2%	13,866	11.5%
Trade receivables	23,330	19.5%	15,774	13.1%
Other current assets	4,970	4.2%	2,985	2.5%
Current assets (B)	**41,672**	**34.8%**	**32,625**	**27.2%**
Trade payables	- 25,315	-21.2%	- 21,515	-17.9%
Other current liabilities	- 13,086	-10.9%	- 15,439	-12.9%
Current liabilities (C)	**- 38,401**	**-32.1%**	**- 36,953**	**-30.8%**
Net working capital (D = B - C)	**3,271**	**2.7%**	**- 4,328**	**-3.6%**
Provisions for risks and severance indemnity	- 7,651	-6.4%	- 7,658	-6.4%
Other non-current liabilities	- 17,117	-14.3%	- 10,327	-8.6%
Medium/Long-term assets (liabilities) (E)	**- 24,768**	**-20.7%**	**- 17,985**	**-15.0%**
Net invested capital (A + D + E)	**119,632**	**100.0%**	**120,106**	**100.0%**
Shareholders' Equity	**43,848**	**36.7%**	**52,711**	**43.9%**
Net financial position of banks	27,340	22.9%	15,522	12.9%

Other net financial position	48,444	40.5%	51,873	43.2%
Net financial position	**75,784**	**63.3%**	**67,395**	**56.1%**
Shareholders' equity and net financial position	**119,632**	**100.0%**	**120,107**	**100.0%**

The net invested capital is mostly made up of intangible assets (ornamental models, trademarks, customer relations, and goodwill). The recognition of intangible assets usually takes place in the exercise of the acquisition of the companies. The value as a whole is in line with the 2019 figure. Current assets decreased in particular due to a sharp reduction in receivables, considering that during the pandemic the companies of the Group, to reduce credit risks, reduced payment terms.

The sources of financing consist of 44% of own funds and 56% of third party funds (13% banking system and 43% other subjects).

The net financial position

The details of the net financial position are as follows:

Net financial position			
the values are expressed in Euro/1000	Balance 31/12/2019	Balance 31/12/2020	Variations
Current payables to banks	15,095	14,330	- 765
Non-current payables to banks	35,720	43,213	7,493
Cash and cash equivalents	- 23,474	- 42,022	- 18,548
Bank Net Financial Position	**27,341**	**15,521**	**- 11,820**
Non-current related party Vendor Loan	1,534	1,534	-
Current Earn Out Debt	-	4,948	4,948
Non-current Earn Out Debt	4,801	434	- 4,367
Current payable for the purchase of minority shares through the exercise of a put option	3,623	4,871	1,248
Non-Current payable for the purchase of minority shares through the exercise of a put option	21,459	23,005	1,546
Current financial payables to lessors	1,771	1,984	213
Non-current financial payables to lessors	15,254	15,096	- 158
Other Net Financial Position	**48,442**	**51,872**	**3,430**
Total Net Financial Position	**75,783**	**67,393**	**- 8,390**

The overall NFP (net financial position) is made up of 3 components: NFP banks Euro 15.5 million, payables for the purchase of minority shares, consideration price payable and related parties Euro 34.8 million, payable to lessors (IFRS 16 application) Euro 17.1 million.

Financial payables mainly derive from the purchase of the following equity investments:

a) Gervasoni S.p.A.: in 2015 for a residual value of Euro 5.3 million towards banks and 1.5 million towards the previous shareholders of the company (so-called vendor loan);
b) Meridiani S.r.l.: in 2016 for a residual value of Euro 3.7 million due to banks;
c) Cenacchi S.r.l.: in 2017 for a residual value of Euro 8.3 million due to banks;
d) Davide Groppi S.r.l.: in 2018 for a residual value of Euro 3.2 million due to banks;
e) Saba Italia S.r.l. in 2018 for a residual value of Euro 6.3 million due to banks;
f) Modar Italia S.p.A. in 2019 for a residual value of Euro 6.6 million due to banks;
g) Flexalighting S.r.l.: in 2020, for the completion of the acquisition, financial payables to banks were assumed for Euro 3.9 million (without considering the so-called Bridge to Cash of Euro 0.7 million paid off in the same year),

The financial debt also consists of the following components:

1. The payables for the purchase of the minority shares of Cenacchi S.r.l., Davide Groppi S.r.l., Modar Italia S.p.A. and Flexalighting S.r.l. through the exercise of put options and the Phantom Stock Option for the benefit of Andrea Sasso, amounting in total to Euro 27.9 million and constitute the best possible estimate. The value was determined as required by the Put & Call agreements on the basis of the average of the prospective EBITDA of the two years prior to the exercise of the options themselves multiplied by a multiple, deducting the estimate of the NFP at the date of exercise of the options. The exercise of the options is envisaged with different expiries (Euro 4.9 million in 2021 and Euro 23 million in 2023). The latter, consistently with the agreements reached, represents the earliest date between the Notice of the IDB Listing and a fixed date for the exercise of each put and call.
2. Payables for earnout or price adjustment accrued or represented

with the best possible estimate amount to Euro 5.4 million, of which Euro 4.9 million to be settled in 2021.

3. The value of payables to lessors of Euro 17.1 million is given by the present value of future lease payments until the expiry of the contracts (real estate agreements have a duration of 6 + 6 years).
4. Funding to tackle the COVID-19 pandemic crisis Liquidity Decree contracted by the companies Gervasoni, Meridiani, Modar and Flexalighting for a total amount of Euro 9.2 and ordinary loans contracted by the companies Gervasoni, Meridiani, Saba, Davide Groppi and Modar for Euro 4 million.
5. Other bank loans for Euro 7.1 million.

To deal with the COVID-19 pandemic crisis, the group requested and obtained the ABI moratorium of 12 months on loans for Euro 21.8 million.

The individual bank loans held by the subsidiaries deriving from the acquisitions are guaranteed by a pledge on the stock units or stakes of the subsidiaries to which they were disbursed, the loans from the so-called Liquidity Decree are backed by a public guarantee, the loan of Euro 3.6 million to the parent company IDB S.p.A. is not backed by guarantees as well as the residual ordinary loans to the subsidiaries.

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

As usual, the debt assumed for the acquisition of Gervasoni S.p.A., Meridiani S.r.l., Cenacchi S.r.l., Davide Groppi S.r.l., Saba Italia S.r.l., Modar Italia S.p.A., and Flexalighting S.r.l., as well as the loan held by the parent company, contractually requires compliance with certain economic and financial parameters (covenants) to be determined on the data of the financial and/or consolidated statements; it should be noted that on the basis of the information obtained from the subsidiaries, at the date of preparation of these financial statements the covenants were observed for all the companies.

Main economic and financial indicators

The profit level indicators and financial ratios deriving from the reclassified

Capital structure and the reclassified income statement presented above are as follows:

		31/12/2019			31/12/2020	
ROE	net result for the year / shareholders' equity	7,375 / 43,848	16.82%	8,819 / 52,711	16.73%
ROI	operating income (EBIT) / net invested capital	14,006 / 119,632	11.71%	6,912 / 120,106	5.75%
ROS	operating income (EBIT) / sales revenues	14,006 / 132,221	10.59%	6,912 / 110,188	6.27%
EBITDA/Revenues	EBITDA / sales revenues	22,701 / 132,221	17.17%	15,155 / 110,188	13.75%
INCIDENCE OF	net financial charges / sales revenues	-3,415 / 132,221	-2.58%	-1.646 / 110,188	-1.49%
Debt coverage	net financial debts / EBITDA	75,784 / 22,701	3.34	67,395 / 15,155	4.45
Bank debt coverage	net bank debt / EBITDA	27,340 / 22,701	1.20	15,522 / 15,155	1.02
availability index	active current / current liabilities	41,672 / 38,401	1.09	32,625 / 36,953	0.88
Financial debt index	net financial debts / shareholders' equity	75,784 / 43,848	1.73	67,395 / 52,711	1.28

The income ratios, in particular ROI and ROS, are affected by the COVID-19 pandemic effect and both decrease to about 6%, while on the other hand, the ROE remains around 17%.

The exposure of the overall financial debt with respect to the *EBITDA* is around 4.4, if we consider only the bank debt the index is reduced to 1, the financial debt to equity ratio is approximately 1.3.

Investments

As regards the investments made in 2020, it should be noted that during the year, following the business combinations with which control of

Flexalighting S.r.l. was acquired, the intangibles (goodwill) assumed valuables in line with the fair value as described in detail in the paragraph on Intangible assets of the explanatory notes.
The remaining investments of intangible assets during the year mainly concern the Right of Use item for the new lease agreements entered into.
Tangible investments made by subsidiaries, the amount of which is approximately Euro 1.1 million, relate to improvements to third party buildings and the purchase of various types of durable goods.

Information on the main risks and uncertainties of the Group

Financial risks

Exchange rate risk: the Group has limited exposure to risk from fluctuation in exchange rate.. The Group operates mainly in euros; and since the collections and payments in US dollar currency are partially offset, the currency risk is not excessive, and therefore it was not deemed necessary to operate exchange hedges.
Interest rate risk: the Group made use of derivative financial instruments. The debt to financial institutions is covered by the interest rate risk for Euro 13,263 thousand with the instrument called CAP (the company pays a spot premium and acquires the right to receive the differential between the Euribor and a strike level, but only in the periods in which the Euribor is higher than the strike), which limits the increase in the base rate to a maximum value of 1% and with the instrument called IRS (the company pays a fixed rate and is entitled to receive a variable rate parameterised at Euribor).
The derivative contracts entered into have an overall negative value (Mark to market) at 31 December 2020 of approximately Euro 247 thousand, the change of which, net of the tax effect, compared to the previous year was recognised among the other components of the comprehensive income statement for Euro 13 thousand, net of the tax effect.
Price risk: the Group has limited exposure to price risk. The purchase lists normally last one year, the sale lists acknowledge and tend to anticipate the increases on purchases.
Credit risk: the Group has limited exposure to credit risk. In most cases, the clientele is split, the exposure per single position is usually limited; in

addition, customers are monitored systematically, each customer is associated with a credit line and a maximum overdraft not exceeding that indicated in the reports provided by the commercial information companies. For many customers, particularly outside the EU, the Group companies require advance payment or guarantees. In some cases, credit insurance was used.

Cenacchi International S.r.l. operates on the world market with renowned customers, however, it should be noted that there is a strong concentration of customers towards various subjects that can be traced back to a single economic entity with which the Company's relations have been consolidated over the years.

As a result of the crisis, the Group companies have temporarily reduced the terms of payment to customers.

Liquidity risk: the Group has limited exposure to liquidity risk. It is believed that the funds of around Euro 42 million and the currently available commercial credit lines of around Euro 15 million, in addition to those that will be generated by the operating activity, will be suitable to meet the needs deriving from the investment activity, the management of working capital, and the reimbursement of debts at their natural expiry.

In particular, the Group faced liquidity risks deriving from the COVID-19 pandemic as described in the paragraph relating to the NFP.

Non-financial risks

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

Information on the environment and staff

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

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

The number of employees at the end of 2020 is 397 units, the workforce is made up of 7 managers, 233 middle managers and employees, 156 blue-collar workers, and 1 other. The use of social safety nets during the year was significant in particular in the first half of 2020 due to the lockdown, to a lesser extent in the second half of 2020 with the resumption of activities.

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Research and development activities

Pursuant to Article 40 of Legislative Decree 127/1991, it is acknowledged that during the year the subsidiary Gervasoni S.p.A. carried out research and development activities.

Overall, the company incurred costs of Euro 300,437 assessed according to the eligibility criteria for the tax credit for research and development contained in the 2021 Budget Law (Article 1, comma 1064.1 no. 178/2020).

Consequently, the tax credit accrued for the year 2020 is equal to Euro 18,026.

Own stock units and shares of subsidiary companies

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

Foreseeable evolution of management

It should be noted that in the first months of 2021 the activity of the companies of the group is higher than the levels of 2020 and approaching those of 2019; it is reasonable to assume that the positive data recorded so far will further consolidate in the coming months.

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Milan, 11 May 2021

for the BOARD OF DIRECTORS

Chairman

Andrea Sasso

Firmato digitalmente da:
SASSO ANDREA
Data: 21/11/2022 15:12:49

Consolidated statement of financial position

(amounts in euros)	Note	31-Dec-20	31-Dec-19
Non-current assets			
Intangible assets	2	132,884,978	132,480,415
Goodwill		*57,119,395*	*52,065,250*
Trademarks		*26,220,562*	*26,225,746*
Models		*6,317,308*	*7,404,466*
Customer relation		*24,199,183*	*27,515,035*
Other intangible assets		*1,534,334*	*1,739,717*
Right of use assets		*17,494,196*	*17,530,201*
Property, plant and equipment	3	5,052,653	4,920,389
Deferred tax assets	16	2,174,608	1,860,554
Equity investments	4	422,941	6,915
Other non-current assets	5	1,888,511	1,860,730
Non-current financial assets		4,273	-
Other non-current assets		1,884,239	1,860,730
Restricted cash and cash equivalents		-	
Total non-current assets		142,423,692	141,129,003
CURRENT ASSETS			
Inventories	6	13,866,235	13,371,697
Trade receivables	7	15,773,751	23,329,607
Income tax receivables	8	1,316,548	1,129,815
Other current assets	9	1,668,907	3,840,540
Cash and cash equivalents	10	42,021,146	23,474,342
Total current assets		74,646,586	65,146,001
TOTAL ASSETS		217,070,278	206,275,004

(amounts in euros)		31-Dec-20	31-Dec-19
SHAREHOLDERS' EQUITY			
Share capital		20,216,740	20,216,740
Reserves		32,494,687	23,631,411
Total net equity of the Group	11	**52,711,427**	**43,848,151**
Minority shareholders' equity		-	-
Total shareholders' equity		**52,711,427**	**43,848,151**
NON-CURRENT LIABILITIES			
Benefits subsequent to the termination of the employment relationship	12	4,987,898	5,164,156
Provisions for risks and charges	13	2,670,064	2,487,103
Medium-long term loans from banks	14	46,219,073	35,719,966
Other non-current financial liabilities	17	23,440,311	26,260,883
Other medium-long term loans	15	1,500,000	1,500,000
Non-current financial payables to lessors	15	15,096,328	15,253,937
Deferred tax liabilities	16	10,331,202	17,116,746

Total non-current liabilities		**104,244,877**	**103,502,791**

CURRENT LIABILITIES			
Short-term loans from banks	14	11,324,290	15,094,599
Other current financial liabilities	17	9,817,935	3,623,757
Other short-term loans	15	33,830	34,521
Current financial payables to lessors	15	1,984,499	1,770,676
Trade payables	18	21,514,553	25,314,529
Income tax liabilities	19	1,259,118	1,207,481
Other current liabilities	20	14,179,752	11,878,498
- Payables to personal income tax			
- Payables to staffing and social security institutions		*4,063,284*	*2,728,402*
- Other payables		*10,116,468*	*9,150,096*
Total current liabilities		**60,113,977**	**58,924,061**

TOTAL LIABILITIES		**164,358,854**	**162,426,852**
TOTAL EQUITY AND LIABILITIES		**217,070,281**	**206,275,003**

Consolidated statement of income

(amounts in euros)		2020	2019
Sales revenues for goods and services	21	110,187,776	132,221,114
Other revenues and income	22	1,697,514	1,664,032
Total revenues		**111,885,290**	**133,885,146**
Purchases of raw materials	23	(37,841,161)	(46,992,713)
Changes in inventories		131,836	(1,335,958)
Personnel expenses	24	(19,618,557)	(18,312,423)
Costs for services and use of third party assets	25	(38,908,098)	(44,103,464)
Other operating costs	26	(494,804)	(439,092)
Provisions and depreciation	27	(152,016)	(1,497,155)
Depreciation and write-downs of fixed assets	28	(8,090,486)	(7,198,833)
Operating result		**6,912,004**	**14,005,508**
Financial income	29	5,077,123	120,922
Financial charges	29	(6,723,374)	(3,536,029)
Profit/(loss) before tax from continuing operations		**5,265,753**	**10,590,401**
Income taxes	30	3,553,365	(3,215,547)
Current taxes PL		(3,516,549)	(4,976,082)
Prepaid taxes PL		267,305	753,867
Deferred taxes PL		6,802,609	1,006,668
Net profit/(loss) from continuing operations		**8,819,118**	**7,374,854**

Net result from discontinued operations	-	-
Net income	**8,819,118**	**7,374,854**
Attributable to:		
Result attributable to the Group	8,819,118	7,374,854
Result attributable to minority interest	-	-

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Consolidated statements of cash flows

A. Cash flows from operations (indirect method)	2,020	2019
-		
Profit/(loss) for the year	8,819,118	7,374,855
Income taxes	(3,553,365)	3,215,547
Interest expense/(interest income)	1,681,964	3,415,107
Other non-cash income and expenses	(65,714)	1,301,287
(Dividends)		
(Gains)/losses on disposal of assets	0	335,546
1. Profit/(loss) for the year before income taxes, interest, dividends, and capital gains/losses on disposal	**6,882,003**	**15,642,341**
Adjustments for non-cash items that did not have a balancing entry in net working capital		
Post-employment benefits fund	(192,548)	58,591
Provisions to funds	198,843	1,497,155
Amortisation/depreciation of fixed assets	8,085,302	7,143,446
Write-downs for impairment		
Other adjustments for non-monetary items	43,306	(5,321)
2. Cash flow before changes in net working capital	**15,016,906**	**24,336,213**
-		
Decrease/(increase) in inventories	382,477	480,833
Decrease/(increase) in receivables from customers	8,629,601	(2,847,120)
Increase/(decrease) of payables to suppliers	(4,342,370)	423,039
Other changes in net working capital	4,691,156	(6,130,255)
Interest received/(paid)	(1,682,655)	(3,430,586)
(Income taxes paid)	(2,496,371)	(5,618,250)
Disbursement of post-employment benefits and other provisions	143,822	(176,909)
4. Cash flow after other adjustments	**5,325,660**	**(17,299,248)**
Cash flow from operating activities (A)	**20,342,566**	**7,036,964**
B. Cash flows from investing activities		
Intangible assets investments	(2,498,089)	(696,795)
Fixed assets investments	(783,062)	(1,412,123)
Financial assets investments		
Acquisition or disposal of subsidiaries or business units, net of cash and cash equivalents		
Business combinations	(5,229,084)	1,036,171
Investments in financial assets	0	(8,715,000)
Cash flows from investing activities (B)	**(8,510,235)**	**(9,787,747)**
C. Cash flows from financing activities		
Third-party funds		
Increase (decrease) in short-term bank debt	24,473	5,000,000
Proceed from loans	17,108,000	10,700,000
Reimbursement of loans	(10,418,000)	(7,970,021)
Change in other financial liabilities		
Own funds		
Net capital increase		
(Dividends and interim dividends paid)	0	(250,000)
Cash flow from financial activities (C)	**6,714,473**	**7,479,979**
Increase (decrease) of cash and cash equivalents (A ± B ± C)	18,546,804	4,729,196
Cash and cash equivalents as at 1 January	23,474,342	18,745,147
Cash and cash equivalents as at 31 December	42,021,146	23,474,342
Change in cash and cash equivalents	**18,546,804**	**4,729,194**

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Consolidated statement of changes in equity

	Share capital	Share premium reserve	Cash flow hedge reserve	Actuarial gains/(losses)	Other reserves	Retained earnings	Result of the year	Total equity of the Group	Minority capital and Reserves	Profit of minority interests	Shareholders' equity attributable to minority interests	Total equity
Balance as at 31 December 2018	20,216,740	3,563,160	(67,285)	77,421	10,321	6,333,112	7,012,356	37,145,825	-	-	-	37,145,825
Allocation of the result for the year						6,762,356	(7,012,356)	(250,000)	-	-	-	(250,000)
Other items of the income statement			(106,589)	(260,261)	(55,679)			(422,529)	-	-	-	(422,529)
Profit for the year							7,374,855	7,374,855		-	-	7,374,855
Balance as at 31 December 2019	20,216,740	3,563,160	(173,874)	(182,840)	(45,358)	13,095,468	7,374,855	43,848,152	-	-	-	43,848,152
Allocation of the result for the year						7,374,855	(7,374,855)	-	-	-	-	-
Increase in share capital								-	-	-	-	-
Other items of the income statement			(13,128)	137,372	(80,092)			44,152	-	-	-	44,152
Business combinations								-				-
Profit for the year							8,819,123	8,819,123		-	-	8,819,123
Balance as at 31 December 2020	20,216,740	3,563,160	(187,002)	(45,468)	(125,450)	20,470,323	8,819,123	52,711,427	-	-	-	52,711,427

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Consolidated statement of comprehensive income

(amounts in euro)		2020	2019
Net Income	notes	8,819,123	7,374,855
Profit/(loss) on cash flow hedges		(18,208)	(147,835)
Tax effect		5,080	41,246
Total profit/(loss) from cash flow hedges, net of taxes		(13,128)	(106,589)
Exchange differences on translation of foreign operations		(80,092)	(55,679)
Total comprehensive income components that will be reclassified to profit/(loss) for the year:	30	(93,220)	(162,268)
Actuarial profit/(loss)		180,781	(342,449)
Tax effect		(43,387)	82,188
Total actuarial profit/(loss), net of taxes	30	137,394	(260,261)
Comprehensive income components that will not be reclassified to profit/(loss) for the year:		137,394	(260,261)
Total other income statement components net of taxes		44,174	(422,529)
Total comprehensive net profit for the period		8,863,297	6,952,326
Attributable to:			
Shareholders of the parent company		8,863,297	6,952,326
Minority stockholders		-	-

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ITALIAN DESIGN BRANDS S.p.A.

Head Office Milan (MI) - Corso Venezia, 29

Share Capital Euro 20,216,740

REA of Milan no. 2062252

Tax Code and Milan Business Register: 09008930969

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2020

Summary

General information

The Group

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

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

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

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

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

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

On 29 September 2016, the subsidiary Meridiani S.r.l. established the company Meridiani France, of which it holds the entire share capital. Meridiani UK was established on 11 September 2018, of which it holds the entire share capital. The companies market Meridiani brand products in France and the UK respectively.

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

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

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

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

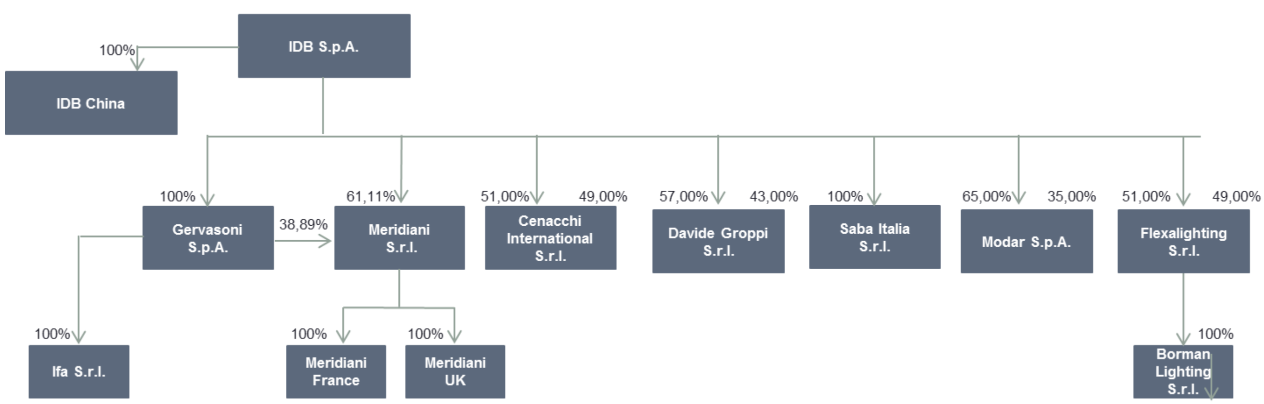
The reverse merger of Indaco S.r.l. into Davide Groppi S.r.l. was approved on 21 November 2019, the merger took place on 27 December 2019 and registered on 31 December 2019.

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

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

On 25 November 2019, the company IDB China Limited, wholly owned by IDB S.p.A., was established and the company became operational in 2020.

The structure of the IDB group is shown below. S.p.A. at 31.12.2020



The COVID-19 pandemic

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

FORM AND CONTENT OF THE FINANCIAL STATEMENTS

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

The consolidated financial statements of the Group as at 31 December 2020 incorporates the data of the subsidiaries Gervasoni S.p.A., Ifa S.r.l., Meridiani S.r.l., Meridiani UK Ltd, Meridiani France S.a.r.l., Cenacchi International S.r.l., Davide Groppi S.r.l., Saba Italia S.r.l, IDB China, Modar S.p.A. and Flexalighting S.r.l.

The consolidated financial statements consist of the statement of financial position, the statement of income, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows, and these explanatory notes. It is also accompanied by the Report on Operations.

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

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

a) the statement of financial position which provides for the distinct separation between current and non-current assets and liabilities, meaning by current those that can be realized in the normal operating cycle (IAS 1, par. 57), generally identified in the subsequent 12 months at the balance sheet date;

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

c) for the statements of cash flows, the presentation of cash flows using the indirect method.

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

These financial statements were approved by resolution of the Board of Directors on 11 May 2021.

Expression of compliance with international accounting standards

The consolidated financial statements have been prepared in compliance with the International Accounting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and implemented by European Union legislation and in our legal system as a result of Legislative Decree No.38 of 28 February 2005 at the balance sheet date. IFRS also means all the revised international accounting standards ("IAS"), all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously called 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 of the companies over which the parent company has the right to exercise control by determining their financial and management decisions and to obtain the related benefits. The companies that, in compliance with the provisions of IAS 27, are included with the line-by-line method in the scope of consolidation at 31 December 2020 are listed below.

Business name	Head Office	Share capital	Activities	% Direct ownership	% Indirect ownership
Gervasoni S.p.A.	Pavia of Udine (UD)	1,000,000	furniture	100%	0%
Ifa S.r.l.	Premariacco (UD)	100,000	furniture	0%	100%
Meridiani S.r.l.	Misinto (MB)	120,000	furniture	61.11%	38.89%
Meridiani France S.a.r.l.	Paris (F)	100,000	furniture	0%	100%
Meridiani UK Limited	London (UK)	111,792	furniture	0%	100%
Cenacchi International S.r.l. (*)	Ozzano dell'Emilia (BO)	10,000	furniture	51%	0%
Davide Groppi S.r.l. (*)	Piacenza	20,000	lighting	57%	0%
Saba Italia S.r.l.	S. Martino di Lupari (PD)	50,000	furniture	100%	0%
Modar S.p.A. (*)	Barlassina (MB)	500,000	furniture	65%	0%
IDB China Limited	Suzhou (China)	700,000	distribution	100%	0%
Flexalighting S.r.l.*	Pontassieve (FI)	10,000	lighting	51.00%	0%
Borman Lighting S.r.l. *	Pontassieve (FI)	10,000	lighting	0.00%	100.00%

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

With reference to the consolidation area, it should be noted that it has changed compared to 2019 due to the new acquisition of Flexalighting S.r.l. and its subsidiary Borman Lighting S.r.l., and the establishment of IDB China Limited. For more information, see note 1 Business combinations.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED BY THE GROUP FROM 1 JANUARY 2020

The accounting principles adopted for the consolidated financial statement preparation as of 31 December 2020 are homogeneous to those adopted for the consolidated financial statement preparation as of 31 December 2019, with the exception of the new accounting standards and interpretations summarised below.

The Group has not adopted in advance any other published but not yet effective standard, interpretation, or amendment.

The *Amendments to references to the conceptual framework* in IFRS Standards approved on 29 November 2019 by the European Commission with Regulation 2019/2075 came into force from 1 January 2020; these amendments had the purpose of updating, in various accounting standards and in various interpretations, the existing references to the previous frameworks, replacing them with references to the revised conceptual framework.

The same Regulation 2019/2075 of 29 November 2019 also endorsed the *Amendments to IAS 1 and IAS 8 - Definition of material*, which clarified the definition of materiality and the ways in which it must be applied. According to the new wording, information is relevant if it is expected that its omission, mis-measurement or concealment could reasonably influence the decisions of primary users of financial statements that provide financial information. Compared to the previous definition, the reference to the relevance of information in relation to its size and nature has been eliminated; moreover, the parties to whom the financial information is intended are limited to primary users only, i.e. existing and potential investors, lenders and other creditors.

On 15 January 2020, the endorsement process for the *Amendments to IFRS 9, IAS 39 and IFRS 17 - Interest Rate Benchmark Reform was completed.* These changes are part of "phase 1" of a broader project which aims to minimize the potential effects on the financial statements of the uncertainty deriving from the *Interest Rate Benchmark Reform.* In particular, the amendments concern the aspects connected (i) to the risk component, (ii) to the high probability requirement required of the hedged element, (iii) to the prospective valuations, (iv) to the effectiveness test and (v) to the movements in the cash flow reserve. In addition, the obligation to provide investors with additional information on hedging relationships that are directly affected by these uncertainties has been introduced. With Regulation 2020/551 of 21 April 2020, the European Commission approved the *Amendments to IFRS 3 - Business combinations.* The main changes to the standard refer to the updating of the business definition with the aim of defining whether a corporate transaction should be considered as an acquisition of a company or, alternatively, of a group of activities. In addition, an (optional) concentration test on fair value concentration has been introduced and additional guidance is provided, including new illustrative examples. The new definition is to be applied to acquisitions occurring on or after 1 January 2020.

Finally, the European Commission with Regulation 1424/2020 of 9 October 2020 approved an amendment to IFRS 16, published by the IASB on 28 May 2020 following the spread of the health emergency. The amendments to the standard introduced a practical expedient to simplify the accounting of any concessions on leasing contracts, such as the temporary reduction or suspension of instalments, received from lessees during the pandemic. The authorities have established that if the concessions are a direct consequence of the health emergency, their amount is less than or equal to the amount due in the immediately preceding period, the reduction in payments concerns only the instalments due before 30 June 2021 and there are no changes substantive in the terms and conditions of the contract, the lessee may decide not to consider the changes as lease modifications but to treat the lower rents as a variable component of the lease. The IDB Group has not made use of the right to apply the practical expedient to the foreseen cases.

It should be noted that the application of the amendments to the principles described above did not give rise to significant impacts on the economic result and on the equity of the Group.

International accounting standards and/or interpretations not yet applicable

On 14 May 2020, the IASB published amendments, valid from 1 January 2022, relating to some standards, namely the *Amendments to IFRS 3 Business Combinations, the Provisions, Contingent Liabilities and Contingent Assets.* Furthermore, as part of the Annual Improvements, amendments were made to IFRS 1 (First-time Adoption of International Financial Reporting Standards, to IFRS 9 - Financial Instruments, to IAS 41) Agriculture and to the Illustrative Examples accompanying IFRS 16 - Leases.

On 15 December 2020, the endorsement process for the Amendments to IFRS 4 (Insurance contracts) deferral of IFRS 9 was completed; these amendments, applicable from 1 January 2021, concern the possibility of deferring the application of IFRS 9 for insurance companies.

Similarly, on 13 January 2021, the Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2 were approved; these changes, effective from 1 January 2021 unless applied early, address issues that could affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative reference rates

Among the main changes introduced by the IASB which, on the other hand, have not yet completed the related endorsement process, we highlight, first of all, IFRS 17 - Insurance contracts which will replace the existing IFRS 4.

The new standard establishes the rules for the recognition, measurement, representation and disclosure relating to insurance contracts; it will be applied to all insurance contracts through a reference accounting model based on the discounting of expected cash flows, the disclosure of a risk adjustment and a Contractual Service Margin (CSM). It was initially established that, once approved by the European Commission, the new standard should be applicable starting from the first financial year starting on 1 January 2021, subsequently the date of first application was postponed by one year to 1 January 2022.

Furthermore, a first application date has not yet been defined for the Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. The amendments aim to clarify the accounting treatment, both in the case of loss of control of a subsidiary (regulated by IFRS 10) and in the case of downstream transactions regulated by IAS 28, depending on whether the subject of the transaction is (or is not) a business, as defined by IFRS 3.

Consolidation criteria

The criteria adopted for the consolidation include:

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

At the date of acquisition of control, the stockholders' equity of the investee companies is determined by attributing their current value to the individual elements of the assets and liabilities. Any positive difference between the purchase cost and the fair value of the net assets acquired is recognised under the asset item “Goodwill”; if negative, it is recognised in the income statement.

- The assumption in the consolidated financial statements of each item of the income statement of the consolidated companies.
- Elimination of all intra-group transactions and therefore of payables, receivables, sales, purchases, and unrealised profits and losses with third parties.
- the recording in a specific item of the stockholders' equity called "stockholders' equity of third parties" and "Profit)/loss for the year attributable to minority interests" respectively, of the stake of stockholders' equity and the result for the period of the group companies pertaining to the third party stockholders.

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

Control is obtained when the Group is exposed or has the right to variable returns, deriving from its relationship with the entity subject to investment and, at the same time, has the ability to affect these 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 (or holds valid rights that give it the current ability to manage the relevant activities of the investee entity);
- exposure or rights to variable returns deriving from the relationship with the investee entity; and
- the ability to exercise its power over the investee to affect the amount of its returns.

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

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

ACCOUNTING POLICIES ADOPTED

The most significant accounting principles and valuation criteria used for the consolidated financial statement preparation are described below.

The financial statements have been drawn up on the basis of the historical cost principle, except for some financial instruments which have been valued at their *fair value*. The main accounting principles adopted are set out 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 minority shareholding in the acquiree. For each business combination, the Group defines whether to measure the minority shareholding in the acquiree at fair value (the *so-called full goodwill method*) or in proportion to the share of the minority shareholding in the net identifiable assets of the acquired company (the so-*called partial goodwill method)*. Acquisition costs are expensed in the year and classified under administrative expenses.

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 acquisition date. This includes checking whether an embedded derivative should be separated from the host contract.

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

Any potential consideration to be recognised is acknowledged by the purchaser at fair value on the acquisition date. The change in the fair value of the potential consideration classified as an asset or liability, as a financial instrument in the subject of IAS 39 Financial instruments: recognition and measurement, must be recognised in the income statement.

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

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

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

In the event of the disposal of stake of the stockholdings held with a corresponding loss of control, the investment held is adjusted to its fair value and the revaluation contributes to the formation of the capital gain (loss) deriving from the disposal.

Intangible assets

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

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

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

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

Intangible assets with an indefinite useful life, which for the Group consist of goodwill and the trademarks, are not subject to amortisation but are subjected to impairment tests according to the procedures defined in the following paragraph.

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

Trademarks

The trademarks acquired as part of business combinations were recognised at fair value at the date of the transaction.

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

Other intangible assets

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

Intangible 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 according to the estimated prospects for economic use. The residual value at the end of its useful life is assumed to be zero, except in the case in which there is a commitment by third parties to purchase the asset at the end of its useful life, or there is an active market in which the asset is exchanged. The Directors review the estimate of the useful life of the intangible asset at the end of each year.

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

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

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

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

	Depreciation rate
Patent rights	20.0%
Software licences	33.0%
Ornamental patterns	10%-20%
Customer relation	10%
Other fixed assets	10% - 20.0%

Property, plant and equipment

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

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

	Depreciation rate
Plants and machinery	11.5%
Equipment and cars	25.0%
Vehicles and internal transport vehicles	20.0%
Furnishings	12.0%
Office equipment and machinery	20.0%

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

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

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

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

Impairment of value ("Impairment")

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

to estimate the recoverable value of an individual asset, the Group estimates the recoverable value of the cash-generating unit to which the asset belongs.
Intangible assets with an indefinite useful life, including goodwill, are tested annually in order to determine if there are any losses in value; whenever there is an indication of a possible loss in value, this is recorded as a direct adjustment to the value of the asset.
The recoverable amount is the greater of the *fair value,* net of sales costs, and the value in use. In determining the value in use, the estimated future cash flows are discounted to their present value using an after-tax rate that reflects the current market valuations of the value of money and the specific risks of the asset.
If the recoverable amount of an asset (or of the assets of a cash-generating unit) is estimated to be lower than the related book value, the latter is reduced to the lower recoverable value. An impairment loss is recognised in the income statement in the same year in which it is identified.
When a write-down no longer has reason to be maintained, the book value of the asset (or of the assets of a cash-generating unit), with the exception of goodwill, is increased to the new value deriving from the estimate of its recoverable value, but no more than the net book value that the asset would have had if the write-down for impairment had not been made. The reinstatement of the value is charged to the income statement.

Inventories

Inventories are recognised at the lower of the purchase or production cost (including accessory charges) and the net realisable value, represented by the amount that the company expects to obtain from their sale in the normal course of business.
The cost of stocks of raw materials, packaging materials, semi-finished, and finished products is determined by applying the weighted average cost method on an annual basis.
Inventories consisting of contract work in progress were valued on the basis of the progress of the individual projects.
The production cost of finished and semi-finished products includes the direct cost of materials and labour plus a portion of general production costs defined on the basis of normal production capacity, not considering financial charges.

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

Financial instruments

Financial assets

At the time of initial recognition, financial assets are classified according to the subsequent measurement methods in one of the three categories identified by IFRS 9. The classification depends on the characteristics of the contractual cash flows and on the business model that the Group adopts for the their management.
The business model refers to the way in which cash flows are generated which can result from the collection of contractual cash flows, from the sale of assets or from both.

A financial asset is classified among assets valued at amortised cost if it is held within the framework of a business model whose objective is the collection of the financial flows envisaged by the agreement, represented solely by payments, scheduled for predetermined dates, of the capital and interests. The valuation involves the use of the criterion of effective interest.
A financial asset is classified among assets valued at fair value with changes recognised in the statement of comprehensive income if it is held within the framework of a business model whose objective is the collection of the cash flows and the sale of the same and consist solely of principal and interest payments that are contractually scheduled to occur at specified dates. For assets included in this category, interest income, changes due to exchange differences and losses due to impairment are recognised in the income statement for the result for the period; the remaining changes in fair value are recognised in the statement of comprehensive income. Upon elimination, the cumulative change in fair value recognised in OCI is released in the income statement.
In the initial recognition phase, equity instruments can be included in the category of financial assets measured at fair value with changes recognised in the consolidated statement of comprehensive income.

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

Trade receivables

Trade receivables that do not contain a significant financing component are valued at the transaction price determined in accordance with IFRS 15. They are recognised at nominal value reduced by a bad debt provision to reflect the estimate of credit losses. Writedowns for non-recoverable amounts are recognised in the income statement when there is objective evidence that the receivables have lost value. The estimate of the risk of possible non-collection of trade receivables is carried out analytically, taking into account the historical experience of recovery, late payment and objective situations of customers, also making use of the support of the lawyers appointed by the company to follow up the dispute.

Cash and cash equivalents

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

Treasury shares

Treasury shares are deducted from shareholders' equity on the basis of the related purchase cost. No profit and loss is recognised in the income statement on the purchase, sale, or cancellation of treasury shares. Any difference between the book value and the consideration, in the event of a reissue, is recognised in the share premium reserve. Treasury shares do not have the right to collect dividends.

Financial liabilities - Loans

Interest-bearing bank loans and bank overdrafts are recognised on the basis of the amounts collected, net of the costs relating to their taking out. After initial recognition, the loans are valued at amortised cost; any difference between the financed amount (net of start-up costs) and the nominal value is recognised in the income statement over the term of the loan using the effective interest method.
Loans are classified under current liabilities if the maturity is less than 12 months after the balance sheet date and when the Group does not have an unconditional right to defer their payment for at least 12 months.
Loans cease to be recognised in the financial statements when they are extinguished or when all related risks and charges have been transferred to third parties.

Derivative instruments and accounting for hedging transactions

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

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

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

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

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

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

- cash flow hedge: if a financial instrument is designated as a hedge of the exposure to the variability of future cash flows of an asset or liability recognised in the financial statements or a highly probable forecast transaction that could have effects on the income statement, the effective portion of the profits or losses on the financial instrument is recognised in equity; the accumulated profit or loss is reversed from stockholders' equity and recognised in the income statement in the same period in which the hedged transaction affects the income statement; the profit or loss associated with a hedge or that part of the hedge that has become ineffective is recognised in the income statement when the ineffectiveness is recognised;

- fair value hedge: if a financial derivative instrument is designated as a hedge of the exposure to changes in the fair value of an asset or liability attributable to a particular risk that may have effects on the income statement, the profit or loss deriving from subsequent evaluations of the fair value of the hedging instrument are recognised in the income statement; the profit or loss on the hedged item, attributable to the hedged risk, is recognised as part of the book value of this item and as a balancing entry in the income statement.

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

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

Cancellation of financial assets and liabilities

A financial asset is derecognised from the balance sheet when:

- the rights to receive financial flows from the asset are extinguished;
- the Group retains the right to receive cash flows from the asset, but has assumed the contractual obligation to pay them entirely and without delay to a third party;

- the Group has transferred the right to receive cash flows from the asset and has substantially transferred all the risks and benefits of ownership of the financial asset or has transferred control of it.

A financial liability is derecognised from the financial statements when the obligation underlying the liability is extinguished, cancelled, or fulfilled.

Trade payables

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

Provisions for risks and charges

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

When the Group believes that a provision to the provisions for risks and charges must be partially or fully reimbursed or compensated (for example in the case of risks covered by insurance policies), the indemnity is recognised differently and separately in the assets and, only in the event that the reimbursement is virtually certain, the cost of any provision goes to the income statement net of any reimbursement.

The allocations to the funds in question require the use of estimates, based on historical experience in similar cases and on objective facts known at the date of the financial statement preparation. With reference to potential liabilities for disputes in progress, the estimate of which involves complex assessments, including those of a legal nature and which are subject to a varying degree of uncertainty in consideration of the facts involved in the dispute, the applicable legislation and jurisdiction and other issues, the estimate it is carried out on the basis of knowledge of the objective facts at the date of the financial statement preparation, also having regard to the considerations expressed by the legal advisors of the Group.

For agreements whose unavoidable costs associated with the fulfilment of the obligation exceed the economic benefits that are supposed to be obtainable from them, the current contractual obligation is accounted for and valued as a provision to a fund.

Severance indemnity (TFR)

The Severance indemnity (TFR) is defined as a benefit obligation. The relative cost is determined using the Projected Unit Credit Method, making the actuarial valuations at the end of each financial year and charging them to the income statement. The liability reflected in the financial statements represents the present value of the obligation that will be recognised at the end of the employment relationship.

The determination of the liability recognised in the financial statements in compliance with the aforementioned accounting standard involves making estimates based on statistical assumptions about the occurrence of future events, including subjective ones (mortality rate, staff turnover, interest rates for discounting, growth salaries, etc.): in this process the Directors make use of independent actuaries.

Payments for defined contribution plans are charged to the income statement in the period in which they are due.

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

Recording of revenues, income, and charges in the income statement

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

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

a) the parties have approved the agreement (in writing, orally or in compliance with other usual business practices) and have undertaken to fulfil their respective obligations; there is therefore an agreement between the parties that creates rights and obligations that are payable regardless of the form in which this agreement is manifested;
b) the rights of each of the parties with regard to the goods or services to be transferred are identified;
c) the terms of payment of the goods or services to be transferred are identified;
d) the agreement has commercial substance; and
e) it is probable that the Group will receive the consideration to which it is entitled in exchange for the goods or services that will be transferred to the customer.

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

Financial income and expenses are recognised on an accrual basis.

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

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

Costs and expenses

Costs are recognised in the income statement when they relate to goods and services sold or consumed during the year or by systematic distribution or when it is not possible to identify their future usefulness.

Dividends

Dividends distributed constitute changes in stockholders' equity in the year in which they are approved by the stockholders' Meeting.
Dividends received are recognised when the Group's right to receive payment arises.

Income taxes

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets and liabilities and when they refer to taxes due to the same tax authority and the Group intends to liquidate current tax assets and liabilities on a net basis.

Foreign currency transactions

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

Exchange differences arising from the settlement of monetary items and from their restatement at the current exchange rates at the end of the year are recognised in the income statement for the year.

Use of estimates

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

The main assumptions of the Directors used in the process of applying the accounting standards with regard to the future and which could give rise to significant adjustments to the value of assets and liabilities in the year following the reference year are described with reference to the individual valuation criteria.

The main estimates made by the Group mainly concern the recoverability of the value of non-current intangible assets, provisions for credit risks and facility obsolescence, depreciation, employee benefits, deferred tax assets, and other provisions for risks and charges, as well as the estimate of the deferred price and the exercise of the put options related to the business combinations completed in the years 2017, 2018, 2019, and 2020.

With particular reference to goodwill and trademarks, both of which have an indefinite useful life, they are subjected to checks on any impairment losses at least annually; this verification requires an estimate of the value in use of the cash-generating unit to which the goodwill and the trademarks are attributed, in turn based on the estimate of the expected cash flows of the unit and on their discounting based on an adequate discount rate.

At 31 December 2020, the carrying amount of goodwill was Euro 57,119 thousand while the value of the trademarks was Euro 26,221 thousand. More details are provided in Note 2.

With reference to the estimate of the exercise price of the put options due to the minority stockholders for 49% of Cenacchi International S.r.l., for the purchase of the residual 43% stake in Davide Groppi S.r.l. and for the purchase of the remaining 35% stake in the Modar S.p.A. and for the purchase of the remaining 49% share of the Flexalighting S.r.l., is equal to Euro 27,606 thousand as at 31 December 2020. Interest is accrued on these financial liabilities based on the average debt rate of the parent company.

The estimate of the deferred price (earn out) for the purchase of 65% of Modar S.p.A. and 51% of Flexalighting S.r.l. as at 31 December 2020 is equal to Euro 5,382 thousand. Interest is accrued on these financial liabilities based on the average debt rate of the parent company.

With reference to the estimate of the earn out and the exercise price of the put options due to the minority stockholders of Flexalighting S.r.l., in recalling the information contained in note 1 - Business combinations, it should be noted that the overall values recorded among other non-current financial liabilities for a total of Euro 3,609 thousand, they were entered on a definitive basis, as twelve months have elapsed since the completion of the business combination at the date of preparation of these notes.

Segment information

The Parent Company has no traded securities or securities that can be issued in the short term for trading on the financial markets and is therefore exempt from the obligation to present economic and financial information by segment, as required by IFRS 8.

Earning per share

As the Group does not have ordinary shares or potential ordinary shares traded or which can be issued for trading on the financial markets in the short term, international accounting principle no. 33, which governs the disclosure to be provided on earning per share, does not apply.

FINANCIAL RISK MANAGEMENT

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

- credit risk in relation to normal relationships with customers;
- liquidity risk, with particular reference to the availability of financial resources and access to credit markets and financial instruments in general;
- market risk (relating to the risk of changes in the price of materials, exchange rate and interest rate risk).

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

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

Credit risk

Credit risk is related to the counterparty's inability to fulfil its obligations and is essentially related to sales. Given the business area, the customer portfolio of the Group's companies is fractionated among numerous subjects, often small in size, and therefore the exposure is limited. Only with reference to the subsidiary Cenacchi International S.r.l., it should be noted that it operates on the world market with renowned customers; however, its customers can be traced back to a single economic entity with which the relations of the company management are very well established.

Credit risk is managed through careful and timely monitoring of customers and through the assignment to each customers of a credit line limit, upon exceeding which the supply can be interrupted. The risk is however limited; for many EU customers and all non-EU customers the company requires advance payment or guarantees. Furthermore, in the event of significant exposures linked to important supplies, the Group, in some cases, makes use of credit insurance with a leading insurance company. For the purposes of preparing the financial statements at the end of the year, the positions, if individually significant and, for which an objective condition of partial or total irrecoverability is identified, are subject to individual writedown. For receivables that are not subject to individual write-downs, funds are allocated on a collective basis, taking into account the expected losses determined on the basis of statistical data.

Liquidity risk

The liquidity risk can manifest itself with the inability to find, at favourable economic conditions, the financial resources necessary for the operations of the companies of the Group. Liquidity risk is linked to the cash flows generated and absorbed by current

operations and the consequent need to access loans to support the expansion of operating activities. Liquidity risk is also connected to the existence of contractual obligations to comply with certain financial ratios ("covenants") to be calculated on the individual financial statements of the subsidiaries.
The evolution of financial flows and the use of credit lines are closely monitored by the Finance Department and by the Directors in order to ensure an efficient and effective use of financial resources, also in terms of charges and interest.

The Group has financial resources insured for a significant part by medium/long-term loans and unused credit lines intended for day-to-day operations granted by leading banking institutions. In particular, at 31 December 2020 the Group has cash and cash equivalents of Euro 42,021 thousand and has unused commercial credit lines for over Euro 15,000 thousand. At the same date, the nominal financial debt to third parties amounted to approximately Euro 109,415 thousand, of which Euro 57,543 thousand to banks, Euro 51,872 thousand to others, of which Euro 1,534 thousand to associates, Euro 33,258 for call & put options, earnout, and phantom stock options for the benefit of directors and Euro 17,080 for payables to lessors (IFRS 16). The stake with an expiry of less than 12 months is equal to Euro 23,127 thousand of which Euro 11,324 thousand due to banks, Euro 9,818 thousand for put & call options and earnout, and Euro 1,984 thousand for payables on leases (IFRS 16).

As better described in the section relating to financial debt, at 31 December 2020 the "covenants" required by the loans granted by UniCredit to the parent company IDB, to the subsidiaries Gervasoni S.p.A., Cenacchi International S.r.l., Davide Groppi S.r.l., Saba Italia S.r.l., Modar S.p.A and Flexalighting S.r.l. and the “covenants” required by the loan granted by Intesa to the subsidiary Meridiani S.r.l. were respected.

Exchange rate risk

The Group has limited exposure to risks arising from fluctuations in exchange rates which may affect the economic result and stockholders' equity in consideration of the fact that the main transactions are in euros. Since the receipts and payments in US dollar currency are partially offset, the currency risk is not excessive, and therefore it was not deemed necessary to operate exchange hedges. The use of currencies other than the euro and the US dollar in commercial transactions is almost nil.

Interest rate risk

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

As at 31 December 2020 the Group had a financial exposure to banks for loans for a total amount of Euro 57,543 thousand, on which variable interest rates accrue which in 2020 were between 0.8% and 3.5%.

Against this exposure, Interest Rate Cap and Interest Rate Swap agreements are in place for a total residual notional amount of Euro 13.263 thousand.

The agreements have a deducted notional on the basis of the amortisation plan of the underlying loans, as shown in the following table (the values are expressed in thousands of euros)

Notional	**Expiration**	**Amount**	**Type of agreement**	**Mark to Market**
Unicredit Amortising line	31/05/2021	390	IR Cap	0
Unicredit Bullet line	26/02/2021	2,500	IR Cap	0
Intesa Amortising Line	30/05/2022	1,100	IR Swap	-5
Unicredit Amortising line	30/09/2024	3,458	IR Swap	-79
Unicredit Amortising line	31/03/2025	1,237	IR Swap	-21
Unicredit Bullet line	31/03/2025	500	IR Swap	-18
Unicredit Bullet line	31/10/2025	1,762	IR Swap	-35
Unicredit Amortising line	31/10/2025	1,000	IR Swap	-43
Intesa Amortising Line	30/09/2025	1,316	IR Swap	-46
Total		13,263		-247

Price risk

For the sector they belong to and their core business, the companies of the Group are exposed to a limited extent to the risk of changes in the price of raw materials. The multiplicity of materials used to make the sales products (wood, leather, rattan, plastic, metal, ceramic, etc.) determines a low correlation between specific dynamics of the price of materials compared to the average cost incurred by the company for procurement.

FAIR VALUE HIERARCHY

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

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

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

ANALYSIS OF THE COMPOSITION OF THE MAIN ITEMS OF THE FINANCIAL POSITION AS AT 31 DECEMBER 2020

1. Business combinations

On 13 February 2020 IDB, the vehicle Finflexa S.r.l., subsequently incorporated through the reverse merger acquired 51% of the share capital of Flexalighting S.r.l., a company specialising in lighting.

The acquisition of Flexalighting S.r.l. was the seventh acquisition of the Group as part of the project of creating an Italian design hub in the high quality furniture and lighting sector.

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

a) consideration at the time of the acquisition Euro 6,400 thousand;
b) deferred earn-out consideration, to be paid within 30 days from the date of approval of the stockholders' meeting of the financial statements as at 31 December 2021 and estimated at the acquisition date in Euro 416 thousand referring to the company Flexalighting North America, considering that the average EBITDA of the company in the years 2020 and 2021 is higher than that contractually defined; while the amount referring to the company itself has not been recorded since, with the data available at the moment, the earnout has not matured, the maximum potential is equal to Euro 1,400 thousand.

At the same time of the acquisition, a put & call agreement was stipulated between IDB and the selling shareholders for the transfer of the residual 49% stake in Flexalighting S.r.l. The agreement provides that by the year 2024 or on the listing date of the parent company IDB, if earlier:

- the minority shareholders will have the right to transfer ("put option") to IDB, which will have the obligation to purchase 49% of the share capital of Flexalighting S.r.l., for a consideration calculated on the basis of the average EBITDA of the two years preceding the exercise of the option, to which a multiplying 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 Flexalighting S.r.l. from them, which will be obliged to sell, with a consideration determined with the same method of calculating the put option.

On the basis of this combination of put and call options, in the consolidated financial statements the share of the investment expressed by the Group was equal to 100%. At the same time, the financial liability at fair value relating to the purchase of the 49% minority shareholding, totalling Euro 3,118 thousand at the date of acquisition, was recognised among the other non-current financial liabilities.

The consolidated financial statements of the IDB Group as at 31 December 2020 include the result of the company Flexalighting S.p.A. for the period elapsed from the date of acquisition.

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

(in thousands of Euros)	Book values at the acquisition date	Allocation	Overall values at fair value
ASSETS			
Other intangible fixed assets	53,149		53,149
Property, plant and equipment	426,504		426,504
other non-current assets	786,864	416,698	1,203,562
Inventories	877,015		877,015
Trade receivables	1,225,761		1,225,761
Deferred tax assets	13,862		13,862
Other assets	93,758		93,758
Cash and cash equivalents	1,170,916		1,170,916
TOTAL ASSETS	4,647,829	416,698	5,064,527
LIABILITIES			
Net liabilities for employee benefits	(97,290)		(97,290)
Provision for risks and charges	(39,139)		(39,139)
Deferred tax liabilities	0	0	0
Financial payables	(24,305)		(24,305)
Trade payables	(1,162,675)		(1,162,675)
Other liabilities	(23)		(23)
TOTAL LIABILITIES	(1,323,432)	0	(1,323,432)
TOTAL NET ASSETS ACQUIRED (A)	3,324,397	416,698	3,741,095
CONSIDERATION FOR THE ACQUISITION (B)			9,935,455

GOODWILL BUSINESS COMBINATION (C = B - A)	6,194,360
CONSOLIDATION RESERVE OF FINFLEXA IN FLEXA	(1,125,000)
GOODWILL GENERATED IN THE IDB CONSOLIDATION BY EFFECT OF THE COMPANY COMBINATION	5,069,360
Cash and cash equivalents acquired (D)	1,170,916
Earn out deferred payments (E)	416,698
Deferred payments Put & Call (E)	3,118,757
PAYMENTS MADE FOR THE ACQUISITION (B - (D + E))	**5,229,084**

Since the acquisition date, the company has contributed Euro 405 thousand to the net result of the Group, taking into account the allocation effects of the acquisition price and the financial charges for discounting put & call options and deferred payments (earn out) and for Euro 4,289 thousand to the Group's sales.

The difference between the total consideration for the acquisition, including the deferred payment and the estimate of the liability for exercising the put option, and the fair value of the assets, liabilities, and potential liabilities acquired was recognised as goodwill, on a definitive basis, as a residual item for Euro 6.194 thousand.

The acquisition involved a total cash outlay of Euro 5,229 thousand, net of the cash and cash equivalents acquired.

The costs relating to the acquisition of Flexalighting S.r.l., equal to Euro 195 thousand, were charged to the income statement.

2. Intangible assets

The composition and movements of intangible assets are shown below:

the values are expressed in Euro/1000	Goodwill	Trademarks	Models	Customer relation	Other intangible assets	Right of use assets	Total
initial gross value	52,066	26,226	11,931	33,159	2,453	19,251	145,086
initial depreciation fund	-	-	- 4,526	- 5,643	- 716	- 1,720	- 12,606
initial net value	**52,066**	**26,226**	**7,404**	**27,515**	**1,738**	**17,530**	**132,480**
							-
changes during the period							-
acquisitions	5,158		8		178	1,696	7,040
business combinations					50		50

registration right of use							-
disposals	-106					-	-106
other changes		-5				461	456
amortisation for the period			-1,095	-3,316	-432	-2,193	-7,036
other fund changes							-
total changes	**5,052**	**-5**	**-1,087**	**-3,316**	**-204**	**-36**	**404**
							-
final gross value	57,118	26,221	11,939	33,159	2,681	21,408	152,526
final amortisation fund	-	-	-5,621	-8,959	-1,148	-3,913	-19,642
final net value	**57,118**	**26,221**	**6,317**	**24,199**	**1,534**	**17,494**	**132,884**

Intangible assets as at 31 December 2020 amounted to Euro 132,884 thousand, compared to Euro 132,480 thousand in the previous year, with an increase of Euro 404 thousand.

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

The ornamental models and customer relations were considered to have a definite useful life, with an amortisation period of 5 to 10 years for the former and 10 years for the second.

Leased assets recorded on the basis of the value of the right of use assets on application of IFRS 16 have been depreciated on the basis of the estimated duration of each lease agreement. The change that took place during the year in the rights of use recorded in the financial statements refers to the changes to some rental contracts made during the year.

During 2020, a review was carried out on the recoverability of trademarks and goodwill. It should be noted that the cash generating unit (CGU) identified for the purposes of the recoverability of the trademarks and goodwill corresponds to the acquired company (and respective subsidiaries) as a whole.

In particular, as regards the impairment test conducted on the recoverability of goodwill and in general of the net invested capital of the CGUs Gervasoni (and related subsidiary IFA), Meridiani (and subsidiaries Meridiani France and Meridiani US), Cenacchi International S.r.l., Davide Groppi S.r.l., Saba Italia S.r.l. Modar S.p.A., the value in use was determined with reference to the operating cash flows determined on the basis of the economic-financial plans 2021 - 2025, approved by the respective boards of directors.

<u>CGU Gervasoni</u>: the cash flows were discounted to a WACC (weighted average cost of capital) of 9,03%. The terminal value was calculated using the "perpetual yield" formula assuming a growth rate "g" of 1% and considering an operating cash flow based on the latest available cash flow.

For the determination of the WACC, the following considerations were made:

- cost of net equity determined considering a risk free rate of 0.544%;
- market premium equal to 6.85%;
- unlevered beta equal to 0.96;
- debt to equity ratio of 0.34;
- additional risk premium equal to 2.0% referring to the company.

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

The sensitivity analysis, developed assuming a g rate of 0.5% and 1.5% and a WACC of 10.0%, does not reveal any impairment issues with reference to intangible assets with an indefinite useful life.

<u>Meridiani CGU</u>: the cash flows were discounted to a WACC (*weighted average cost of capital*) of 8,56%. The terminal value was calculated using the "perpetual yield" formula assuming a growth rate "g" of 1% and considering an operating cash flow based on the latest available cash flow.

For the determination of the WACC, the following considerations were made:

- cost of net equity determined considering a risk free rate of 0.544%;
- market premium equal to 6.85%;
- unlevered beta equal to 0.96;
- debt to equity ratio equal to 0.67;

- additional risk premium equal to 2.0% referring to the company.

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

The sensitivity analysis, developed assuming a g rate of 0.5% and 1.5% and a WACC of 9.6%, does not reveal any impairment issues with reference to intangible assets with an indefinite useful life.

<u>CGU Cenacchi International</u>: the cash flows were discounted to a WACC (*weighted average cost of capital*) of 8,71%. The terminal value was calculated using the "perpetual yield" formula assuming a growth rate "g" of 1% and considering an operating cash flow based on the latest available cash flow.

For the determination of the WACC, the following considerations were made:

- cost of net equity determined considering a risk free rate of 0.544%;
- market premium equal to 6.85%;
- unlevered beta equal to 0.96;
- debt to equity ratio of 2.05;
- additional risk premium equal to 2.0% referring to the company.

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

The sensitivity analysis, developed assuming a g rate of 0.5% and 1.5% and a WACC of 9.7%, does not reveal any impairment issues with reference to intangible assets with an indefinite useful life.

<u>CGU Davide Groppi</u>: the cash flows were discounted to a WACC (*weighted avarage cost of capital*) of 8,44%. The terminal value was calculated using the "perpetual yield" formula

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

For the determination of the WACC, the following considerations were made:

- cost of net equity determined considering a risk free rate of 0.544%;
- market premium equal to 6.85%;
- unlevered beta equal to 0.96;
- debt to equity ratio of 4.99;
- additional risk premium equal to 2.0% referring to the company.

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

The sensitivity analysis, developed assuming a g rate of 0.5% and 1.5% and a WACC of 9.4%, does not reveal any impairment issues with reference to intangible assets with an indefinite useful life.

<u>CGU Saba Italia</u>: the cash flows were discounted to a WACC (*weighted average cost of capital*) of 8,51%. The terminal value was calculated using the "perpetual yield" formula assuming a growth rate "g" of 1% and considering an operating cash flow based on the latest available cash flow.

For the determination of the WACC, the following considerations were made:

- cost of net equity determined considering a risk free rate of 0.544%;
- market premium equal to 6.85%;
- unlevered beta equal to 0.96;
- debt to equity ratio of 0.88;
- additional risk premium equal to 2.0% referring to the company.

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

The sensitivity analysis, developed assuming a g rate of 0.5% and 1.5% and a WACC of 9.5%, does not reveal any impairment issues with reference to intangible assets with an indefinite useful life.

<u>CGU Modar</u>: the cash flows were discounted to a WACC (*weighted average cost of capital*) of 8.59%. The terminal value was calculated using the "perpetual yield" formula assuming a growth rate "g" of 1% and considering an operating cash flow based on the latest available cash flow.

For the determination of the WACC, the following considerations were made:

- cost of net equity determined considering a risk free rate of 0.544%;
- market premium equal to 6.85%;
- unlevered beta equal to 0.96;
- debt to equity ratio of 0.43;
- additional risk premium equal to 2.0% referring to the company.

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

The sensitivity analysis, developed assuming a g rate of 0.5% and 1.5% and a WACC of 9.6%, does not reveal any impairment issues with reference to intangible assets with an indefinite useful life.

3. Property, plant and equipment

The following table summarises the movements that took place during 2020 in property, plant and equipment:

the values are expressed in Euro/1000	Lands and buildings	Plants and machinery	Equipment	Other	Total
initial gross value	808	6,008	1,587	3,532	11,936
initial depreciation fund	- 47	- 3,211	- 1,365	- 2,393	- 7,016
initial net value	**761**	**2,797**	**223**	**1,139**	**4,920**
					-
changes during the period					-
Acquisitions	610	89	112	303	1,114
business combinations		4	57	35	96
disposals historical cost	-	- 6		- 22	- 28
other changes					-
amortisation for the period	- 69	- 485	- 105	- 390	- 1,049
other fund changes					-
total changes	**541**	**- 398**	**64**	**- 74**	**133**
					-
final gross value	1,418	6,095	1,756	3,848	13,118
final amortisation fund	- 116	- 3,696	- 1,470	- 2,783	- 8,065
final net value	**1,302**	**2,399**	**287**	**1,065**	**5,053**

The most significant changes refer to buildings, in particular to the improvements made during the year. The other significant increases refer to production plants and machinery and generic plants, the increases in the item Other refer to furniture, office equipment and cars.

4. Equity investments

The equity investments amounted to Euro 423 thousand and recorded an increase of Euro 416 thousand compared to the previous year.

the values are expressed in Euro/1000	equity investments vs subsidiaries	equity investments vs associates	equity investments vs others	Total
initial value	**-**	**-**	**7**	**7**
changes during the period				-
acquisitions				-
disposals			- 1	- 1
other changes	-			
business combinations		417		417
equity method valuations				-
total changes	**-**	**417**	**- 1**	**416**
final value	**-**	**417**	**6**	**423**

The increase in 2020 is attributable to Flexalighting North America Ltd, an associated company of Flexalighting, measured at fair value starting from 1 January 2020; this fair value was determined using the value of the earn out contractually identified by the selling stockholders with reference to the expected results of this company.

5. Other non-current assets

The accounting item of Euro 1,889 thousand includes the receivable from insurance for the payments of the fund for the severance indemnity of the directors of Euro 1,351 thousand, balanced by the same amount in the debts as due to the directors themselves, and the security deposits of Euro 538 thousand.

the values are expressed in Euro/1000	Balance 31/12/2019	Business combinations	Increases	Decreases	Balance 31/12/2020
Guarantee deposits	510	243		- 215	538
Receivables from insurance companies	1,351				1,351
Receivables from subsidiaries	-				-
Financial instruments - assets	-				-
total	**1,861**	**243**		**- 215**	**1,889**

6. Inventories

Inventories as at 31 December 2020 amount to:

the values are expressed in Euro/1000	Balance 31/12/2019	Business combinations	Other variations	Changes in the year	Balance 31/12/2020
Raw materials	4,150	736		501	5,387
Semi-finished products	2,603			- 42	2,561
Contract assets (work in progress)	1,497			- 418	1,079
Finished products	4,671	141		- 73	4,739
Advances	451			- 351	100
total	**13,372**	**877**	**-**	**- 383**	**13,866**

As can be seen from the table above, the overall increase mainly refers to the item business combinations.

The amount of inventories is adjusted by a provision for inventory depreciation of Euro 945 thousand for finished products and raw materials with low turnover or obsolescence. The movements in the provision are shown below:

the values are expressed in Euro/1000	Balance 31/12/2019	Business combinations	Increase	Uses	Balance 31/12/2020
Inventory write-down	835	-	110	-	945

The increase in the provision derives from its adjustment taking into account the inventory turnover rates.

7. Trade receivables

The composition and movements of trade receivables are shown below:

the values are expressed in Euro/1000	Balance 31/12/2019	Business combinations	Variations	Balance 31/12/2020
Trade receivables from third parties	23,330	761	- 8,317	15,774
Trade receivables from associates	-			-
Total trade receivables	23,330	761	- 8,317	15,774

Trade receivables equal to Euro 15,774 thousand and refer to receivables deriving from the characteristic activity of the company recorded at the presumed realisable value, after having made a total write-down of Euro 1,659 thousand.

The movements in the bad debt provision are shown below

the values are expressed in Euro/1000	Balance 31/12/2019	Business combinations	Increases	Uses	Balance 31/12/2020
Allowance for doubtful accounts	1,649	10	92	- 92	1,659

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

ageing customers	falling due	expired							total
			1-30 days	31-60 days	61-90 days	91-120 days	121-150 days	beyond	total
2019	17,690	5,640	3,040	1,398	244	44	137	777	23,330
2020	10,999	4,775	2,096	1,816	136	155	79	493	15,774

The breakdown of receivables by geographical area is shown below.

the values are expressed in Euro/1000	Italy	EU	Outside EU	Balance 31/12/2020
Trade receivables from third parties	4,696	4,659	6,419	15,774
Trade receivables from associates				-
Total trade receivables	4,696	4,659	6,419	15,774

8. Income tax assets

The composition and movements of the item are shown below:

the values are expressed in Euro/1000	Balance 31/12/2019	Business combinations	Variations	Balance 31/12/2020
Income tax assets	1,130	-	187	1,317

The item of Euro 1,317 thousand mainly refers to the tax credit resulting from the tax consolidation and various receivables from the tax authorities referable to the individual companies of the Group.

9. Other current assets

the values are expressed in Euro/1000	Balance 31/12/2019	Business combinations	Variations	Balance 31/12/2020
Other current assets	3,840	59	- 2,230	1,669

The item amounts to Euro 1,669 thousand and consists of receivables from the tax authorities for VAT, receivables from entities, various receivables deriving from payments made in the year but pertaining to 2020, and advances to service suppliers.

10. Cash and cash equivalents

Cash and cash equivalents amount to Euro 42,022 thousand and consist of bank deposits and cash. The financial dynamics of the Group's liquidity are shown analytically in the consolidated statements of cash flows to which reference is made.

the values are expressed in Euro/1000	Balance 31/12/2019	Business combinations	Variations	Balance 31/12/2020
Cash and cash equivalents	23,474	1,170	17,378	42,022

During 2020 it was considered appropriate to activate a centralised treasury system at the parent company through group cash pooling, also according to practices that are now widespread at corporate group level, the net consolidated financial effect is by definition null.

11. SHAREHOLDERS' EQUITY

Movements in shareholders' equity in 2020 are illustrated in the Statement of Movements in Shareholders' Equity, to which reference is made.

Share Capital

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

Other components of shareholders' equity

The other components of shareholders’ equity includes the share premium reserve of Euro 3,563 thousand deriving from the capital increase in the years 2016-2018, the reserves from profits made in previous years Euro 20,470 thousand, the negative cash flow hedge reserve of Euro 187 thousand, which is recorded as a counter-entry to the recognition of the mark to market net of the related tax effect of the contracts stipulated to hedge the risk of changes in the interest rate on existing loans.

In addition, following the amendments introduced by IAS 19, the actuarial (losses)/gains on the severance indemnity (TFR) (including the effect of the change in the taxation of the severance indemnity) are also recognised in the other components of shareholders' equity. The amount, net of the related tax effect, is negative for Euro 45 thousand.

The result for the year amounts to Euro 8,819 thousand.

It should be noted that in the item "Reserves", in relation to the tax realignment operations described below, reserves subject to tax suspension constraints for Euro 19,549 thousand are recorded.

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

	31-Dec-20		31-Dec-19	
	Shareholders' equity	Result for the year	Shareholders' equity	Result fro the year
Shareholders' equity and result of the Parent Company	**24,440**	**- 694**	**25,134**	**167**
Stake of shareholders' equity and of the result of the subsidiaries net of the book value of the equity investments	28,288	10,766	18,728	8,387
Effect of intercompany profits included in closing inventories	(17)	(3)	(14)	36
Dividend elimination		(1,250)		(1,100)
Valuation of equity investments using the equity method	-	-	-	(115)
	52,711	8,819	43,848	7,375

COMMENTS ON THE LIABILITIES ITEMS

Non-current liabilities

12. Benefits subsequent to the termination of the employment relationship

This item, equal to Euro 4,988 thousand as at 31 December 2020, includes the non-current portion of the severance indemnity (TFR) due to employees. In 2020, there are no amounts to be paid within the following year, to be reclassified under Other current liabilities.

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

the values are expressed in Euro/1000	benefits subsequent to the termination of the employment relationship
Initial fund	5,164
Provision for the period	568
Interests	35
Actuarial gains/(losses)	- 130
other changes	
business combinations	151
disbursements	- 800
total	**4,988**

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

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

The economic technical bases used are shown below.

Hypothesis	31/12/2020	31/12/2019
Annual discount rate	0.34%	0.77%
Meridiani S.r.l. annual discount rate	-0.02%	0.37%
Annual inflation rate	0.80%	1.20%
Annual rate of increase in severance indemnity (TFR)	2.100%	2.400%
Annual rate of wage increase	1.00%	1.00%

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

13. Provisions for risks and charges

Provisions for future risks and charges are detailed in the table below, which also highlights the changes that took place in 2020:

the values are expressed in Euro/1000	Balance 31/12/2019	Business combinations	Variations	Balance 31/12/2020
End of mandate indemnity fund	1,351			1,351
Supplementary customer indemnity fund	1,050	39	144	1,233
Provision for risks returned by customers	86			86
Other	-			-
total	**2,487**	**39**	**144**	**2,670**

The end of mandate indemnity fund for the directors' termination reflects the revalued payments as at 31 December 2020 that the Group will make; the accounting item is balanced with the item recorded under assets "Other non-current assets", which represents the receivables from the Insurance Company. This item includes the stake of the yield accrued at 31 December 2020 equal to Euro 131 thousand.

The Supplementary Customer Indemnity Fund reflects the appreciation of the risk associated with the possible interruption of the mandate given to agents in the cases provided for by law, and has been set aside on the basis of the provisions of the Collective Economic Agreement and civil law.
The provision for risks of customer returns reflects the estimate of non-realisation of the economic margin deriving from potential returns to be paid to customers on products sold and/or discounts to be paid in relation to returns concessions granted to customers. The estimate of this contingent liability is based on historical data.

14. Loans to banks

Below is the breakdown and movement of payables to banking institutions with the breakdown of the short-term and long-term stake:

the values are expressed in Euro/1000	Balance 31/12/2019	Business combinations	Variations	Balance 31/12/2020
Short-term advances	2,043		- 533	1,510
Unicredit 7.8 ML	2,333		- 379	1,954
Unicredit 5 ML	3,293		26	3,319
Frie no. 22280	388		- 102	286
Intesa DL 1.75 ML			1,745	1,745
Intesa DL 1.25 ML			1,246	1,246
BPM 0.9 ML			898	898
Intesa A 3.7 ML	1,854		- 552	1,302
Intesa B 2 ML	1,999		6	2,005
Intesa C 1 ML	501		- 149	352
Unicredit 0.5 ML	202		- 101	101
Understanding DL 1.9 ML			1,896	1,896
Understanding DL 1.1 ML			1,097	1,097
Banco Desio 0.75 ML			746	746
BPM 1.0 ML			997	997
Unicredit 10,375 ML	8,583		- 1,812	6,771
Unicredit 3.3 ML	2,999		- 282	2,717
Unicredit 1 ML	999		- 999	-
Unicredit 0.5 ML	502			502
BPM 0.7 ML			697	697
Unicredit 4.3 ML	4,284		-	4,284
Unicredit 2.0 ML	1,975		11	1,986
BPM 0.8 ML			796	796
Mediocredito 2 ML	1,501		- 153	1,348
Unicredit 2 ML	1,484		5	1,489
Unicredit 5 ML	4,945		- 402	4,543
Unicredit 2.1 ML	2,076		3	2,079
Credem DL 1.0 ML			998	998

Understanding DL 1.0 ML			998	998
BPM 0.6 ML			599	599
Unicredit 3.6 ML	3,626		14	3,640
Unicredit 2.6 ML		2,598		2,598
Unicredit 1.3 ML		1,300		1,300
Bper DL 0.5 ML			497	497
Bridge to Cash	5,000		- 5,000	-
Derivatives	229		18	247
total	**50,816**	**3,898**	**2,829**	**57,543**

the values are expressed in Euro/1000	Balance 31/12/2019	short	long	Balance 31/12/2020	short	long
Short-term advances	2,043	2,043	0	1,510	1,510	-
Unicredit 7.8 ML	2,333	1,551	781	1,954	1,174	780
Unicredit 5 ML	3,293	-	3,293	3,319	-	3,319
Frie no. 22280	388	108	280	286	114	172
Intesa DL 1.75 ML				1,745	-	1,745
Intesa DL 1.25 ML				1,246	-	1,246
BPM 0.9 ML				898	363	535
Intesa A 3.7 ML	1,854	743	1,111	1,302	744	558
Intesa B 2 ML	1,999	-	1,999	2,005	-	2,005
Intesa C 1 ML	501	201	300	352	201	151
Unicredit 0.5 ML	202	100	102	101	101	-
Intesa DL 1.9 ML				1,896	- 1	1,897
Intesa DL 1.1 ML				1,097	- 1	1,098
Banco Desio 0.75 ML				746	- 1	747
BPM 1.0 ML				997	594	403
Unicredit 10,375 ML	8,583	1,699	6,884	6,771	718	6,053
Unicredit 3.3 ML	2,999	573	2,426	2,717	297	2,420
Unicredit 1 ML	999	13	986	-		-
Unicredit 0.5 ML	502	2	500	502		502
BPM 0.7 ML				697	325	372
Unicredit 4.3 ML	4,284	710	3,574	4,284	624	3,660
Unicredit 2.0 ML	1,975		1,975	1,986		1,986
BPM 0.8 ML	-		-	796	478	318
Mediocredito 2 ML	1,501	196	1,305	1,348	195	1,153
Unicredit 2 ML	1,484	991	493	1,489	991	498
Unicredit 5 ML	4,945	402	4,543	4,543	821	3,722
Unicredit 2.1 ML	2,076		2,076	2,079		2,079
Credem DL 1.0 ML				998	164	834
Intesa DL 1.0 ML				998	330	668
BPM 0.6 ML				599	397	202
Unicredit 3.6 ML	3,626	763	2,863	3,640	728	2,912
Unicredit 2.6 ML				2,598	211	2,387
Unicredit 1.3 ML				1,300	-	1,300
Bper DL 0.5 ML				497	-	497
Bridge to Cash	5,000	5,000	-	-		-

Derivatives	229		229	247	247	-
total	**50,816**	**15,095**	**35,720**	**57,543**	**11,324**	**46,219**

The increase in the debt of Euro 6,727 thousand derives from the acquisition of the company Flexalighting, from the taking out of the loans deriving from the so-called Liquidity Decree to deal with the COVID-19 temporary pandemic crisis, together with the 12-month moratorium requested in April 2020 for the majority of existing amortising loans.

The table below shows the loans broken down by category:

	Balance 31/12/2019	Business combinations	Variations	Balance 31/12/2020
Bank loans:				
Financing for acquisitions	37,827	3,898	- 4,524	37,201
Loans so-called Liquidity Decree	-		8,477	8,477
Other financing	12,989		- 1,124	11,865
Total	**50,816**	**3,898**	**2,819**	**57,543**

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

In the event of non-compliance with the same, the Banking Institutions could exercise by right the request for early repayment, for the residual stake, of the loans disbursed.

Based on the results of the IDB consolidated financial statements, the Gervasoni consolidated financial statements, and the financial statements of Meridiani, Cenacchi International, Davide Groppi, Saba Italia, Modar and Flexalighting for the year 2020, the capital ratios and economic conditions foreseen by the loan agreements have been respected.

The table below illustrates the main characteristics of the loans:

num.	*the values are expressed in Euro/1000*	initial amount	residual amount	commencement date	end date
	loans ML period				
1	Unicredit 7.8 ML	7,650	1,954	05/05/15	31/05/22

2	Unicredit 5 ML	4,904	3,319	05/05/15	26/02/22
3	Frie no. 22280	1,042	286	05/08/13	01/01/23
4	Intesa DL 1.75 ML	1,745	1,745	11/06/20	14/07/26
5	Intesa DL 1.25 ML	1,246	1,246	11/06/20	14/07/26
6	BPM 0.9 ML	898	898	11/06/20	30/06/22
7	Intesa A 3.7 ML	3,654	1,302	30/05/16	30/05/22
8	Intesa B 2 ML	1,972	2,005	30/05/16	30/05/23
9	Intesa C 1 ML	988	352	30/05/16	30/05/23
10	Unicredit 0.5 ML	496	101	30/11/16	31/12/21
11	Intesa DL 1.9 ML	1,896	1,896	29/06/20	30/06/26
12	Intesa DL 1.1 ML	1,097	1,097	29/06/20	30/06/26
13	Banco Desio 0.75 ML	746	746	12/10/20	11/10/22
14	BPM 1.0 ML	997	997	04/06/20	30/06/22
15	Unicredit 10,375 ML	10,209	6,771	09/09/17	30/09/25
16	Unicredit 3.3 ML	3,256	2,717	09/03/18	31/03/26
17	Unicredit 1 ML	998	-	09/03/18	31/03/25
18	Unicredit 0.5 ML	500	502	23/05/18	31/03/25
19	BPM 0.7 ML	697	697	29/06/20	29/07/22
20	Unicredit 4.3 ML	4,236	4,284	24/10/18	31/10/26
21	Unicredit 2.0 ML	2,000	1,986	24/10/18	31/10/25
22	BPM 0.8 ML	796	796	20/05/20	30/06/22
23	Mediocredito 2 ML	1,974	1,348	03/08/17	31/07/27
24	Unicredit 2 ML	2,000	1,489	05/06/19	30/06/22
25	Unicredit 5 ML	4,963	4,543	05/06/19	30/06/27
26	Unicredit 2.1 ML	2,084	2,079	05/06/19	30/06/26
27	Credem DL 1.0 ML	998	998	30/07/20	31/07/25
28	Intesa DL 1.0 ML	998	998	11/06/20	11/06/23
29	BPM 0.6 ML	599	599	19/05/20	31/05/22
30	Unicredit 3.6 ML	3,573	3,640	05/06/19	30/06/25
31	Unicredit 2.6 ML	2,598	2,598	13/02/20	28/02/27
32	Unicredit 1.3 ML	1,300	1,300	13/02/20	28/02/27
33	Bper DL 0.5 ML	497	497	13/08/20	13/08/26
34	Bridge to Cash	5,000	-	05/06/19	
35	Derivatives		247		
36	Advances		1,510		
	total	**78,607**	**57,543**		

It should be noted that, as already indicated in the paragraph "Financial risk management", derivative agreements were stipulated to hedge interest rate risk for a notional amount of approximately Euro 13 million, decreasing in proportion to the repayments of the loans relating to hedging the interest rate risk.

15. Other loans

The composition and movements of other medium/long-term loans are shown below.

the values are expressed in Euro/1000	Balance 31/12/2019	Business combinations	Variations	Balance 31/12/2020
Other financing	1,534			1,534
Financial payables to lessors	17,025	529	- 473	17,081
total	**48,444**	**529**	**2,900**	**51,873**

The details of the other loans are shown below

the values are expressed in Euro/1000	Balance 31/12/2019	short	long	Balance 31/12/2020	short	long
Vendor Loan	1,534	34	1,500	1,534	34	1,500
total	**1,534**	**34**	**1,500**	**1,434**	**34**	**1,500**

The payable to other so-called lenders Vendor Loan amounts to Euro 1,534 thousand and refers to the companies Elpi and Fourleaf. The payable to Elpi and Fourleaf called vendor loan arose as part of the contract for the sale of Gervasoni S.p.A. between the seller Il Castello S.p.A. and the former Fingerva S.p.A. buyer. The debt is subordinated to the Unicredit loans of original Euro 7,650 and Euro 4,904 thousand expiring in May 2022, the variable remuneration is parameterised and the interest is settled annually.

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

the values are expressed in Euro/1000	Balance 31/12/2019	short	long	Balance 31/12/2020	short	long
Payables for IFRS 16 leases	17,025	1,771	15,254	17,081	1,984	15,097
total	**17,025**	**1,771**	**15,254**	**17,081**	**1,984**	**15,097**

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

16. Deferred taxes

The following tables illustrate the changes in deferred tax liabilities and assets (the latter recorded under non-current assets in the statement of financial position) in 2020 with evidence of the nature of the temporary differences that generated them.

Prepaid taxes

the values are expressed in Euro/1000	Balance 31/12/2019	Business combinations	Increases	Decreases	Balance 31/12/2020
depreciation	75			- 18	57
goodwill	340				340
bad debts	339				339
inventory write-down	212		28		241
Severance indemnity (TFR) IAS 19	243	6	14	- 4	259
IFRS 16 leases	42	6	58		106
Derivatives	42		7		49
agents' indemnities	56	3		- 2	57
provision for risks - returned by customers	25				25
adjustment of financial liabilities	363			- 363	-
employee and director benefits			66		66
revaluations			470		470
others	123	7	20	16	166
total	**1,861**	**22**	**663**	**- 371**	**2,175**

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

Deferred taxes liabilities

the values are expressed in Euro/1000	Balance 31/12/2019	Business combinations	Increases	Decreases	Balance 31/12/2020
Trademarks	7,267			- 4,670	2,597
Models	2,109		107	- 1,301	915
Customer relation	7,694			- 927	6,767
Financial interest subsidised rate	13		-	-	13
Severance indemnity (TFR) IAS 19	-				-
Amortised cost	33			5	38
total	**17,117**	**-**	**107**	**- 6,893**	**10,331**

As shown in the table, deferred taxes liabilities mainly refer to the tax effect on the allocation of part of the price paid for the acquisition (PPA) of Gervasoni S.p.A., Meridiani S.r.l., Cenacchi International S.r.l., Davide Groppi S.r.l., Saba Italia S.r.l. and Modar S.p.A.

to increase the value of intangible assets, according to what has already been described in the comment to the item. The decrease in the year is mainly attributable to the tax realignment operation described below. Law Decree no. 104 of 2020 (August decree) re-proposed the possibility of realigning the lower tax value of property, plant and equipment and intangible assets to that recorded in the balance sheet by providing for a substitute tax at a rate of 3%. Subsequently, the budget law for 2021, intervening in the aforementioned provision, provided for the possibility of not realigning at the same time as the implementation of an extraordinary transaction also with the 3% substitute tax, as well as the values of goodwill and other intangible assets, provided that they are already recognised in the 2019 financial statements.

In return, a net equity reserve is tied up, which can be paid off by means of a substitute tax of 10%.

Therefore, the Group has decided to fiscally realign trademarks and models for the amount of Euro 20,154 thousand. At the same time it released the related deferred tax provision, equal to Euro 5,622 thousand, and allocated a substitute tax equal to Euro 605 thousand.

Furthermore, it was allocated to a reserve in tax suspension pursuant to Article 110 of Decree Law 104/2020, an amount of Euro 19,549 thousand, equal to the tax values subject to realignment, net of the substitute tax due.

17. Other financial liabilities

The composition and movements of the other financial liabilities are shown below:

the values are expressed in Euro/1000	Balance 31/12/2019	short	long	Balance 31/12/2020	short	long
Earnout	4,801		4,801	5,382	4,948	434
Payables for Put options	25,084	3,623	20,105	27,876	4,870	23,006
total	**29,885**	**3,623**	**24,906**	**33,258**	**9,818**	**23,440**

The payable for earnout recognised in 2020 refers to the sellers of the company Modar and Flexalighting and constitutes the best possible estimate of the earnout, determined at the acquisition date and accounted for using the amortised cost method as at 31

December 2020.

Payables for put options amount to Euro 27,876 thousand at 31 December 2020 and refer to the fair value of the liability for the exercise of the put & call option for the purchase of the residual stake referring to 49% of Cenacchi International, to 43% of the residual share referring to Davide Groppi, 35% of the residual share of Modar, and 49% of Flexalighting.

The overall increase in the payable during the year (Euro 2,792 thousand) reflects the portion of interest accrued (Euro 1,003 thousand), the remeasurement of the debt for the options existing at 31 December 2019 (Euro -1,519 thousand) and the setting of the value of the option envisaged for the business combination completed in 2020 (Euro 3,655 thousand).

18. Trade payables

The item amounts to Euro 21,515 thousand.

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

the values are expressed in Euro/1000	Balance 31/12/2019	Business combinations	Variations	Balance 31/12/2020
Trade payables	23,515	712	- 2,712	21,515
total	**23,515**	**712**	**- 2,712**	**21,515**

Breakdown of trade payables by geographical area:

the values are expressed in Euro/1000	Italy	EU	Outside EU	Balance 31/12/2020
Trade payables	19,173	891	1,451	21,515
total	**19,173**	**891**	**1,451**	**21,515**

19. Income tax liabilities

the values are expressed in Euro/1000	Balance 31/12/2019	Business combinations	Variations	Balance 31/12/2020
income tax liabilities	1,207	30	22	1,259
total	**1,207**	**30**	**22**	**1,259**

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

20. Other current liabilities

the values are expressed in Euro/1000	Balance 31/12/2019	Business combinations	Variations	Balance 31/12/2020
Payables to staff and social security institutions	2,728	129	1,206	4,063
Other payables	9,150	60	906	10,116
total	**11,878**	**189**	**2,112**	**14,179**

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

The other payables mainly consist of advances received from customers for Euro 9,507 thousand, the remaining amount of Euro 609 from accrued liabilities, withholdings, payables to Directors, and other corporate bodies, and other payables.

ANALYSIS OF THE COMPOSITION OF THE MAIN ITEMS OF THE INCOME STATEMENT

21. Sales revenues for goods and services

Below is the breakdown of sales revenues by destination area:

the values are expressed in Euro/1000	2019	2020
Sales revenues from Italy	27,760	28,529
EU sales revenues	45,450	36,995
Outside EU sales revenues	59,011	44,664
Total	**132,221**	**110,188**

The item amounts to Euro 110,188 thousand. The contribution for the period linked to the acquisition of Flexalighting for the 12 months is equal to Euro 4,289 thousand. The main markets are Italy, France, Germany, the United States, Switzerland, and Japan. The Group is present in over 80 countries with over 1,500 customers.

22. Other revenues and income

Other revenues and income amount to Euro 1,698 thousand. They are made up of expense recoveries for Euro 473 thousand towards customers (recharges for expenses and services) and towards suppliers (recharges for non-compliant supplies); from contingent assets and capital gains for Euro 368 thousand; from other revenues including grants for operating and capital accounts not included in the previous items for Euro 857 thousand.

the values are expressed in Euro/1000	2019	2020
Expense recoveries	395	473
Contingencies and capital gains	68	368
Other revenues	1,201	857
Total	**1,664**	**1,698**

23. Purchases of raw materials

The overall balance sheet item amounts to Euro 37.841 and includes, in addition to direct materials for production and sale, also purchases of auxiliary materials, small equipment, gas, and stationery.

the values are expressed in Euro/1000	2019	2020
Raw materials and semi-finished products	39,779	31,740
Purchase of finished products	6,177	5,005
Others	1,037	1,096
Total	**46,993**	**37,841**

24. Personnel expenses

The item amounts to a total of Euro 19.893 thousand and is made up of wages and salaries, social security contributions, severance indemnity (TFR), and other costs.

the values are expressed in Euro/1000	2019	2020
Wages and salaries	13,367	13,981
Social security contributions	3,997	4,164
Severance indemnity (TFR)	890	1,062
Others	59	412
Total	**18,312**	**19,619**

The number of employees in force during the 2020 financial year was no. 379 units, of which 15 were acquired from the company in 2020.

	2019	2020
Senior executives	7	7
Managers and employees	198	215
Workers	153	156
Other employees	6	1
Total	**364**	**379**

25. Costs for services and use of third party assets

The overall item amounts to Euro 38,634 thousand and includes commercial, industrial, administrative, and general costs, as well as the cost of using third party assets for which it was not necessary to apply IFRS 16.

the values are expressed in Euro/1000	2019	2020
Use of third party assets	502	347
Commercial costs	14,496	12,051
Industrial costs	11,293	11,852
Remuneration of directors	3,169	4,139
Remuneration of statutory auditors	77	98
Auditors' fees	127	121
Other administrative and general costs	14,439	10,300
Total	**44,103**	**38,908**

For the period considered, the fees paid to the directors amounted to Euro 3,865 thousand, the fees paid to the Board of Statutory Auditors amounted to Euro 98 thousand, the fees paid to the Company for the audit of the separate and consolidated financial statements of the parent company IDB and for the statutory audit of the subsidiaries Gervasoni, Ifa, Meridiani, Cenacchi International, Davide Groppi, Saba, Modar, and Flexilighting amounted to Euro 121 thousand.

26. Other operating expenses

The item, which amounts to Euro 495 thousand, includes some residual costs not included in the previous items including membership fees, local taxes such as Tari and advertising tax, credit losses, capital losses, and contingent liabilities.

27. Provisions and depreciations

The item, equal to Euro 152 thousand, refers to the provision to the bad debt provision in note 7.

28. Amortization and depreciation of fixed assets

Please refer to notes 2 and 3.

29 Financial income and expenses

Financial income, equal to Euro 5.078 thousand, refers to exchange gains and residually from cash discounts applied by suppliers, interest income accrued on current accounts, and interest income from customers and mainly income from value adjustments on financial liabilities entered in the balance sheet.

Financial charges of Euro 6.723 thousand consist of interest from banks, other lenders as shown in the table, exchange losses, notional interest relating to the debt for the purchase of the minorities of Cenacchi International, Davide Groppi, Modar, and Flexilighting on the basis of existing put and call option agreements, as well as the changes in value of the first two put & call option agreements, based on available forecast data.

Financial income

the values are expressed in Euro/1000	2019	2020
Income from banks	2	3
Discounts receivable - Vendors	-	43
Income from value adjustments on financial liabilities	-	5,030
Others	119	2
Total	**121**	**5,078**

Financial charges

the values are expressed in Euro/1000	2019	2020
Interest on ordinary mortgages	1,081	920
Interest on subsidised loans (Frie)	10	13
Interest to third parties (vendor loan)	52	52
Charges for value adjustments on financial liabilities	670	3,585
Financial charges on lease payments (IFRS 16)	389	451
Notional interest on options	709	1,003
Others	625	699
Total	**3,536**	**6,723**

30. Income Taxes

The composition of the item is shown below:

the values are expressed in Euro/1000	2019	2020
Current taxes	4,976	3,517
Prepaid taxes	- 754	- 267
Deferred taxes	- 1,006	- 6,803
Total	**3,216**	**- 3,553**

For the movement of deferred tax assets and liabilities, please refer to the information included in note 16 of the corresponding balance sheet items. Here we highlight the positive impact on the income statement equal to Euro 5,622 thousand, deriving from the decision of some Group companies to realign the fiscal value of trademarks and models to that of recognition in the financial statements. At the same time, a substitute tax of Euro 605 thousand was set aside, recorded under current taxes.

The incidence of current taxes on the pre-tax result was 29.7% compared to 30.3% in the previous year.

31. Law no. 124 of 4 August 2017 - State aid

With reference to Law no. 124 of 4 August 2017 on the subject of regulations on the transparency of public disbursements, it should be noted that the benefits granted in 2020 amount to Euro 853 thousand.

the values are expressed in Euro/1000	2020
IRAP (Regional Business Tax) excerpt	346
Facilitations by the Liquidity Decree	290
Other benefits	216
total	**853**

32. Other items of statement of comprehensive income

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

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

The changes in the two components described show a negative result respectively for Euro 13 thousand and a positive result for Euro 137 thousand.

33. Related parties

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

The group companies have lease agreements in place with related parties, the instalments of which are paid in advance, the operating cost of which amounts to Euro 1,330 thousand, specifically Euro 440 thousand to Il Castello, and Euro 200 thousand to the CG Real Estate, Euro 420 thousand to Laurette and Euro 270 thousand to Irma.

In addition, the company has entered as of 31 December 2020, under "Other financial liabilities", the estimate Put and Call option for the purchase of the residual share referring to 49% of Cenacchi International, 43% of the residual share referring to Davide Groppi, and of the 35% of the residual share referred to Modar and 49% of Flexalighting and the earn out to the selling shareholders of Modar and Flexalighting for a total of Euro 33,258 thousand.

34 Commitments and guarantees

As at 31 December 2020 the Group has not issued sureties to anyone; pledged the subsidiaries' stocks or stock units of the subsidiaries to the banks that disbursed the loans to them as highlighted in note 14.

Milan, 11 May 2021

For the Board of Directors

The CEO

Andrea Sasso

Firmato digitalmente da:
SASSO ANDREA
Data: 21/11/2022 15:10:47