INTERNATIONAL DESIGN GROUP S.P.A. SOLE SHAREHOLDERS

Company subject to the direction and coordination of Design Holding S.p.A.
Registered Office: Via Manzoni 38 – 20121 Milan (MI), Italy
Registered in the Milan Company Register - Taxpayer ID and registration no. 10462810960

Report on operations for the period ending December 31, 2019

1 INTRODUCTION

Dear Shareholder,

The consolidated financial statements as at December 31, 2019 of International Design Group S.p.A. (hereafter also "***IDG***" or "***IDG Group***") show a negative Net result of Euro 9.580 after amortization and write-downs for Euro 31.282 thousand. As best stated later and also in the explanatory notes to the financial statements, the financial year 2019 was negatively affected by the reversal of the surplus identified in the inventory from the acquisitions that took place in 2018 amounting to Euro 45.484 thousand. Excluding this adjustment, the net result for the 2019 financial year would have been positive and amounted to Euro 24.170 thousand.

2 ACCOUNTING STANDARDS

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), adopted by the European Commission in accordance with the procedure of art. 6 of Regulation (EC) n. 1606/2002 of the European Parliament and of the Council of July 19th, 2002 relating to the application of international accounting standards.

The financial statements of the International Design Group S.p.A. have been drawn up in compliance with the provisions of the Civil Code, as amended by Legislative Decree 139/2015 (the "Decree"), interpreted and integrated by the Italian accounting standards issued by the *Organismo Italiano di Contabilità* ("OIC").

For more details, see the Notes to the consolidated financial statements and the financial statements.

3 MACROECONOMIC CONTEXT

The year 2019 is the first full one in which the new group's activity has developed. The Group made up by the two Holdings, Design Holding and International Design Group, and the Subsidiaries B&B Italia, Flos and Loius Poulsen, represents, a unique design hub for size and international scope.
The new Group has chosen the Milan Furniture Fair, as the event in which present to the market the new reality, emphasizing the individual brands in a prestigious exhibition space, unique in its kind, at the Milan Fair, and an articulated program of "Fuorisalone" events that involved the Milanese locations of the operating companies.
In conjunction with this event, the organization has been redesigned both for the Holding and the subsidiaries: Piero Gandini has left his positions, while Gabriele del Torchio has been appointed President and CEO of Design Holding and has assumed the interim role of B&B Italy's CEO. In the following months Roberta Silva has been appointed CEO of Flos and Gilberto Negrini took over the same role at B&B Italia, completing the transition to managerial profiles of the top positions.
At the same time, the structure of the holding companies has also been strengthened with the recruitment of CFO, a Marketing Director and a Program Manager with group responsibilities; the process has continued in 2020 with the entry of a Retail Director and a Chief Digital Officer.
At the same time, the subsidiaries began to simplify and strengthen their corporate structure:

- B&B Italia has concluded the purchase of the remaining 30% from the minority shareholders of the subsidiary Arclinea S.p.A, thus acquiring the total control;
- Flos:
    - in May 2019 completed the reverse merger by incorporation of the companies Cocoon S.r.l. as a single shareholder and Fiore S.r.l. as a sole shareholder in Flos S.p.A.,both vehicle companies that held a stake in Flos S.p.A.'s share capital of 9.44% and 6.30% respectively. As a result of this transaction, functional to the reorganization of the new Group to which the Company belongs from 2018, the Parent Company, International Design Group, now holds 100% of the control of Flos S.p.A.
    - in July 2019 Flos S.p.A. bought the remaining part (30%) shares of the subsidiary Light Contract Ltd. As a result of this acquisition, Flos S.p.A. now holds 100% of Light Contract Ltd., which in December 2019 changed its social name to Flos Bespoke Ltd.
    - in November 2019 the merger by incorporation into Flos France S.à.s. of the indirect subsidiary French Flos Projets S.àr.l., already owned 100% since 2017, the year of the

acquisition of the company by the Group. This was aimed at simplifying the Group's structure and streamlining the commercial organization of the French market.
    - on December 9th 2019, the Board of Directors approved the merger project for the incorporation of Flos Milano S.r.l. and Flos Roma S.r.l. in Flos S.p.A. This merger will be finalized in 2020.
- Louis Poulsen has initiated the liquidation of its Italian subsidiary having decided to continue the distribution of its products in Italy through the sales network of Flos.

It should be also noted that the former Chairman of the Board of Directors of the Parent Company, Design Holding S.p.A, and shareholder of the same, enjoyed, inter alia, a put option, which can be exercised after one year from the closing date, against International Design Holding at a price equal to the amount initially invested in Design Holding by DC, amounting to Euro 18 million (the "Option").

Following the exercise of that put option, on December 12th, 2019, IDH proceeded to purchase DC's entire stake in Design Holding S.p.A., amounting to 90,000 Class B shares, for a consideration of Euro 18 million. At the same time of that transaction, the Company proceeded with the purchase of DH Shares from IDH, at the same purchase price, in order to (i) make an investment, pursuing an efficient use of the liquidity generated by the social activity and (ii) to impute to assets such participation.

This involves a purchase of reciprocal holdings which, under the law, involved, at the civil level, the establishment of a special reserve of equity not distributable, amounting to the purchase value of the parent's shares in the balance sheet, and the obligation to transfer that share within the next 18 months following the purchase date.

During 2019, numerous initiatives of commercial and productive collaboration between the different brands of the group have been launched, which will be fully implemented already in 2020. Consolidated sales for the full year 2019 were up 3.2% compared to the previous year, and all three subsidiaries contributed to this positive result.

EBITDA not including non-recurring components and the effect of the reversal of surplus allocated to the inventory of individual companies at the acquisition date is Euro 127,2 million, with an increase of 1.5% on the same pro forma calculated value for 2018.

Finally, in the commentary of economic results we draw attention to the fact that the pre-tax result for the year, negative for Euro 4.7 million is also influenced by the reversal of Euro 45.5 million of surplus attributed to the stock upon the acquisition date, without which it would have been positive and amounted to Euro 40.8 million.

Regarding the Purchase Price Allocation of the business combination that took place in 2018 and the impairment test we expressly refer to the appropriate sections of this document.

4 RECLASSIFIED INCOME STATEMENT OF THE GROUP

The following table summarizes, in a reclassified format, 2019 and 2018 income statements, with a separate indication of non-recurring costs and revenues and the effects of the reversal of the surplus values deriving from the business combination that took place in 2018. We report that the accounting information relating to 2018 is equal to 12 months, this information was prepared for comparative purposes and was not officially presented.

Reclassified Income Statement of the Group (euro/mln)	2019	2018 (twelve months)
Revenues from contracts with customers	556,8	534,9
Other revenues and income	7,5	6,8
TOTAL REVENUES	**564,3**	**541,7**
Purchases of raw materials and variation in inventories	(173,2)	(158,0)
Personnel costs	(110,1)	(108,2)
Service costs	(140,8)	(130,0)
Provisions	(0,1)	(1,8)
Other costs and charges	(12,9)	(21,5)
TOTAL COSTS	**(437,1)**	**(419,5)**
Amortization, depreciation and impairment	(20,9)	(25,8)
OPERATING RESULT	**106,3**	**96,4**
Non-recurring costs and revenues	(13,5)	(55,0)
Reversal of surplus values	(45,5)	(7,0)
Net profit of discontinued operations	(0,6)	-
Financial income	2.0	2,2
Financial charges	(53,4)	(25,1)
RESULT BEFORE TAXES	**(4,7)**	**11,5**
Taxes	(4,9)	(4,7)
RESULT FOR THE PERIOD	**(9,6)**	**6,8**

Alternative performance indicators are defined below, used to illustrate the equity-financial trend of the Group:

OPERATING RESULT: is defined as the difference between revenues from sales and services and operating costs including amortization and depreciation (without the effects of applying IFRS 16) and non-recurring costs excluding financial non-recurring costs and charges.

NON-RECURRING COSTS AND REVENUES: they are represented by positive and negative components connected to transactions whose occurrence is non-recurrent or from those operations or events that do not occur frequently in the usual course of business.
The details of the items composing the non-recurring costs and revenues are:

Non recurring income	2.0
Provisions	(3,0)
"Una tantum" costs	(10,2)
Stock options costs	(0,9)
Restructuring costs	(1,4)
Total non recurring income and charges	**13,5**

EBITDA adjusted: is defined as the sum of the operating result with amortization and depreciation. The so defined EBITDA is equal to Euro 127,2 million.

The following table summarizes the balance sheet results of IDG according to the reclassified scheme:

Reclassified Statement of Financial Position (Euro/mln)	2019	2018 (restated)
Goodwill	1.052	1.052
Other intangible fixed assets	587	585
Property, plant and machinery	156	113
1) NET TECHNICAL FIXED ASSETS	**1.796**	**1.752**
Deferred tax assets	17	17
Other non-current assets	24	3
2) NET FINANCIAL FIXED ASSETS	**41**	**20**
3) NET FIXED ASSETS (1+2)	**1.837**	**1.770**
Account receivables	68	68
Other non-current assets	16	16
Inventories	92	124
a) Total Current Assets (net of bank balances receivable)	**176**	**208**
Trade payables	(116)	(121)
Tax payables	(12)	(14)
Liabilities due to social security institutions	(5)	(6)
Other current payables	(29)	(23)
b) Total current liabilities (net of short-term exposure to banks)	**(162)**	**(164)**
4) OPERATING WORKING CAPITAL (a+b)	**14**	**44**
5) NET INVESTED CAPITAL (3+4)	**1.851**	**1.814**
6) CONSOLIDATED EQUITY	**981**	**999**
Severance indemnity funds, taxes, risks and charges and other non-current liabilities	176	184
7) MEDIUM/LONG TERM FINANCE SOURCES	**176**	**184**
Cash and cash equivalents	(63)	(73)
Payables to other lenders (current and non-current)	757	704
8) TOTAL NET FINANCIAL POSITION	**694**	**631**
9) TOTAL MEDIUM/LONG TERM FINANCE SOURCES (6+7+8)	**1.851**	**1.814**

Net Financial Position: this is the arithmetical sum of cash on hands and banks, current and non-current financial receivables and liabilities.

For a clearer description and better understanding of the results achieved by the Group, some ratios normally used when analyzing financial statements are provided below.

	2019	2018
Return on capital (ROE)	(1%)	0,7%
Current ratio (DI)	1,1	1,3
Ratio of internally financed fixed assets (CI)	0,5	0,6
Leverage ratio (LEV)	1,9	1,8

ROE (Return on Equity): this is calculated as the ratio between the net result and shareholders' equity. It indicates the return on investments in the company capital compared to investments of a different nature, i.e. if investing in the company is convenient or not.

Current ratio (DI): this is calculated as the ratio between current assets and current liabilities; it indicates the capability of the company of coping with its current liabilities with its short-term assets. A figure higher than 2 indicates an optimal situation.

Ratio of internally financed fixed assets (CI): this is calculated as the ratio between equity and net fixed assets and indicates the capability of equity capital to cope with the company's investment requirements. A result higher than 1 indicates an optimal condition.

Leverage ratio (LEV): this is calculated as the ratio between invested capital and shareholders' equity and represents the net borrowing of the company. The higher the ratio, the higher the risk level the company is exposed to. An amount in the range of 1 to 2 represents a correct balance between sources of finance.

5 MAIN RISKS AND UNCERTAINTIES

Please refer to the section on risk management in the Explanatory Notes to the consolidated financial statements.

6 MANAGEMENT RESULTS OF THE PARENT COMPANY

The other revenue of the Parent Company is Euro 874 thousand and it is related to a refund of expenses sustained on behalf of the ultimate Parent Company, Design Holding SpA.
The other results are shown below.

	2019	%	2018	%
Revenue from contracts with customers	-		-	
Other revenue	874		-	
TOTAL REVENUE	**874**	**100%**	**-**	
Operating costs	(474)		(40)	
EBITDA	**399**	**46%**	**(40)**	**n/a**
Depreciation and amortization	(10)		(10)	
EBIT	**389**	**45%**	**(50)**	**n/a**
Financial income and charges	(16.008)		(3.906)	
Result before Taxes	**(15.618)**	**n/a**	**(3.956)**	**n/a**
Taxes	2.192		-	
RESULT FOR THE PERIOD	**(13.427)**	**n/a**	**(3.956)**	**n/a**

7 INVESTMENTS AND RESEARCH AND DEVELOPMENT ACTIVITY CARRIED OUT BY THE GROUP

In 2019, the investments amounted to Euro 22.8 million as follows:

- Flos has invested Euro 9.9 million mainly dedicated to the design and development of new products of the decorative, architectural and outdoor lines (about Euro 6 million for the realization of prototypes, molds, research and development expenses, know-how and patents), and the upgrade of showrooms (Euro1.4 million);
- B&B Italia has invested Euro 6.5 million in 2019. Both in the evolution of its product range in the upholstered segment with Dock, seating system designed by Piero Lissoni and Pablo, a new armchair designed by Vincent Van Duysen, in the furniture segment with new projects such as the first Parallel Structure table by Anastassiades and with the expansion of the Jack bookcase system and in the outdoor segment with Ribes, the new modular seating system designed by Antonio Citterio. The material investments have been dedicated to Arclinea (Euro 2.9 million) for the refurbishment of a large exhibition space at the Company's headquarters, giving life to a prestigious "training center" for our dealers, with contemporary renewal of the accommodation area and meeting rooms and for the start of an important investment in the production area aimed at increasing production capacity, improving the efficiency of industrial processes in view 4.0. Additional resources have been dedicated to B&B Italy for the equipment of new products and for the improvements of the production facilities of Novedrate and Misinto.
- Louis Poulsen invested in the period Euro 6.4 million mainly dedicated to the development of new products (Euro 4.5 million for research and development activities involving company staff and numerous international designers, for prototypes and equipment) and to the extension of shop-in-shop facilities that support the sale of products in the most qualified distribution.

8 HUMAN RESOURCES

As of 31 December 2019, Group's staff amounted to 1.688 units, of which 611 in Flos, 434 in Louis Poulsen and 643 in B&B Italy.

9 RELATIONS WITH SUBSIDIARY AND PARENT COMPANIES AND WITH RELATED PARTIES

Relations between the Group companies, entirely eliminated in the presentation of the consolidated financial statements, mainly concerned financial transactions and took place at market conditions.

10 NUMBER AND NOMINAL VALUE OF OWN SHARES AND SHARES OR UNITS OF CONTROLLING COMPANIES OWNED BY THE COMPANY ALSO THROUGH TRADE OR INTERESTED PERSON WITH INDICATION OF THE CORRESPONDENT CAPITAL PART

In December 2019, International Design Group purchased shares in parent Design Holding, representing 1.75% of the capital, for a value of Euro 18 million. The transaction took place at fair value

11 NUMBER AND NOMINAL VALUE OF TREASURY SHARES AND SHARES OR UNITS OF PARENT COMPANIES PURCHASED OR SOLD BY THE COMPANY DURING THE YEAR, ALSO THROUGH A TRUST OR A THIRD PARTY INDICATING THE CORRESPONDING PART OF CAPITAL

Please refer to the previous point.

12 BUSINESS OUTLOOK AND IMPORTANT EVENT THAT OCCURRED AFTER THE END OF THE FINANCIAL YEAR

Group's goal is to pursue healthy and profitable growth both through the development of the existing business, facing new technological and commercial challenges and opportunities, making the most of the excellence of Group's brand positioning, the industrial and technical flexibility that characterizes the Group's structure, and constantly evaluating the possibility of new acquisitions and integrations with companies whose values and positioning are in harmony with Group's portfolio.
The year 2020 has had a start in the name of continuity, registering a steady increase in the acquisition of orders for all the lines of business in which we are present, and the effort continued the implementation of commercial and organizational synergies between the companies belonging to the Design Holding Group.
Since February, the spread of the Covid-19 virus has caused a marked slowdown in the economies of Asian countries and, subsequently, its worldwide spread is causing global human and economic impacts.
Our primary concern has been the safety and health of our employees, we have taken all the necessary measures, including extraordinary ones, aimed at mitigating health risks and ensuring business continuity, complying, in various geographies, with the measures introduced by the various national authorities. The worsening situation led us to the decision to suspend on March 16th, 2020, the production activities in Italy and subsequently the European retail activities were also suspended and, lastly, the retail and production activities in the USA. Louis Poulsen has always remained in operation in Denmark, while adopting all the social distancing and remote working measures to minimize the health risk for employees.
At the time of the approval of these financial statements, the picture of uncertainty about the evolution of the situation remains. Consequently, the inevitable negative effects of the epidemic on the outlet markets and on our activity are, at present, difficult to quantify. However, the Company has set up a sensitivity scenario assuming a slowdown in revenues attributable to the health emergency in 2020 and 2021 and has instructed the Accuracy company to use this scenario for further and more severe stress of the impairment test. This further sensitivity confirmed the holding of the start-up balance sheet, while with reference to the brands reported a potential impairment total of about 1.1% at the consolidated level. The CEO reports that, in any case, there was no need to change the values recorded in the Company's balance sheet as of December 31, 2019.

As known, the Company, as an original borrower and original guarantor and, inter alios, UniCredit S.p.A., as an agent and security agent, they both signed, on November 9th 2018, a super senior revolving financing agreement (as amended as of 22nd November 2019) under which the relevant financing banks have made available to the Company a super senior revolving line of credit of the original amount of Euro 100.000.000,00. During the 2020 financial year, the Company required the financing banks to proceed with the provision of this financing for the full amount in order to find the necessary financial resources to be able to support its own working capital needs and of the group it is responsible for, also considering the current state of emergency on the national territory arising from the health risk associated with the spread of the so-called "COVID-19" and in light of the legislative measures taken by the Italian Government to deal with this emergency, by the decree law of February 23rd 2020 and following implementation measures, including the DPCM March 11th 2020.

We or our affiliates may, at any time and from time to time, seek to purchase or retire our outstanding notes through open-market purchases, privately negotiated transactions, tender offers or otherwise. Such purchases, if any, will be upon such terms and at such prices as we or our affiliates, as the case may be, may determine in light of then-existing market conditions.

Consolidated Financial Statements at December 31, 2019

Consolidated Statement of Financial Position as at December 31, 2019

Amounts in thousand Euro	Note	December 31, 2019	December 31, 2018 (restated)
NON-CURRENT ASSETS			
Intangible fixed assets:			
- Goodwill	8	1.052.460	1.052.460
- Other intangible assets	9	587.449	585.976
Right of use	11	44.503	-
Property, plant and equipment	10	111.680	113.222
Investment in affiliated companies	12	18.006	-
Deferred tax assets	13	17.129	16.809
Non-current financial assets	14	3.466	2.791
Other non-current assets		3.077	348
TOTAL NON-CURRENT ASSETS		**1.837.771**	**1.771.606**
CURRENT ASSETS			
Inventories	15	92.152	124.031
Trade receivables	16	68.512	67.563
Tax assets and other current assets:	17		-
- Tax credit and due from tax authorithies	17.1	8.674	9.616
- Other assets	17.2	7.011	6.076
Current financial assets		-	21
Cash and cash equivalents and deposits	18	63.564	73.102
TOTAL CURRENT ASSETS		**239.914**	**280.408**
Assets held for disposal	19	2.511	4.000
TOTAL ASSETS		**2.080.196**	**2.056.015**

Amounts in thousand Euro	Note	December 31, 2019	December 31, 2018 (restated)
SHAREHOLDERS' EQUITY	**20**		
Share capital		5.102	5.102
Other reserves		986.132	1.005.292
Result for the period		(10.511)	(17.139)
TOTAL GROUP SHAREHOLDERS' EQUITY		**980.723**	**993.255**
Minority shareholders' equity		1.974	5.095
Result attributable to minority interests		930	476
TOTAL SHAREHOLDERS' EQUITY		**983.627**	**998.826**
NON-CURRENT LIABILITIES			
Defined benefit plans	21	7.721	8.064
Provisions for risks and other charges	22	10.350	8.453
Non-current financial liabilities	23	701.860	697.363
Non-current lease financial liabilities	23	38.997	-
Deferred tax liabilities	24	158.984	171.112
Other non-current liabilities	25	752	1.220
TOTAL NON-CURRENT LIABILITIES		**918.665**	**886.212**
CURRENT LIABILITIES			
Current financial liabilities	23	7.499	6.879
Current lease financial liabilities	23	8.341	-
Trade payables	26	93.829	103.553
Contract liabilities	26	30.390	17.777
Tax payables and other current liabilities:	27		-
- Tax payables and due to tax authorities	27.1	11.756	14.283
- Due to social security institutions	27.2	4.617	5.608
- Due to personnel and other payables	27.3	21.470	22.877
TOTAL CURRENT LIABILITIES		**177.904**	**170.977**
TOTAL LIABILITIES		**1.096.569**	**1.057.188**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2.080.196**	**2.056.015**

Consolidated profit and loss statement for the year ended December 31, 2019

Amounts in thousand Euro	Note	December 31, 2019	December 31, 2018 (restated)
Revenues from contracts with customers	28	556.753	48.180
Other revenues and income	29	8.350	1.416
Purchases of raw materials and variation in inventories	30	(218.678)	(22.236)
Personnel costs	31	(110.956)	(9.949)
Service costs	32	(136.798)	(11.450)
Provisions	33	(3.107)	(318)
Other costs and charges	34	(12.969)	(2.953)
Amortization, depreciation and impairment	35	(31.282)	(2.626)
Business combination costs	36	-	(15.452)
Financial income		2.090	303
Financial charges	37	(57.478)	(6.190)
RESULT BEFORE TAX FROM CONTINUING OPERATIONS		**(4.076)**	**(21.276)**
Income taxes	38	(4.906)	4.612
NET RESULT FROM CONTINUING OPERATIONS		**(8.982)**	**(16.664)**
Net profit of discontinued operations		(599)	-
PROFIT/(LOSS) FOR THE PERIOD		**(9.581)**	**(16.664)**
Profit/(Loss) for the period, attributable to minority interest		930	476
Profit/(Loss) for the period, attributable to the Group		(10.511)	(17.139)

Consolidated statement of other comprehensive income (OCI) as at December 31, 2019

(amounts in thousand Euro)	Notes	2019	2018 (restated)
PROFIT/(LOSS) FOR THE PERIOD		**(9.581)**	**(16.664)**
Other comprehensive income (expense) that may be restated in the profit/(loss) for the period:			
Exchange difference on translating foreign financial statements		1.296	(151)
(Loss)/Net profit from cash flow hedge		5	-
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE) THAT MAY BE RESTATED IN THE PROFIT/(LOSS) FOR THE PERIOD, NET OF TAX		**1.301**	**(151)**
Total other comprehensive income (expense) that may not be restated in the profit/(loss) for the period, net of tax:			
(Profit/(Loss) from revaluation on defined benefit plans	21	(220)	21
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE) THAT MAY NOT BE RESTATED IN THE PROFIT/(LOSS) FOR THE PERIOD, NET OF TAX		**(220)**	**21**
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE), NET OF TAX		**1.081**	**(130)**
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE), NET OF TAX		**(8.500)**	**(16.794)**
Profit/(Loss) for the period, attributable to minority interest		945	475
Profit/(Loss) for the period, attributable to the Group		(9.445)	(17.269)

Statement of changes in consolidated shareholders' equity at December 31, 2019

2018-2019								
	Share Capital	**Share premium reserve**	**Other reserves**	**Profit for the period**	**Total Group Shareholders' Equity**	**Minority shareholders' equity**	**Net profit attributable to minority interests**	**Total shareholders' equity**
Balance at September 10, 2018	**3**	**-**	**-**	**-**	**3**	**-**	**-**	**3**
Result for the period	-	-	-	(17.139)	(17.139)	-	476	(16.663)
Other income (expenses)	-	-	(129)	-	(129)	(1)	-	(130)
Total comprehensive profit for the period	**3**	**-**	**(129)**	**(17.139)**	**(17.268)**	**(1)**	**476**	**(16.793)**
Transfer / Business combination	5.099	1.005.423	-	-	1.010.522	5.095	-	1.015.617
Balance at December 31, 2018	**5.102**	**1.005.423**	**(129)**	**(17.139)**	**993.255**	**5.095**	**476**	**998.826**
Balance at January 1, 2019	**5.102**	**1.005.423**	**(129)**	**(17.139)**	**993.255**	**5.095**	**476**	**998.826**
Allocation of previous period result	-	-	(17.139)	17.139	-	476	(476)	-
Result for the period	-	-	-	(10.511)	(10.511)	-	930	(9.581)
Other income (expenses)	-	-	1.066	-	1.066	15	-	1.081
Total comprehensive profit for the period	**-**	**-**	**(16.073)**	**6.629**	**(9.445)**	**491**	**454**	**(8.500)**
Dividends	-	-	-	-	-	(801)	-	(801)
Purchase of minority interests	-	-	(4.081)	-	(4.081)	(2.806)	-	(6.888)
Stock option reserve	-	-	943	-	943	-	-	943
Other movements	-	-	52	-	52	(5)	-	47
Total variations for the period	**-**	**-**	**(3.087)**	**-**	**(3.087)**	**(3.612)**	**-**	**(6.699)**
Balance at December 31, 2019	**5.102**	**1.005.423**	**(19.289)**	**(10.511)**	**980.723**	**1.974**	**930**	**983.627**

Consolidated Statement of Cash Flows

(amounts in thousand Euro)	2019	2018 (restated)
PROFIT FROM OPERATIONS AFTER TAX	**(9.581)**	**(16.664)**
Depreciation and impairment of property plant and equipment	12.412	1.171
Amortisation and impairment of intangible assets	8.316	738
Amortisation and impairment of right of use assets	10.411	-
Financial income	(2.090)	(303)
Financial charges	57.478	6.190
Lease financial charges	3.814	-
Income taxes	16.641	-
Financial interests paid	(8.393)	-
Income taxes paid	(10.212)	-
Other non monetary movements	943	-
Net change in employee severance indemnities and pension funds	(342)	151
Net change in provisions for risks and other charges	1.897	216
Net change in deferred tax assets and liabilities	(11.411)	(1.128)
Operating activities:		
(Increase)/decrease in inventories	31.878	13.994
(Increase)/decrease in trade receivables	(949)	5.335
(Increase)/decrease in other non-financial assets	(1.240)	(923)
Increase/(decrease) in trade payables	2.889	32.688
Increase/(decrease) in tax payables	(2.526)	4.314
Increase/(decrease) in other non financial liabilities	(9.294)	(45.129)
NET CASH FLOWS FROM OPERATIONS	**100.223**	**17.314**
Investing activities:		
Acquisition of tangible assets net of disposals	(10.870)	(2.221)
Net investments in intangible assets	(9.789)	(1.318)
Acquisition of non-current financial assets	(18.006)	
Acquisition of non-controlling interests	(6.388)	
Price paid for the acquisition	-	(1.395.071)
Acquired cash	-	79.370
NET CASH FLOWS FROM INVESTING ACTIVITIES	**(45.053)**	**(1.319.240)**
Financing activities:		
(Increase)/decrease of financial receivables	1.435	
Increase/(decrease) in financial payables	(43.967)	381.168
Payment of principal portion of lease liability	(12.422)	
Share capital increase	-	1.010.522
Dividends paid to minority interests	(801)	
Other equity movements	628	
CASH FLOW FROM FINANCING ACTIVITIES	**(55.127)**	**1.391.690**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(9.538)**	**73.100**
Net cash and cash equivalents at the beginning of the period	73.102	3
Net cash and cash equivalents at the end of the period	63.564	73.102

Notes to the Consolidated Financial Statements

1 CORPORATE INFORMATION

The consolidated financial statements of International Design Group S.p.A. (hereafter also "***IDG***" or "***IDG Group***") for the year ended December 31, 2019 has been approved by the Board of Directors on April 14th, 2020.
IDG is a joint stock company, registered and headquartered in Italy, with its registered office in Milan, Via Montenapoleone 29.
IDG was established on September 10th, 2018 and it is controlled by Design Holding S.p.A. that exercises management and coordination activities.

1.1 COMPANY THAT EXERCISES MANAGEMENT AND COORDINATION ACTIVITIES

As provided by the article 2497-bis of italian Civil Code, the Group is subject to management and coordination activities by its Ultimate Parent Company **Design Holding S.p.A.** (hereafter also "***DH***"), with its registered office in Milan, Via Montenapoleone 29, Taxpayer ID and registration n. 10446470964, Chamber of Commerce ID. MI-2532182, established on August 1st, 2018.
In the following table the essential figures of last approved financial statements of DH are provided.
It should be noted that the Company whose data is reported prepares the consolidated financial statements.

1.2 STATEMENT OF FINANCIAL POSITION OF THE ULTIMATE PARENT COMPANY THAT EXERCISES MANAGEMENT AND COORDINATION ACTIVITIES

	31/12/2019	31/12/2018
B) Assets		
I - Intangible assets		
1) start-up and expansion costs	21.779	29.039
3) patents and other related rights	36.780	
7) other	8.000	
Total intangible assets	*66.559*	*29.039*
II - Tangible assets		
4) other goods	7.275	
Total tangible assets	*7.275*	
III - Financial assets		
1) Investments in:		
a) subsidiaries	1.012.826.791	1.012.526.191
Total investments	*1.012.826.791*	*1.012.526.191*
Total financial assets	*1.012.826.791*	*1.012.526.191*
Total intangible, tangible and financial assets (B)	*1.012.900.625*	*1.012.555.230*
C) Working capital		
II - Receivables		
2) towards subsidiaries	9.361.674	
due within next financial year	9.361.674	
due beyond next financial year		
5-bis) tax receivables	732.555	21.000
due within next financial year	732.555	21.000
due beyond next financial year		
5-quater) oher receivables	472.581	
due within next financial year	472.581	
due beyond next financial year		
Total receivables	*10.566.810*	*21.000*
IV - Cash and cash equivalents		
1) bank and postal accounts	2.468.236	9.908.451
3) cash on hand	50	
Total cash and cash equivalents	*2.468.286*	*9.908.451*
Total working capital (C)	*13.035.096*	*9.929.451*
D) Prepayments and accruals	**8.903**	
Total assets	*1.025.944.624*	*1.022.484.681*

	31/12/2019	31/12/2018
A) Shareholders' Equity	**1.018.788.724**	**1.020.084.316**
I - Shareholders' Capital	5.152.321	5.152.321
II - Share premium reserve	1.015.361.862	1.015.361.862
VI - Other reserves		
Contributions for future capital increase	22.849	22.849
Other reserves	943.241	-1
Total other reserves	*966.090*	*22.848*
VIII - Retained earnings (losses)	-452.715	
IX - Result for the period	-2.238.834	-452.715
Total Shareholders' Equity	1.018.788.724	1.020.084.316
B) Provisions for risks and charges		
4) other	900.000	87.671
Total provisions for risks and charges	*900.000*	*87.671*
C) Severance indemnity for employees	**721**	
D) Liabilities		
7) trade payables	3.197.352	2.186.406
due within next financial year	3.197.352	2.186.406
due beyond next financial year		
9) liabilities towards subsidiaries	1.282.645	
due within next financial year	1.282.645	
due beyond next financial year		
12) tax payables	1.142.711	80.245
due within next financial year	1.142.711	80.245
due beyond next financial year		
13) liabilities towards social institutions	147.096	7
due within next financial year	147.096	7
due beyond next financial year		
14) other payables	484.627	46.027
due within next financial year	484.627	46.027
due beyond next financial year		
Total payables	*6.254.431*	*2.312.685*
E) Accrued liabilities and accrued revenue	**748**	**9**
Total Shareholders' Equity and Liabilities	*1.025.944.624*	*1.022.484.681*

	31/12/2019	31/12/2018
A) Revenue from sales and other income		
1) Revenue from contract with customers	4.046.932	
5) Other revenue		
Other	6.044.389	
Total other revenue	*6.044.389*	
Total revenue and other income	*10.091.321*	
B) Operating costs		
6) purchase of raw materials	3.545	30
7) for services	10.554.763	357.740
8) for leases	96.778	
9) personnel costs		
a) salary and wages	309.204	
b) social securities contributions	166.131	
c) employees' severance indemnity	20.427	
e) other costs	1.043.243	
Total personnel costs	*1.539.005*	
10) amortization, depreciation and impairment		
a) amortization of intangible assets	16.780	7.260
b) depreciation of tangible assets	544	
Total amortization, depreciation and impairment	*17.324*	*7.260*
13) other provisions		87.671
14) other costs and charges	20.704	25
Total operating costs	*12.232.119*	*452.726*
Earnings before interests and taxes (A - B)	**-2.140.798**	**-452.726**
C) Financial income and charges		
16) other financial income		
d) other financial income		
other	59	11
Total financial income and charges	*59*	*11*
Total financial income	*59*	*11*
17-bis) gains and losses on foreign exchange	-80	
Total gains and losses on foreign exchange (15+16-17+-17-bis)	*-21*	*11*
Earnings before taxes (A-B+-C+-D)	**-2.140.819**	**-452.715**
20) Taxes of the period and deferred taxes		
taxes for the period	110.000	
income (charges) from joining the tax consolidation	11.985	
Total taxes for the period and deferred taxes	*98.015*	
21) Result (Loss) for the period	**-2.238.834**	**-452.715**

1.3 SIGNIFICANT EVENTS OCCURRED DURING THE YEAR

In the preparation of the consolidated financial statements of 2018, IDG reported provisional figures regarding the fair value of the assets and liabilities acquired in November 2018 when the Group has been formed. In the preparation of the consolidated financial statements as of 31st December 2019, IDG has completed the activities concerning the fair value measurement of assets and liabilities, with the support of an independent expert, and has reviewed the balances at the acquisition date redetermining the value of the Goodwill. As stated by *IFRS 3.49*, these adjustments have been calculated upon the acquisition date (November 2018) and therefore the main consolidated financial statements' schemes have been re-exposed as of 31st December 2018.

In paragraph 7, all the definitive values regarding the business combination and the redetermination of the Goodwill are detailed.

The following table shows the differences on the balance sheet and income statement compared to the consolidated financial statements as of 31st December 2018, approved last year.

(Amounts in thousand Euro)	31.12.2018	PPA adj	31.12.2018 (restated)
NON-CURRENT ASSETS:			
Intangible fixed assets:			
- Goodwill	1.335.380	(282.920)	1.052.460
- Other intangible assets	252.267	333.709	585.976
Property, plant and equipment	113.222		113.222
Deferred tax assets	16.110	699	16.809
Non-current financial assets	2.791		2.791
Other non-current assets	348		348
TOTAL NON-CURRENT ASSETS	**1.720.118**	**51.488**	**1.771.606**
CURRENT ASSETS:			
Inventories	78.548	45.483	124.031
Trade receivables	67.563		67.563
Tax assets and other current assets:	-		-
- Tax credit and due from tax authorithies	9.616		9.616
- Other assets	9.252	(3.176)	6.076
Current financial assets	21		21
Cash and cash equivalents and deposits	73.102		73.102
TOTAL CURRENT ASSETS	**238.101**	**42.307**	**280.408**
Assets held for disposal	4.000		4.000
TOTAL ASSETS	**1.962.220**	**93.795**	**2.056.015**
SHAREHOLDERS' EQUITY:			
Share capital	5.102		5.102
Other reserves	1.006.645		1.006.645
Retained earnings	(1.353)		(1.353)
Result for the period	(11.971)	(5.168)	(17.139)
TOTAL GROUP SHAREHOLDERS' EQUITY	**998.423**	**(5.168)**	**993.255**
Minority shareholders' equity	5.095		5.095
Result attributable to minority interests	476		476
TOTAL SHAREHOLDERS' EQUITY	**1.003.994**	**(5.168)**	**998.826**
NON-CURRENT LIABILITIES:			
Defined benefit plans	8.064		8.064
Provisions for risks and other charges	8.453		8.453
Non-current financial liabilities	697.363		697.363
Deferred tax liabilities	72.149	98.963	171.112
Other non-current liabilities	1.220		1.220
TOTAL NON-CURRENT LIABILITIES	**787.249**	**98.963**	**886.212**
CURRENT LIABILITIES:			
Current financial liabilities	6.879		6.879
Trade payables	103.553		103.553
Contract liabilities	17.777		17.777
Tax payables and other current liabilities:			
- Tax payables and due to tax authorities	14.283		14.283
- Due to social security institutions	5.608		5.608
- Due to personnel and other payables	22.877		22.877
TOTAL CURRENT LIABILITIES	**170.977**	**-**	**170.977**
TOTAL LIABILITIES	**958.225**	**98.963**	**1.057.188**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1.962.220**	**93.795**	**2.056.015**

(Amounts in thousand Euro)	31.12.2018	PPA adj	31.12.2018 (restated)
Revenues from contracts with customers	48.180		48.180
Other revenues and income	1.416		1.416
TOTAL REVENUES	**49.596**	**-**	**49.596**
Purchases of raw materials and variation in inventories	(15.222)	(7.014)	(22.236)
Personnel costs	(9.949)		(9.949)
Service costs	(26.901)		(26.901)
Provisions	(318)		(318)
Other costs and charges	(2.953)		(2.953)
TOTAL COSTS	**(55.344)**	**(7.014)**	**(62.358)**
Amortization, depreciation and impairment	(2.626)		(2.626)
OPERATING PROFIT	**(8.375)**	**(7.014)**	**(15.389)**
Financial income	303		303
Financial charges	(6.190)		(6.190)
RESULT BEFORE TAX FROM CONTINUING OPERATIONS	**(14.262)**	**(7.014)**	**(21.276)**
Income taxes	2.766	1.846	4.612
NET RESULT FROM CONTINUING OPERATIONS	**(11.496)**	**(5.168)**	**(16.664)**
Net profit of discontinued operations	-		-
PROFIT/(LOSS) FOR THE PERIOD	**(11.496)**	**(5.168)**	**(16.664)**
Profit/(Loss) for the period, attributable to minority interest	476		476
Profit/(Loss) for the period, attributable to the Group	(11.971)	(5.168)	(17.139)

The net Equity and the result at December 31, 2018 is reduced by Euro 5.168 thousand as a result of the reversal of part of the surplus value identified in the inventories that were sold in 2018 net of the theoretical fiscal effect.

Inventories as of December 31, 2018 are increased because of the higher value recognized to finished and half-finished products net of the reversal in 2018.

Intangible assets are increased as a result of the higher value recognized to the brands for Euro 333.709 thousand.

Deferred taxes as of December 31, 2018 are increased by Eur 98.963 as a result of the recognition of the theoretical tax effect on surplus values net of the reversal occurred in 2018.

2 ACCOUNTING STANDARDS

The consolidated financial statements of the Group were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The consolidated financial statements were prepared according to the historical cost convention, with the exception of the recognition of derivative financial instruments and of available-for-sale (AFS) financial assets, which are recognized at fair value. The carrying amount of the assets and liabilities subjected to fair value hedging and that would otherwise by recognized at the amortized cost, is adjusted to take into account variations in the fair value attributable to the hedged risks.

The consolidated financial statements are presented in euro and all values are expressed in thousands of euro, unless otherwise directed.

3 CONSOLIDATION PRINCIPLES

The consolidated financial statements comprise the financial statements of International Design Group S.p.A. and of its subsidiaries as at December 31, 2018.

Control is obtained when the Group is exposed or is entitled to variable returns, deriving from its relations with the investee entity and, at the same time, is able to affect such returns by exercising its power over that entity. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee entity (i.e. it owns valid rights that currently entitle it to manage the significant activities of the investee entity);
- exposure or rights to variable returns deriving from the relationships with the investee entity;
- the ability to exercise its own power on the investee entity to affect the amount of its returns.

When the Group holds less than the majority of the voting rights (or similar rights) it must consider all relevant facts and circumstances to establish whether it controls the investee entity, including:

- Contractual agreements with other holders of voting rights;
- Rights deriving from contractual agreements;
- Voting rights and potential voting rights of the Group.

The Group reconsiders whether or not it has control of an investee if the facts and circumstances indicate that changes have occurred in one or more of the three elements with relevance for the purposes of the definition of control. The consolidation of a subsidiary starts when the Group obtains control thereof and ceases when the Group loses control. The assets, liabilities, revenues and costs of the subsidiary acquired or sold during the year are included in the statement of comprehensive income from the date on which the Group obtains control until the date on which the Group no longer exercises control of the company.

The profit/(loss) for the year and each of the other comprehensive income are attributed to the shareholders of the parent company and to minority interests, even if this implies that minority interests have a negative balance. When necessary, the appropriate adjustments are made to the financial statements of the subsidiaries, to assure compliance with the group's accounting policies. All assets and liabilities, the shareholders' equity, the revenues, costs and intercompany cash flows relating to transactions between group entities are fully eliminated in the consolidation phase.

Changes in the shareholdings in a subsidiary that do not entail a loss of control are recognized in the shareholders' equity.

If the Group loses control of a subsidiary, it must eliminate the related assets (including goodwill), liabilities, minority interests and the other shareholders' equity components, while any profit or loss is recognised in the income statement. Any retained shareholder shall be recognized at fair value.

Specifically, the companies of the IDG Group included in the scope of consolidation at December 31, 2019 are as follows:

Name of shareholding	Currency	Share capital as at December 31, 2019	Shareholding as at December 31, 2019
Luminous Design Investment ApS	DKK	1.260.101	100%
Luminous Design Denmark ApS	DKK	100.000	100%
P-LP 2014 A/S	DKK	10.000	100%
Louis Poulsen Sweden AB	SEK	600.000	100%
Louis Poulsen Norge AS	NOK	1.500.000	100%
Louis Poulsen Finland OY	EUR	100.000	100%
Louis Poulsen UK Ltd.	GBP	100.000	100%
Louis Poulsen German GmbH	EUR	1.122.583	100%
Louis Poulsen US Inc.	USD	1.000	100%
Louis Poulsen Holland B.V	EUR	300.001	100%
Louis Poulsen Japan Ltd.	JPY	38.500.000	100%
Louis Poulsen Switzerland AG	CHF	500.000	100%
Louis Poulsen Italy Sarl.	EUR	10.000	100%
Louis Poulsen Asia Ltd.	EUR	2.459	100%
Flos S.p.A.	EUR	1.875.000	100%
Antares Iluminacion S.A.U.	EUR	401	100%
Flos Illuminacion Shanghai Co. Ltd*	CNY	4.000	100%
Antares Iluminacion Pte Ltd*	SGD	0,1	100%
Ares S.r.l.	EUR	78	100%
Flos Benelux NV	EUR	100	100%
Flos B.V.	EUR	931	100%
Euroformat S.r.l.	EUR	75	100%
Flos GmbH	EUR	300	100%
Flos Japan Co. Ltd	JPY	40.000	100%
Flos Bespoke (ex Light Contract) S.r.l.	EUR	13	100%
Flos Milano S.r.l	EUR	100	100%
Flos Norge AS	NOK	1.500	55%
Flos Roma S.r.l	EUR	31	100%
Flos France S.a.s	EUR	61	100%
Flos Projets S.ar.l.***	EUR	124	100%
Flos Scandinavia A/S	DKK	1.429	65%
Flos Sverige AB****	SEK	100	65%
Flos Usa Inc.	USD	390	100%
Flos UK Ltd	GBP	136	100%
B&B Italia S.p.A.	EUR	1.000.000	100%
B&B Italia Usa Inc.- New York	USD	10.000	100%
B&B Italia Munchen Gmbh -Monaco	EUR	150.000	100%
B&B London LTD	GBP	500.000	100%
B&B Asia Pacific Limited	USD	1.000	100%
B&B Contract France Sas	EUR	30.000	100%
B&B Italia Contract Projects Srl	EUR	10.000	100%
B&B Italia Paris Sarl	EUR	50.000	100%
Arclinea Spa	EUR	240.000	100%
B&B Furniture (Shanghai) Co., Ltd	CNY	1.000	100%

* Note 1: 100% of the shareholdings in Flos Iluminacion Shanghai Co. Ltd and in Antares Iluminacion Pte Ltd (Singapur) are held by Antares Iluminacion S.A.U. (ES), consequently the indirect shareholding of the Group is equal to 100%

** Note 2: For Flos Lighting Design (Beijing) Co. Ltd, the liquidation process was completed during the year

*** Note 3: On May 3, 2017, the Flos Group, through the company Flos France S.a.s., purchased 100% of the shares of the company KKDC S.a.r.l. (now Flos Projets S.a.r.l.)

**** Note 4: The shareholding in Flos Sverige AB is held by Flos Scandinavia A/S, consequently the indirect shareholding of the Group is equal to 65%.

4 SUMMARY OF THE MAIN ACCOUNTING STANDARDS

4.1 BUSINESS COMBINATIONS AND GOODWILL

Business combinations are recognized using the acquisition method. The cost of an acquisition is determined as the sum of the transferred price, measured at fair value as at the acquisition date, and of the amount of the minority interest in the acquired entity. For each business combination, the Group defines whether to measure the minority interest in the acquired entity at fair value or proportionally to the minority interest in the identifiable net assets of the acquired entity. The acquisition cost are expensed in the year and classified among 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, the economic conditions and the other pertinent conditions existing at the date of acquisition. This includes the check to determine whether an embedded derivative has to be separated from the primary contract.

Any potential price to be paid is recognized by the purchaser at fair value at the date of acquisition. The potential price classified as asset is not subject to remeasurement and its subsequent payment is recognized with the shareholders' equity as a balancing entry. The change in the fair value of the potential price classified as asset or liability, as a financial instrument that is in the subject of IFRS 9 Financial Instruments, shall be recognised in the income statement in accordance with IFRS 9. The potential price that is not included in the scope of IFRS 9 is measured at fair value at the date of the financial statements and fair value variations are recognised in the income statement.

Goodwill is initially recognized at the cost represented by the surplus of the set of the price paid and of the amount recorded for minority interests with respect to the identifiable net assets acquired and the liabilities assumed by the Group. If the fair value of the net assets acquired exceeds the set of the price paid, the Group verifies again whether it correctly identified all acquired assets and all assumed liabilities and it revises the procedures used to determine the amounts to be recognized at the acquisition date. If the new measurement again yields a higher fair value of the net assets acquired than the price, then the difference (gain) is recognized in the income statement.

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

If goodwill was allocated to a cash-generating unit and the entity disposes of some of the assets of this unit, the goodwill associated with the disposed asset is included in the carrying amount of the asset when the gain or the loss of the disposal is determined. The goodwill associated with the disposed asset is determined on the basis of the relative values of the disposed asset and of the retained part of the cash-generating unit.

4.2 CURRENT/NON-CURRENT CLASSIFICATION

The assets and liabilities in the financial statements of the Group are classified according to the current/non-current criterion.
An asset is current when:

- it is supposed to be realized, or is held for sale or consumption, in the course of the normal operating cycle;
- it is held mainly for the purpose of trading;
- it is supposed to be realised within twelve months from the closing date of the year; or
- it consists of cash and cash equivalents unless it is forbidden to trade it or use it to extinguish a liability for at least twelve months from the closing date of the year.

All other assets are classified either as non-current and current.

A liability is current when:

- it is expected to be extinguished in its normal operating cycle;
- it is held mainly for the purpose of trading;
- it must be extinguished within twelve months from the closing date of the year; or
- the entity does not have an unconditional right to defer payment of the liability for at least twelve months from the closing date of the year.

The Group classifies all other liabilities as non-current.

Assets and liabilities for deferred tax assets and liabilities are classified among non-current assets and liabilities.

4.3 TRANSLATION OF FINANCIAL STATEMENTS EXPRESSED IN A DIFFERENT CURRENCY FROM THE FUNCTIONAL CURRENCY

The rules for the translation of the financial statements of the subsidiaries expressed in currencies other the Euro, are as follows:

- assets and liabilities are converted using the exchange rates prevailing at the reference date of the consolidated financial statements (December 31);
- costs and revenues are converted at the average exchange rate of the period;
- the translation reserve includes both the exchange differences generated by the conversion of the amounts at a different rate from the closing rate and those generated by the translation of the opening shareholders' equity amounts at a different exchange rate from the one prevailing on the closing date of the reporting period;
- the goodwill and adjustments deriving from fair value related to the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate prevailing on the closing date of the period.

The exchange rates applied in the conversion of the asset and liability balances in currencies other than the Euro at December 31, 2019 and the average rates of the period from December 1, 2019 - December 31, 2019 are as follows:

		December 31, 2019	
		Exchange rate at the end of the year	Average exchange rate
SEK	Sweden	10,4468	10,5891
NOK	Norway	9,8638	9,8511
EUR	Euro	1	1
GBP	United Kingdom	0,8508	0,87777
USD	US Dollar	1,1234	1,1195
JPY	Japan	121,94	122,0058
CHF	Switzerland	1,0854	1,1124
HK$	Hong Kong Dollar	8,7473	8,7715
CNY	Renminbi (Yuan)	7,8205	7,7355
DKK	Denmark	7,4715	7,4661
SGD	Singapore	1,5111	1,5273

4.4 FAIR VALUE MEASUREMENT

The Group measures non-financial assets at fair value at each reporting date.
The fair value is the price that would be collected for the sale of an asset, or that would be paid for the transfer of a liability, in a regular transaction between market operators at the measurement date.
A measurement of the fair value supposes that the sale of the asset or the transfer of the liability takes place:

a) in the main market of the asset or liability; or

b) in the absence of a main market, in the most advantageous market for the asset or liability.

The main market or the most advantageous market must be accessible for the Group.
The fair value of an asset or liability is measured adopting the assumptions that market operators would use in determining the price of the asset or liability, presuming that they act to best satisfy their own economic interest.
A measurement of the fair value of a non-financial asset considers the capability of a market operator to generate economic benefits employing the asset it its maximum and best use or selling it to another market operator who would employ it in its maximum and best use.

The Group uses measurement techniques that are suitable for the circumstances and for which there are sufficient available to measure fair value, maximizing the use of significant observable inputs and minimizing the use of non-observable inputs.
All assets and liabilities for which the fair value is assessed or exposed in the financial statements are categorized according to the fair value hierarchy, as described below:

- Level 1 - The (unadjusted) listed prices in active markets for identical assets or liabilities which the entity can access at the measurement date;
- Level 2 - Inputs other than the listed prices included in Level 1, observable directly or indirectly for the assets or for the liability;
- Level 3 - Measurement techniques for which the input data are not observable for the asset or for the liability.

The fair value measurement is entirely classified in the same level of the fair value hierarchy in which the lowest input in the hierarchy used for the measurement is classified.
For the assets and liabilities recognised in the financial statements on a recurring basis, the Group determines whether there have been any transfers between the levels of the hierarchy revising the categorization (based on the lowest level input, that is significant for the purposes of the fair value measurement as a whole) at each reporting date.

For the purposes of the information about fair value, the Group determines the classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or of the liability and the level of the fair value hierarchy as illustrated above.

4.5 REVENUE RECOGNITION

Revenue from contracts with customers is recognized when control of the goods and services is transferred to the customer for an amount that reflects the price the Group expects to receive in exchange for such goods or services.

Revenue is recognised to the extent to which it is probable that the economic benefits are achieved by the Group and the related amount can be determined reliably, regardless of the date of collection. Revenue is measured at the fair value of the price received or to be received, taking into account the contractually defined payment terms and excluding taxes and duties. The Group concluded that it is operating on its own behalf in all sales contracts inasmuch as it is the primary debtor, it has discretionality on the price policy and it is also exposed to inventory and credit risk.

4.5.1 SALE OF GOODS

The revenue is recognized when the company has transferred all significant risks and benefits connected to the ownership of the asset to the purchaser, generally on the date of delivery of the goods.
The revenue is valued at the fair value of the consideration received or to be received, net of returns and rebates, commercial discounts and volume reductions. Subsidiaries provide a two-year warranty on repair, in line with industry practice. Customers are not provided with additional guarantees and maintenance contracts.

4.5.2 DIVIDENDS

Dividends are recognized when the right to receive payment is established, which generally corresponds to the time when the Shareholders' Meeting approves their distribution.

4.5.3 RENTAL REVENUES

Rents deriving from property investments are recognized on a straight-line basis over the duration of the existing lease contracts at the balance sheet date and are classified as revenues, taking into account their operational nature.

4.6 INCOME TAXES

4.6.1 CURRENT TAXES

Current taxes of the year are measured for the amount expected to be recovered from or to be paid to the tax authorities. The rates and the tax regulations used to calculate the amount are those promulgated, or substantially in force, at the reporting date in the countries where the Group operates and generates its own taxable income.
Current taxes relating to items recognized directly in the shareholders' equity are also recognized in the shareholders' equity and not in the statement of the profit/(loss) for the period. The Management periodically assesses the position assumed in the income tax return in the cases in which the tax rules are subject to interpretation and, when appropriate, it allocates provisions.

For Ires purposes, IDG S.p.A. and its Italian subsidiaries, for the three-year period 2019-2021, adhere to the national tax consolidation regime, all as subsidiaries consolidated with the Parent Company Design Holding S.p.A., with which a special contract has been entered into to regulate transferred tax contracts.

The national tax consolidation regime, which is governed by the art. 117-129 DPR 917/86, provides a single group tax base at the head of the consolidating company, accordingly:

(i) in the balance sheet, all items relating to the regulation of Ires are classified as intragroup tax reports;

(ii) in the profit and loss, proceeds and/or consolidation costs for the remuneration of the tax accounts, transferred to the consolidator and used by the consolidator as part of the settlement of its taxes, are shown.

4.6.2 DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxes are calculated applying the “liability method” to temporary differences at the date of the financial statements between the tax values of the assets and liabilities and the corresponding financial statement values.
Deferred tax liabilities are recognised on all taxable temporary differences, with the following exceptions:

- deferred tax liabilities derive from the initial recognition of the goodwill of an asset or liability in a transaction that does not represent a business combination and, at the time of the transaction itself, influences neither the result of the financial statements nor the result for tax purposes;
- the reversal of taxable temporary differences, associated with equity investments in subsidiaries, associates and joint venture, can be controlled, and it is probable that it will not occur in the foreseeable future.

Deferred tax assets are recognised in view of all deductible temporary differences, of receivables and of unused tax losses that can be carried forward, to the extent to which it is probable that sufficient future taxable income will be available, which will allow utilisation of deductible temporary differences and of receivables and tax losses carried forward, excepting the cases in which:

- the deferred tax asset connected with deductible temporary differences derive from the initial recognition of an asset or liability in a transaction that does not represent a business combination and,

at the time of the transaction itself, influences neither the result of the financial statements nor the result for tax purposes;
- in the case of deductible temporary differences associated with equity investments in subsidiaries, associates and joint ventures, deferred tax assets are recognised only to the extent to which it is probable that they will be reversed in the foreseeable future and that there will be sufficient taxable income that allows to recover these temporary differences.

The carrying amount of deferred tax assets is re-examined at each reporting date and reduced to the extent to which it is no longer probable that in the future there will be sufficient taxable income to allow the receivable to be used in full or in part. Unrecognised deferred tax assets are re-examined at each reporting date and are recognised to the extent to which it becomes probable that taxable income will be sufficient to allow these taxes to be recovered.
Deferred tax assets and liabilities are measured on the basis of the tax rate expected to be applied during the year in which these assets will be realised or these liabilities will be extinguished, considering the rates in force and the ones already promulgated, or substantially in force, on the date of the financial statements.
Deferred taxes relating to elements recognised outside the income statement are also recognised outside the income statement and, hence, in the shareholders' equity or in the statement of comprehensive income, consistently with the element to which they refer.
Deferred tax assets and deferred tax liabilities are offset if there is a legal right that allows to offset current tax receivables and current tax payables, and the deferred taxes refer to the same taxpayer and to the same tax authority.

4.6.3 INDIRECT TAXES

Costs, revenues, assets and liabilities are recognised net of indirect taxes, such as the value added tax, with the following exceptions:

- the tax applied to the purchase of goods or services is not deductible; in this case it is recognised as a part of the purchase cost of the asset or part of the cost recognised in the income statement;
- trade receivables and payables include the applicable indirect tax.

The net amount of the indirect taxes to be recovered or to be paid to the Tax Authorities is included in the financial statements among receivables or among payables.

4.7 ASSETS HELD FOR DISPOSAL

The Group classifies non-current assets as held for sale/disposal if their carrying amount will be recovered mainly with a sale transaction instead of through their continuous use. These non-current assets classified as held for sale are measured at the lower between the carrying amount and their fair value net of selling costs. Selling costs are additional costs directly attributable to the sale, excluding financial costs and taxes.
The condition for classification as held for sale is considered to be met only when the sale is highly probable and the asset for disposal is available for immediate sale in its current conditions. The actions required to complete the sale should indicate that it is improbable that there may be significant changes in the sale or that the sale may be cancelled. The Management must be committed to the sale, whose completion should be expected within one year from the date of classification.

The assets and the liabilities classified as held for sale are presented separately among the current items in the financial statements.
An asset for disposal qualifies as a discontinued operation if it is part of an entity that was disposed or is classified as held for sale, and:

- it represents an important autonomous business unit or geographic business area,
- it is part of a single coordinated plan for the disposal of an important business unit or geographic business area,
- it is a subsidiary acquired exclusively in view of a resale.

Additional information about the assets for disposal is provided in the Note “Assets held for disposal”. All the other notes to the financial statement include amounts relating to operating assets, unless otherwise indicated.

4.8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and machinery are measured at the cost of purchase or of production, net of the accumulated depreciation and of any accumulated impairment losses. The cost includes ever expense directly incurred to prepare the assets for their use, as well as any disposal and removal expenses that will be incurred consequently to contractual obligations that required bringing the asset back to the original conditions. Any interest expenses incurred for the acquisition, production or construction of the property, plant and machinery are capitalised on the value of the related asset until it is available for use.
The expenses incurred for ordinary and/or cyclical maintenance and repairs are charged directly to the income statement in the year incurred. The capitalisation of costs inherent to the expansion, modernization or improvement of the structural elements owned or used by third parties is made solely to the extent that they meet the conditions for being classified separately as an asset or part of an asset under the component approach method. Similarly, the replacement costs of the identifiable components of complex assets are recognised among the assets and amortised according to their estimated useful life; the residual carrying amount of the replaced component is recognised in the income statement.

The annual depreciation rates, representative of the estimated useful life for categories of tangible assets, are the follows:

	DEPRECIATION RATE
Land and buildings:	
Buildings	3%
Commercial properties	10%
Light construction	10%
Plant and machinery:	
Automatic operating machines	15.5% - 20%
Generic specific and special plants	10% - 15% - 30%
Industrial & commercial equipment	
Moulds and equipment	25%
Furniture for stores and events	12%
Other assets:	
Furniture and fixtures for offices	12% - 20%
Electronic office machines	20%
Vehicles and internal transport means	20%
Motor cars	20% - 25%

The useful life of the tangible assets and the residual value are revised and updated, when applicable, at the closing of each year.
When the depreciable asset is composed of distinctly identifiable elements, the useful life of which differs significantly from that of the other parts which compose the asset, depreciation is taken separately for each of the parts which make up the asset under the “component approach” principle.
The profits and losses deriving from sales or disposals of assets are determined as the difference between the sale revenue and the net book value of the disposed or sold asset and are charged to the income statement of the year of accrual.
Improvements to third-party assets are classified in tangible assets, consistently with the nature of the cost incurred. The depreciation period corresponds to the lower between the residual useful life of the tangible asset and the residual duration of the lease agreement.
Land is not depreciated.

4.8.1 LEASING

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land and Buildings 2 to 24 years
- Plant and machinery 2 to 8 years
- Industrial and commercial equipment 2 to 5 years
- Other Assets 2 to 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.
The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment of non-financial assets (see Notes 4.13 - 6.2.1).

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.
Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group’s lease liabilities are included in Interest-bearing loans and borrowings (see Notes 11 - 23).

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).
It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

4.9 OTHER INTANGIBLE ASSETS

Other intangible assets acquired separately are initially recognised at cost, whereas those acquired through business combinations are recognised at fair value at the date of purchase. After the initial recognition, intangible assets are recognised at cost net of accumulated amortisation and of any accumulated impairment losses. Intangible assets produced internally, with the exception of the development costs, are not capitalised and are recognised in the income statement of the year in which they were incurred.
The useful life of intangible assets is assessed as finite or indefinite.
Intangible assets with finite useful life are amortised throughout their useful life and they are subjected to impairment test every time there are indications of a possible impairment loss. The amortisation period and the amortisation method of an intangible asset with definite useful life is reconsidered at least at the end of

each year. Changes in the expected useful life or in the ways with which future economic benefits tied to the asset will be realised are recognised through the change of the period or of the amortisation method, depending on the case, and they are considered changes in accounting estimates. The amortisation rates of intangible assets with definite useful life are recognised in the statement of profit/(loss) for the year in the cost category consistent with the function of the intangible asset.
Intangible assets with indefinite useful life are not amortised, but are annually subjected to impairment test, both at the individual level and at the level of cash generating unit. The assessment of the indefinite useful life is revised annually to determine whether this attribution continuous to be sustainable, otherwise, the change from indefinite useful life to defined useful life is applied prospectively.
The gains or losses deriving from the elimination of an intangible asset are measured from the difference between the net revenue of the disposal and the carrying amount of the intangible asset and are recognised in the profit/(loss) of the year in the year when the derecognition takes place.

4.9.1 RESEARCH AND DEVELOPMENT COSTS

Research costs are allocated in the income statement of the year in which they are incurred. The development costs incurred in relation to a determined project are recognised as intangible assets when the Group is able to demonstrate:

- the technical possibility of completing the intangible asset, so that it is available for use or sale;
- the intention to complete the asset and the Group's ability to use it or sell it;
- the ways in which the asset will generate future economic benefits;
- the availability of resources to complete the asset;
- the ability to reliably asset the cost attributable to the asset during development;
- the ability to use the intangible asset generated.

After the initial recognition, development assets are measured at cost minus amortisation or accumulated impairment losses. The amortisation of the asset starts when development is completed and the asset is available for use. Development activities are amortised with reference to the period of the expected benefits and the related amortisation rates are included in the cost of goods sold.
During the development period the asset is subjected to annual impairment test.

4.9.2 TRADEMARKS, LICENCES AND SIMILAR RIGHTS

Amortisation of Licences is calculated with linear method so as to allocate the cost incurred for the acquisition of the right along the shorter period from the expected utilisation period and the duration of the related agreement starting from the time when the acquired right becomes exercisable. Software licences are amortised with linear method on the period deemed representative of the related useful life, i.e. 5 years.
The amortisation rates of the intangible assets are summarised below.

	DEPRECIATION RATE
Development costs	20% - 33%
Patent rights and intellectual property	20% - 33%
Software Licenses	20%
Trademark registration	10%

4.9.3 TRADEMARK

The brands included in the consolidated balance sheet, present in the balance sheets of the groups of which IDG gained control through the extraordinary transaction that took place in 2018, are represented mainly by the brands "FLOS", "B&B", Maxalto", "Arclinea" and "Louis Poulsen".

Brands have been granted indefinite useful life (and, therefore, it is not subject to the depreciation process), as:

- play a priority role in the Group's strategy and are a primary value driver;

- the company structure, in its concept of organized material goods and organization itself in a broad sense, is strongly related and dependent on the diffusion and development of brands on the markets;
- Trademarks are owned and are correctly registered and constantly protected from a regulatory point of view, with options for renewing legal protection when registration periods expire;
- the products marketed by the Group under these brands are not subject to particular technological obsolescence, as is also characteristic for the "luxury" market in which the Group operates, and indeed, are perceived by the market as constantly innovative and trendy, so as to become models to imitate or to be inspired;
- the brand is characterized, in the national and/or international context, by a market positioning and notoriety that ensures its pre-eminence in the respective market segments being constantly associated and compared to the brands of absolute reference.

As of December 31, 2019, it was considered appropriate to subject the brand to a separate impairment test in order to verify the consistency of the values entered in the budget, with the criteria described below.

4.10 FINANCIAL ASSETS

A financial instrument is any contract originating a financial asset for an entity and a financial liability or an equity instrument for another entity.

i) Financial assets
Initial recognition and measurement
At the time of initial recognition, financial assets are classified, according to the case, on the basis of the subsequent measurement procedures, i.e. at amortised cost, at fair value recognised in other comprehensive income OCI and at the fair value recognised in the income statement.
The classification of financial assets at the time of initial recognition depends on the characteristics of the contractual cash flows of the financial assets and on the business model used by the Group for their management. With the exception of trade receivables that do not contain a significant financing component or for which the Group applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value recognised in the income statement, the transaction costs. Trade receivables that do not contain a significant financing component or for which the Group applied the practical expedient are measured at the price of the transaction determined according to IFRS 15. Please refer to the paragraph of the accounting principles (e) Revenue from contracts with customers.

For a financial asset to be classified and measured at amortized cost or at fair value in OCI, where to generate cash flows that depend solely on the principal and interest on the amount of the principal to be repaid ('solely payments of principal and interest (SPPI)'). This assessment is indicated as SPPI test and it is carried out at the instrument level.

The Group's business model for the management of financial assets refers to the way in which it manages its own financial assets to generate cash flows. The corporate model determines whether the cash flows will derive from the collection of contractual cash flows, from the sale of financial assets or from both.
The purchase or the sale of a financial asset that requires its delivery within a time interval generally established by regulation or market convention (standardized or regular way trade) is recognised at the trade date, i.e. the date on which the Group committed to purchase or sell the asset.
Subsequent measurement
For the purposes of the subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value recognised in the statement of comprehensive income with reclassification of earnings and accumulated losses (debt instruments);
- Financial assets at fair value recognised in the statement of comprehensive income without reversal of earnings and accumulated losses at the time of elimination (equity instruments);
- Financial assets at fair value recognised in the income statement.

Financial assets at amortized cost (debt instruments)
The Group measures financial assets at amortized cost if both of the following requirements are met:

- the financial asset is held within the scope of a business model whose objective is possession of financial assets directed at the collection of contractual cash flows and
- the contractual terms of the financial asset provide at determined dates cash flows represented solely by payments of the principal and of the interest on the amount of the principal to be repaid.

Financial assets at amortized cost are subsequently measured using the effective interest criterion and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or revalued.
The Group's financial assets at amortized cost include trade receivables and a loan to a director included in the other non-current financial assets.

Financial assets at fair value recognised in the OCI (debt instruments)
The Group measures debt instrument assets at fair value recognised in the statement of comprehensive income if both of the following conditions are met:

- the financial asset is held within the scope of a business model whose objective is achieved both through the collection of contractual cash flows and through the sale of the financial assets and
- the contractual terms of the financial asset provide at determined dates cash flows represented solely by payments of the principal and interest determined on the amount of the principal to be repaid.

For assets from debt instruments measured at fair value recognised in OCI, the interest income, the changes due to exchange differences and the impairment losses, together with write-backs, are recognised in the income statement and they are calculated in the same way as the financial assets measured at amortized cost. The remaining changes in fair value are recognised in OCI. At the time of derecognition, the cumulative change in fair value recognised in OCI is reclassified in the income statement.

Assets from debt instruments of the Group measured at fair value recognised in OCI comprise the investments in listed debt instruments included in the other non-current financial assets.

Investments in equity instruments
Upon initial recognition, the Group may irrevocably opt to classify its own equity related investments as equity instruments recognised at fair value recognised in OCI when they meet the definition of equity instruments in accordance with IAS 32 "Financial instruments: Presentation" and are not held for trading. The classification is determined for each individual instrument.
The gains and losses achieved on these financial assets are never recognised in the income statement. Dividends are recognised as other revenue in the income statement when the right to payment was resolved, except when the Group benefits from this income as a recovery of part of the cost of the financial asset, in which case these gains are recognised in OCI. Equity investments recognised at fair value in OCI are not subjected to impairment testing.

The Group opted to classify irrevocably its own unlisted equity investments in this category.

Financial assets at fair value recognised in the income statement
This category comprises assets held for trading, assets designated upon first recognition as financial assets at fair values with changes recognised in the income statement, or the financial assets that must mandatorily be measured at fair value. Assets held for trading are all assets acquired for their sale or their repurchase in the short term. Derivatives, including non-embedded ones, are classified as financial instruments held for trading, unless they are designated as effective hedging instruments. Financial assets with cash flows not represented solely by payments of principal and interest are classified and measured at fair value recognised in the income statement, regardless of the business model. In spite of the criteria for debt instruments to be classified at amortized cost or at fair value recognised in OCI, as described above, debt instruments can be recorded at fair value recognised in the income statement at the time of initial recognition if this entail the derecognition or the significant reduction of an accounting misalignment.

Financial instruments at fair value with changes recognised in the income statement are recorded in the statement of financial position at fair value and net changes in fair value recognised in the statement of profit/(loss) for the year.
This category includes the derivative instruments and the listed equity investments the Group has not irrevocably chosen to classify at fair value recognised in OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit/(loss) for the year when the right to the payment has

been established. The embedded derivative contained in a hybrid non-derivative contract, in a financial liability or in a non-financial main contract, is separated from the main contract and accounted for as a separate derivative, if: its economic characteristics and the risks associated therewith are not closely related to those of the main contract; a separate instrument with the same terms as the embedded derivative would satisfy the definition as a derivative; and the hybrid contract is not measured at fair value recognised in the income statement. Embedded derivatives are measured at fair value, with changes in fair value recognised in the income statement. A redetermination takes place only if there is a change in the terms of the contract that significantly changes the cash flows otherwise expected or a reclassification of a financial asset to a different category from fair value in the income statement.
An embedded derivative included in a hybrid contract that contains a financial asset is not separated from the host contract. The financial asset together with the embedded derivative is classified internally as a financial asset at fair value recognised in the income statement.

Write-off

A financial asset (or, when applicable, part of a financial asset or part of a group of similar financial assets) is written off in the first place (e.g. removed from the statement of financial position of the Group) when:

- the rights to receive the cash flows from the assets are extinguished, or
- the Group transferred to a third party the right to receive cash flows from the asset or assumed the contractual obligation to pay them in full and without delay and (a) transferred substantially all risks and benefits of the ownership of the financial asset, or (b) did not transfer or retained substantially all the risks and benefits of the asset, but it transferred control thereof.

If the Group transferred the rights to receive cash flows from an asset or executed an agreement whereby it maintains the contractual rights to receive the cash flows of the financial asset, but it assumes a contractual obligation to pay the cash flows to one or more beneficiaries (pass-through), it assesses whether and to which extent it maintained the risks and the benefits inherent to possession. If it did not transfer or retained substantially all risks and benefits or it did not lose control thereon, the asset continues to be recognised in the financial statements of the Group to the extent of its residual involvement in the asset. In this case, the Group also recognises an associated liability. The transferred asset and the associated liabilities are measured so as to reflect the rights and the obligations that remain the Group's.
When the residual involvement of the entity is a guarantee on the transferred asset, the involvement is measured on the basis of the lesser between the amount of the asset and the maximum amount of the consider received which the entity may have to repay.

Impairment of financial assets
Additional information about the impairment of financial losses is also provided in the note "Discretionary assessments and significant accounting estimates".

The Group records an impairment for expected losses (expected credit loss, 'ECL') for all financial assets represented by debt instruments not held at fair value recognised in the income statement. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows the Group expects to receive, discounted at an approximation of the original effective interest rate. The cash flows will include the cash flows deriving from the enforcement of the collateral held or of other guarantees on the receivable which are integral parts of the contractual conditions.
The expected losses are recognised in two steps. In relation to the credit exposures for which there was not significant increase of the credit risk from the initial recognition, it is necessary to recognise the losses on receivables that derive from the estimation of default events that are possible within the subsequent 12 months (12-month ECL). For the credit exposures for which there was a significant increase of the credit risk from initial recognition, it is necessary to fully recognise the expected losses that refer to the residual duration of the exposure, regardless of the time when the default event is forecast to occur ("Lifetime ECL").
For trade receivables and assets deriving from contracts, the Group applies a simplified approach in the calculation of the expected losses. Therefore, the Group does not monitor changes to the credit risk, but it fully recognises the expected loss at each reference date. The Group defined a matrix system based on historical information, revised to consider prospective elements with reference to the specific types of debtors and their economic environment, as an instrument for determining the expected losses.

For assets represented by debt instruments measured at fair value recognised in OCI, the Group applies the simplified approach allowed for assets with low credit risk. At each reference date of the financial statements, the Group assesses whether the debt instrument has a low credit risk using all the available information that can be obtained without excessive costs or efforts. In carrying out the assessment, the Group monitors the credit rating of the debt instrument.

The financial assets represented by debt instruments held by the Group measured at fair value recognised in OCI comprise exclusively listed bonds classified in the best categories of credit rating and, hence, they are considered investments with low credit risk. The Group's policy is to measure the expected losses in the subsequent 12 months on these instruments on an annual basis. However, when a significant increase of the credit risk occurred, the Group fully recognises the expected losses that refer to the residual duration of the exposure.

The Group considers a financial asset to be in default when the contractual payments have been past due for 90 days. In some cases, the Group can also consider that a financial asset is in default when internal or external information indicate that it is improbable that the Group will fully recover the contractual amounts before considering the guarantees on the credit held by the Group. A financial asset is written off when there is no reasonable expectation of recovery of the contractual cash flows.

4.11 FINANCIAL LIABILITIES

Recognition and initial measurement
Financial liabilities are classified, at the time of the initial recognition, among financial liabilities at fair value recognised in the income statement, among mortgages and loans, or among derivatives designated as hedging instruments.
All financial liabilities are initially recognised at fair value to which are added, in the cases of mortgages, loans and payables, the transaction costs directly attributable thereto.
The financial liabilities of the Group comprise trade payables and other payables, mortgages and loans, including current account overdrafts and derivative financial instruments.

Subsequent measurement
The assessment of financial liabilities depends on their classification, as described above:
Financial liabilities at fair value recognised in the income statement
Financial liabilities recognised at fair value with changes recognised in the income statement comprise liabilities held for trading and financial liabilities initially recognised at fair value with changes recognised in the income statement.
Liabilities held for trading are all those assumed with the intention of extinguishing them or transferring them in the short term. This category also includes the derivative financial instruments entered into by the Group which are not designated as hedging instruments in a hedging relationship defined by IFRS 9. Embedded derivatives, separated from the main contract, are classified as financial instruments held for trading unless they are designated as effective hedging instruments.
Gains or losses on liabilities held for trading are recognised in the statement of profit/(loss) for the year.
Financial liabilities are designated at fair value with changes recognised in the income statement from the date of initial recognition, only if the criteria of IFRS 9 are met. At the time of the initial recognition, the Group did not designate financial liabilities at fair value with changes recognised in the income statement.
Loans and receivables
This category is the most significant for the Group. After the initial recognition, loans are measured with the amortized cost criterion using the effective interest rate method. Gains and losses are recognised in the income statement when the liability is extinguished, as well as through the amortization process.
The amortized cost is calculated noting the discount or the bonus on the acquisition and the fees or costs that are an integral part of the effective interest rate. Amortization at the effective interest rate is included among financial expenses in the statement of profit/(loss). This category generally includes interest-bearing receivables and loans.

Write-off
A financial liability is written off when the obligation underlying the liability is extinguished, voided or fulfilled. If an existing financial liability is replaced by another one of the same lender, at substantially different conditions, or the conditions of an existing liability are substantially amended, this exchange or amendment is treated as an accounting write-off the original liability, accompanied by the recognition of a new liability, with recognition in the statement of profit/(liability) of the year of any differences between the carrying amounts.

Offsetting of financial instruments
A financial asset and liability can be offset and the net balance exposed in the statement of financial position, if there is a current legal right to offset the amounts recognised in the financial accounts and there is the intention of extinguishing the net residue, or realising the asset and concurrently extinguishing the liability.

Derivative financial instruments and hedge accounting
Initial recognition and subsequent measurement
The Group uses derivative financial instruments such as: forward foreign exchange contracts, interest rate swaps and forward commodity acquisition contracts to cover respectively, its own currency exchange rate risks, the interest rate risks and the commodity price risks. These derivative financial instruments are initially recognised at fair value at the date on which the derivative contract is entered into and, subsequently, they are again measured at fair value. Derivatives are recorded as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.
For hedge accounting purposes, there are three types of hedges:

- fair value hedging in case of hedge of the exposure against changes of the fair value of the asset or liability recognised or unrecorded irrevocable commitment;
- cash flow hedging in case of hedge of the exposure against the variability of the cash flows attributable to a particular risk associated with all assets or liabilities recognised or to a highly probable planned transaction or the foreign currency risk on unrecorded irrevocable commitment;
- hedge of a net investment in a foreign management.

4.12 INVENTORIES

Inventories are measured at the lower amount between the cost and the value of presumable net realisation.

The costs incurred to bring each good to the current place and conditions are recognised as follows:

- the cost of inventories is based on the weighted average cost method, with the exception of the LP Group that measures inventories with the FIFO criterion;
- the cost of production is determined including all costs directly attributable to the products, general production costs, defined on the basis of the normal production capacity, excluding the financial expenses.

The LP method does not generate significant differences with respect to the weighted average cost method.
For the part of inventory deemed no longer usable economically, or with an assumed realisation value that is lower than the cost recognised in the financial statements, a dedicated write-down provision is allocated.

4.13 IMPAIRMENT OF NON-FINANCIAL ASSETS

At every reporting date, the Group assesses the existence of any indicators of asset impairment losses. In this case, or in cases requiring an annual impairment test, the Group estimates the recoverable value. The recoverable value is the higher amount between the fair value of the asset or cash-generating unit, net of selling costs, and its value in use. The recoverable value is determined by individual asset, except when the asset generates cash flows that are not broadly independent of those generated by other assets or groups of assets. If the carrying amount of an asset is greater than its recoverable value, the asset has undergone an impairment and it is consequently written down to its recoverable value.

In calculating the value in use, the Group discounts estimated future cash flows to present value using a discount rate before taxes, which reflects current market assessments of the time value of money and the risks specific to the asset. In calculating fair value net of selling costs, recent transactions carried out on the market are taken into account. If these transactions cannot be identified, an adequate valuation model is used. These calculations are supported by appropriate valuation multipliers, prices of listed equities for investees whose securities are traded on the market, and other available fair value indicators.
The Group bases its impairment test on detailed budgets and forecast calculations, prepared separately for each cash-generating unit of the Group to which individual assets are allocated. These budges and forecast calculations generally cover a period of five years. In case of longer periods, a long-term growth rate is calculated, which is used to project future cash flows beyond the fifth year.

For acquisitions occurred in proximity to the end of the year, the group could determine the recoverable value calculating the fair value of the asset to be evaluated.

Impairment losses of operating assets, including the impairment losses of inventories, are recognised in the statement of profit/(loss) for the year in the cost categories consistent with the destination of the asset that underwent the impairment loss. Fixed assets previously revalued are an exception, if the revaluation was recognised among the other comprehensive income. In these cases, the impairment loss is in turn recognised among the other comprehensive income up to the previous revaluation.
For assets other than goodwill, at each reporting date the Group assesses the existence of any indications that the previously recognised impairment losses no longer apply (or were reduced) and, if there are such indications, it estimates the recoverable value of the asset or of the CGU. The value of an asset that was previously written down may be restored only if there were changes in the assumptions on which the calculation of the determined recoverable value was based, subsequent to the recognition of the last impairment loss. The write-back may not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised in previous years. The write-back is recognised in the statement of profit/(loss) for the year unless the asset is recognised at the written-back value, in which case the write-back is treated as a revaluation increase.

The following criteria are used to account for impairment losses relating to specific types of assets:

4.13.1 GOODWILL

Goodwill is tested for impairment at least once a year (as at December 31) and, with greater frequency, when the circumstances lead to believe that the book value could be subject to impairment loss.

The impairment loss of the goodwill is determined measuring the recoverable value of the cash-generating unit to which the goodwill is connected. When the recoverable value of the cash-generating unit were lower than the carrying amount of the cash-generating unit to which goodwill was allocated, an impairment loss is recognised. The write-down of the value of goodwill may not be restored in future years.

4.14 CASH AND CASH EQUIVALENTS AND SHORT-TERM DEPOSITS

Cash and cash equivalents and short-term deposits comprise cash at hand and short-term deposits on demand with maturity within three months.
For the purposes of representing the consolidated statement of cash flows, cash and cash equivalents are represented by cash as defined above, net of bank overdrafts.

4.15 TREASURY SHARES

Treasury shares bought back are recognised at cost and subtracted from shareholders' equity. The purchase, the sale or sale or write-off of treasury shares did not give rise to any profit or loss in the income statement. The difference between the acquisition value and the consideration, in case of re-emission, is recognised in the share premium reserve. If options on shares were exercised in the period, they are satisfied with treasury shares.

4.16 PROVISIONS FOR RISKS AND CHARGES

The Group recognises provisions for risks and charges when:

- it has a legal or implied obligation to third parties, resulting from a past event;
- it is probable that it will become necessary to use the Group’s resources to fulfill the obligation;
- a reliable estimate of the amount of the obligation can be obtained.

Allocations are recognised at the present value, if the financial element (or time value) is significantly appreciable, using a discount rate that reflects the specific risks of the liabilities. When discounting is carried out, the increase in the allocation due to the elapsing of time is recognised as a financial expense. Changes in estimates are reflected in the income statement of the period in which the change took place.

5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES CONTINUED

The Group applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces the standards IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.
IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of lease agreements and requires lessees to account for all lease agreement following a single accounting model in the financial statements similar to the accounting treatment of financial leases regulated by IAS 17.
The standard includes two exemptions to recognition for lessees - leases of “low value” assets (e.g. personal Computers) and short-term lease agreements (i.e. lease agreements with a lease period shorter than or equal to 12 months). At the starting date of a lease, the lessee shall recognize a liability relating to lease fees (i.e. the liability for the lease) and an asset that represents the right to use the underlying asset during the duration of the lease (i.e. the right to use the asset). Lessee shall separately recognize interest expenses on the liability for the lease and amortization on the right of use.
Lessees shall also be required to reconsider the amount of the liability relating to the lease upon occurrence of determined events (e.g., a change of the duration of the lease, a change of the future fees deriving from the change of an index or of the rate used to determine such payments). In general, the lessee shall recognize the re-measurement difference of the amount of the lease liability as an adjustment to the right of use.
The accounting method for the lessor consistent with IFRS 16 remains substantially unchanged with respect to the current accounting policies according to IAS 17. Lessors shall continue to classify all leases using the same classification principle of IAS 17 and will distinguish two types of leases: operating and financial leases.
IFRS 16, which is effective from years beginning from January 1, 2019, requires lessees and lessors to provide broader disclosure compared to IAS 17.

The Group used the exemptions proposed by the standard on lease agreements for which the term of the lease agreement expire within 12 months from the date of initial application and the lease agreements for which the underlying asset has a low value.
The multi-year duration of the agreements required the exercise of a complex professional judgement by the Corporate Management for the definition of the assumptions to be adopted for the purposes of determining the impacts connected with the new provisions of the standard.
In particular, the main assumptions adopted regard:

- the assessment of the periods covered by extension or early termination options for the purposes of the determination of the duration of the lease agreement; the separation of the non-lease components;
- the assessment of the periods covered by extension or early termination options for the purposes of the determination of the duration of the lease agreement;
- the discounting rate used for determining the lease liability, represented by the incremental financing rate of the lessee. This rate was defined taking into account the duration of the lease agreements, the currency in which they are denominated and the characteristics of the economic environment in which lessees operate, defined on the basis of the country risk premium attributed to the individual countries in which the Group operates. At present, the range of these discount rates is between 4% and 5.6%.

The Group took the option to recognize the effect connected to the retroactive redetermination of the values in the shareholders' equity as of January 1, 2019, without restating the previous years provided for comparison (modified retrospective approach).

Impact on the consolidated statement of financial position (increase/(decrease)):

Right of use asset	50.328
Write off of deferred rent	(1.049)
Non current financial lease liability	41.211
Current financial lease liability	9.118

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.
Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

Amendments to IFRS 9: Prepayment Features with Negative Compensation
Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

Amendments to IAS 28: Long-term interests in associates and joint ventures
The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments had no impact on the consolidated financial statements as the Group does not have long-term interests in its associate and joint venture.

Annual Improvements 2015-2017 Cycle

IFRS 3 Business Combinations
The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

IFRS 11 Joint Arrangements
An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3.
The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

IAS 12 Income Taxes
The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

IAS 23 Borrowing Costs
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

5.1 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts
In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.
A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts
-

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Amendments to IFRS 3: Definition of a Business
In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material
In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

6 DISCRETIONARY VALUATIONS AND SIGNIFICANT ACCOUNTING ESTIMATES

Preparation of the Group's financial statements requires directors to make discretionary valuations, estimates and hypotheses that influence the values of revenues, costs, assets and liabilities and the related disclosure,

as well as the indication of potential liabilities. Uncertainty about assumptions and estimates could lead to outcomes that will require, in the future, a significant adjustment to the carrying amount of these assets and/or liabilities.

6.1 DISCRETIONARY VALUATIONS

In applying Group accounting standards, the directors made decisions based on the following discretionary valuations (excluding those entailing estimates) with a significant effect on the values recorded in the financial statements.

6.2 USE OF ESTIMATES

Illustrated below are the assumptions pertaining to the future and the other main causes of uncertainty in the estimates that, as at the end of the financial year, present the relevant risk of giving rise to significant adjustments of the accounting values of the assets and liabilities within the following year. The Group based its estimates and assumptions on parameters available at the time of preparation of the consolidated financial statements. However, the current circumstances and assumptions on future development could be modified because of changes in the market or of events outside the Group's control. If these changes take place, they will be reflected in the assumptions.

6.2.1 IMPAIRMENT OF NON-FINANCIAL ASSETS

An impairment occurs when the carrying amount of an asset or of a cash-generating unit exceeds its recoverable value, which is the higher amount between the fair value net of selling costs and its value in use. Fair value net of selling costs is the amount obtainable from the sale of an asset or of a cash-generating unit in a free transaction between informed and willing parties, minus the costs of the disposal. The calculation of the value in use is based on a cash flow discounting model. Cash flows are derived from the budget of the four subsequent years and do not include restructuring activities for which the Group has not yet committed or significant future investments that will increase the results of the assets comprising the cash-generating unit being measured. The recoverable value depends markedly on the discount rate used in the cash flow discounting model, as well as on cash flows expected in the future and on the growth rate used for extrapolation.

6.2.2 ALLOCATION FOR IMPAIRMENT OF TRADE RECEIVABLES AND CONTRACTUAL ASSETS

The Group uses a matrix to calculate ECLs for trade receivables and contractual assets. The allocation rates are based on the days overdue for each class of customers grouped in the various segments that have similar historical loss patterns (e.g., by geographic area, type of product, type of customer, rating and guarantees). The matrix is initially based on the observed historical insolvency rates of the Group. The Group will calibrate the matrix to refine the historical data on credit losses with forecast elements.

The assessment of the correlation between the historical insolvency rates, the forecast economic conditions and the ECLs is a significant estimate. The amount of ECL is sensitive to changes to circumstances and to the expected economic conditions. The historical experience on the pattern of the Group's credit losses and the forecast of future economic conditions may not be representative of the customer's actual insolvency in the future.

6.3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND CRITERIA

The Group's main liabilities comprise trade receivables, loans and other payables. The main objective of these liabilities is finance the operational activities of the Group. The Group has trade and non-trade receivables, other receivables, cash and cash equivalents and short-term deposits that originate directly from the operating activities.

The Group is exposed to market risk (interest and exchange rate risk), to credit risk and to liquidity risk. Group management is tasked with managing these risks. The Board of Directors shall review and approve the management policies of each of the risks exposed below.

6.3.1 INTEREST RATE RISK

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will be changed because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates is related firstly to long-term debt with variable interest rate. The sensitivity analysis shows that a change in interest rates of 100bps and -100 bps on the variable rate portion of the Shareholder Loan would lead to a change in pre-tax profit of no more than Euro 530 thousand.

6.3.2 EXCHANGE RATE RISK

The exchange rate risk is the risk that the fair value or the future cash flows of an exposure will be changed because of changes in exchange rates. The Group's exposure to the risk of changes in the exchange rates refer mainly to the operating activities of the Group (when the revenue or costs are denominated in a foreign currency) and to the Group's net investments in foreign subsidiaries.

Although the Group has a strong international connotation, use of the Euro as a transnational currency for most transactions almost entirely eliminates the risk tied to exchange rate changes. The Group is mainly exposed for positions denominated Euro, Danish Krone, Yen and US Dollar; however, the volumes are not such as to have any significant impacts on the Group's financial and economic results. Consequently, no analysis was carried out on sensitivity to changes in exchange rates.

6.3.3 CREDIT RISK

Credit risk is the risk that a counterparty will not meet its obligations tied to a financial instrument or to a commercial agreement, thus leading to a financial loss. The Group is exposed to the credit risk deriving from its operating activities (mostly for trade receivables and credit notes) and including deposits with banks and financial institutions.

The credit risk correlated to commercial counterparties is managed by the individual subsidiaries and monitored centrally by the Group Administrative Office. The Group has no significant credit risk concentrations. However, procedures are in place to ensure that sales of products and services are carried out to customers with high reliability, taking into account their financial position, past experience and other factors. Credit limits on main customers are based on internal and external valuations on the basis of thresholds approved by the head offices of the individual countries. Use of credit limits is monitored periodically.
The currently existing customer list comprises the main market players, with maximum reliability credit ratings. Therefore, no actions to hedge this risk were planned beyond the normal procedures and checks used for credit risk management.
There are no receivables overdue for over 12 months.

6.3.3.1 FINANCIAL INSTRUMENTS AND BANK DEPOSITS

Concerning the credit risk relating to the management of financial resources and cash, the risk is monitored by the Group Administrative Office, which implements procedures directed at ensuring the Group companies have dealings with high, safe profile independent companies.

6.3.4 LIQUIDITY RISK

The Group monitors the risk of a lack of liquidity using a liquidity planning tool.
The Group is not significantly exposed to this type of risk because the capital and financial structure of the Group is sound.

6.3.5 THE RECENT CORONAVIRUS OUTBREAK MAY MATERIALLY AFFECT OUR BUSINESS AND RESULTS OF OPERATIONS.

The global outbreak of the novel coronavirus ("***Covid-19***") resulted in a widespread health crisis that adversely affected the economies and financial markets of many countries, particularly of regions from which we derive a significant amount of our revenues, including Europe and North America. Various governments in Europe

and North America (including Italy, Spain and the United States) adopted several measures in an effort to contain the spread of Covid-19. We continue to monitor our operations and government recommendations and have adopted several operational measures to react to Covid-19 related issues. For example, we have implemented health and safety precautions in all locations, plants, offices and shops. In addition, as a result of the deteriorating conditions due to the spread of the pandemic, on March 16, 2020, we decided to suspend all production activities in Italy and, thereafter, all retail activities in Europe and, more recently, both production and retail activities in the United States. If significant portions of our workforce continue to be unable to work effectively and our facilities remain closed for a protracted period of time due to government measures, our operations could be materially impacted. We may be unable to perform fully on our contracts and some of our costs may not be fully recoverable or adequately covered by insurance.
The continued spread of Covid-19 may also cause disruption in our supply chain and limit the ability of our customers to perform under their existing contracts, including making timely payments to us, as well as cause other unpredictable events. In addition, a prolonged general shutdown of retail operations as a result of the restrictive measures imposed by the government in Italy and the other countries where we operate will likely adversely affect employment rates and consumer spending in the impacted regions, which in turn would adversely affect our business and results of operations.
In addition, the resulting volatility in the global capital markets could restrict our access to capital and/or increase our cost of capital. We cannot guarantee that Covid-19 or any future outbreak of another virus or other contagious disease will not have a material adverse effect on our business and results of operations.
As at the date hereof, it is not possible to predict when the government restrictions in the countries where we operate will be lifted and when we will be able to open our facilities and retail locations.

6.4 COMMITMENTS AND RISKS

6.4.1 GUARANTEES AND COMMITMENTS

Following the subscription of the Bond, the following real guarantees summarized below have been subscribed.

Act of pledge on current accounts of International Design Group SpA, signed on November 22, 2018, established by International Design Group SpA, to guarantee, inter alia, the loan agreement for Euro 100 million subscribed on November 9, 2018 and the issue bond of International Design Group SpA of Euro 720 million in favor of, inter alios, UniCredit SpA, as representative of the secured creditors envisaged therein;
Act of transfer under guarantee, signed on December 17, 2018, of intra-group receivables deriving from, inter alia, Proceeds Loan Agreements claimed by International Design Group S.p.A. towards Flos S.p.A., B&B Italia S.p.A. and Luminous Designs Investments ApS, as a guarantee, inter alia, of the loan agreement of Euro 100 million subscribed on November 9, 2018 and the bond issue of International Design Group S.p.A. of Euro 720 million in favor of, inter alios, UniCredit SpA, as representative of the secured creditors envisaged therein;
Act of pledge on shares of Flos S.p.A. signed on December 17, 2018 consisting of International Design Group S.p.A., Cocoon S.r.l. and Fiore S.r.l. to guarantee, inter alia, the loan agreement for Euro 100 million signed on November 9, 2018 and the bond issue of International Design Group S.p.A. of Euro 720 million in favor of, inter alios, UniCredit SpA, as representative of the secured creditors envisaged therein;
Act of pledge on shares of B&B Italia S.p.A. signed on 17 December 2018 consisting of International Design Group S.p.A., to guarantee, inter alia, the loan agreement for Euro 100 million subscribed on 9 November 2018 and the bond issue of International Design Group S.p.A. of Euro 720 million in favor of, inter alios, UniCredit SpA, as representative of the secured creditors envisaged therein;
Pledge on Luminous Designs Investments ApS shares subscribed on December 17, 2018 by International Design Group SpA, to guarantee, inter alia, the loan agreement for Euro 100 million signed on November 9, 2018 and the International Design bond issue Group SpA of Euro 720 million in favor of, inter alios, UniCredit SpA, as representative of secured creditors provided for therein.

7 BUSINESS COMBINATIONS

On November 22, 2018, through a series of extraordinary transactions, the company obtained control of three groups: Flos Group, B&B Group and Louis Poulsen Group.

The net assets recognized in the financial statements as of December 31, 2018 were based on provisional valuations of their fair value, while the Group sought an independent valuation for intangible assets and inventories. This assessment had not yet been completed as of the approval date of 2018 financial statements.

The independent assessment has been completed in time for the approval of 2019 financial statements and the fair value of assets and liabilities upon the acquisition date is shown below:

	Fair value of Flos Group recognised upon acquisition (restated)	***Fair value of B&B Group* recognised upon acquisition (restated)**	***Fair value of LP Group* recognised upon acquisition (restated)**
Assets			
Property, plant and equipment	56,091	45,972	10,000
Goodwill	354,866	146,764	287,999
Other intangible assets	148,491	81,562	21,648
Deferred tax assets	5,741	5,236	1,522
Other non-current assets	1,229	1,753	702
Cash and cash equivalents	33,962	33,789	11,619
Trade receivables and other receivables	37,874	24.849	17,304
Inventories	33,081	39,749	12,698
Other current assets	4,528	6,308	-
Available-for-sale assets	-	4,000	-
	675,863	**389,982**	**363,492**
Liabilities			
Provisions for risks and charges	(4,510)	(3,421)	(306)
Net liabilities for defined benefits to employees	(2,670)	(3,592)	(1,650)
Loans and borrowings	(125,491)	(90,669)	(103,406)
Other non-current liabilities	(1,019)	-	(865)
Deferred tax liabilities	(41,139)	(25,737)	(4,947)
Trade payables and other payables	(30,899)	(54,880)	(11,083)
Other current liabilities	(29,820)	(25,537)	(13,034)
	(235,548)	**(203,836)**	**(135,292)**
Total net assets identifiable at fair value	**440,315**	**186,146**	**228,201**
Reversal of pre-existing goodwill	(354,866)	(146,764)	(287,999)
Non-controlling interests at fair value	(4,407)	(717)	-
Goodwill deriving from the acquisition	575,213	469,028	291,139
Consideration of the acquisition/transfer	**656,255**	**507,693**	**231,341**

The 2018 comparative information was restated to reflect the adjustment to the provisional amounts. The main adjustments are shown below.

	Fair value recognised upon acquisition	Adjustment
FLOS		
Flos Trademark	244.139	100.639
Inventories	66.931	33.850
Deferred taxes	(78.661)	(37.522)
LOUIS POULSEN		
LP Trademark	123.313	111.441
Inventories	18.926	6.228
Deferred taxes	(30.834)	(25.887)
B&B		
B&B Trademark	141.703	86.153
Maxalto Trademark	40.862	17.296
Arclinea Trademark	18.181	18.181
Inventories	52.169	12.420
Deferred taxes	(63.137)	(37.400)

8 GOODWILL

The total value of goodwill amounts to Euro 1.052.460 thousand and its breakdown is as follows:

	December 31, 2019	December 31, 2018 (restated)
Goodwill from acquisition of Flos S.p.A. Group	478.246	478.246
Goodwill from acquisition of B&B Group	372.379	372.379
Goodwill from acquisition of Louis Poulsen Group	201.835	201.835
Total	**1.052.460**	**1.052.460**

8.1 IMPAIRMENT TEST ON GOODWILL AND ON INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

In accordance with IAS 36, Goodwill is not subject to amortisation and it is tested for impairment at least once a year.
For *impairment* test purposes, Goodwill is allocated to the following Cash Generating Units, CGUs: Flos, B&B and Louis Poulsen.

The recoverable amount of each CGU (FLOS, B&B and Louis Poulsen) has been determined based on the calculation of the value in use, in which the projections of the cash flows were those approved by the management and of a period of 5 years.
The calculation of the value in use is particularly sensitive to the following assumptions:

- revenue trend;
- marginality;
- discount rate;

- growth rate used to extrapolate cash flows beyond the forecast period.

The discount rate before taxes used for the projections of cash flows is 8% and the cash flows beyond 5 years have been extrapolated by using a growth rate of 2%.

Upon completion of these analyses, the recoverable amount of the Goodwill was higher than its book value.

The management has prepared an alternative scenario to verify the effects of this latter on the assets' value.

For Flos, the alternative scenario foresaw in 2020 a reduction in revenue of 17.8%, compared to the final figures for 2019, partially recovered in the following years with a year of delay than the normal scenario, a margin in 2020 lower of 30% compared to 2019 and investments reduced by approximately Euro 3.7 Million in 2020. In this scenario, the recoverable value of Goodwill was in any case higher than the book value.

For B&B, the alternative scenario provided, in 2020, a reduction in revenue of 10.3% compared to the final figures for 2019, partially recovered in the following years with a year of delay than the normal scenario, a margin in 2020 of 18.4% lower than 2019 and investments reduced by around Euro 2.0 Million in 2020 and by Euro 2.4 million in 2021, partially recovered in subsequent years. In this scenario, the recoverable value of Goodwill was equal to the book value.

For Louis Poulsen, the alternative scenario envisaged, in 2020, a reduction in revenue of 13.7% compared to the final figures for 2019, a margin in 2020 of 19.5% lower than 2019 and reduced investments of about Euro 2.0 Million in 2020. In this scenario, the recoverable value of Goodwill was in any case higher than the book value.

9 OTHER INTANGIBLE ASSETS

The amount as at December 31, 2019 totals Euro 587.449 thousand and includes the following:

	DEVELOPMENT COSTS	INDUSTRIAL PATENT AND INTELLECTUAL PROPERTY RIGHTS	CONCESSIONS, LICENCES AND TRADEMARKS AND OTHER INTANGIBLE ASSETS	TRADEMARK	**TOTAL INTANGIBLE ASSETS EXCLUDING GOODWILL**
NET BOOK VALUE as of January 1, 2018	**5.775**	**2.481**	**8.341**	**568.812**	**585.409**
HISTORICAL COST as of January 1, 2018	**24.466**	**14.921**	**18.360**	**568.812**	**626.559**
Increases	505	275	675		1.455
Decreases	-			-	-
Exchange rate difference	(1)	2	(6)	-	(5)
Other changes			(139)		(139)
HISTORICAL COST as of December 31, 2018	**24.970**	**15.198**	**18.890**	**568.812**	**627.870**
ACCUMULATED AMORTISATION as of January 1, 2018	**18.691**	**12.440**	**10.019**	**-**	**41.150**
Increases	339	232	166	-	737
Decreases	-	-	-	-	-
Exchange rate difference	2	3	3	-	8
Other changes	-	-	-	-	-
ACCUMULATED AMORTISATION as of December 31, 2018	**19.032**	**12.675**	**10.188**	**-**	**41.895**
NET BOOK VALUE as of December 31, 2018 (restated)	**5.938**	**2.523**	**8.702**	**568.812**	**585.976**

	DEVELOPMENT COSTS	INDUSTRIAL PATENT AND INTELLECTUAL PROPERTY RIGHTS	CONCESSIONS, LICENCES AND TRADEMARKS AND OTHER INTANGIBLE ASSETS	TRADEMARK	**TOTAL INTANGIBLE ASSETS EXCLUDING GOODWILL**
NET BOOK VALUE as of January 1, 2019	**5.938**	**2.523**	**8.702**	**568.812**	**585.975**
HISTORICAL COST as of January 1, 2019	**24.970**	**15.197**	**18.891**	**568.812**	**627.870**
Increases	7.218	2.080	4.902	52	14.251
Decreases	-	(167)	(4.170)	-	(4.336)
Exchange rate difference	-	14	37	-	52
Other changes	(7)	7.767	3.766	3	11.529
HISTORICAL COST as of December 31, 2019	**32.181**	**24.892**	**23.426**	**568.867**	**649.366**
ACCUMULATED AMORTISATION as of January 1, 2019	**19.032**	**12.675**	**10.188**	**-**	**41.895**
Increases	4.183	1.941	2.123	69	8.316
Decreases	-	(167)	(70)	-	(237)
Exchange rate difference	-	13	13	11	37
Other changes	10	7.767	4.129	-	11.906
ACCUMULATED AMORTISATION as of December 31, 2019	**23.225**	**22.229**	**16.382**	**80**	**61.917**
NET BOOK VALUE as of December 31, 2019	**8.956**	**2.663**	**7.043**	**568.787**	**587.449**

Development costs, totalling Euro 8.956 thousand, includes the costs for the personnel dedicated to product development work carried out within the Group. These costs are amortised in three years.

Industrial patent and intellectual property rights comprises mainly costs incurred for depositing patents, producing software and build e-commerce websites.

Concessions, licences and trademarks and other intangible assets comprises mainly assets of the Parent Company referred to the production licences relating to specific product lines.

Trademark, amounting to Euro 568.787 thousand, refers to the trademarks:

- “FLOS”, equal to Euro 244.139;
- “B&B”, "Maxalto” and “Azucena” equal to Euro 200.746 thousand;
- “Louis Poulsen”, equal to Euro 123.313.

Trademarks are considered with an indefinite useful life and therefore subject to annual impairment test.

The recoverable amount of the trademarks has been verified by determining a royalty rate, which a third party would be willing to pay to the owners of the brands, applied to the forecast revenue provided by the business plan. Using a discount rate of 8%, the recoverable value of trademarks was higher than the book value.

The management has prepared an alternative scenario, as made for the impairment of Goodwill, to verify the effects of this scenario on the value of trademarks.

The effects of the alternative scenario are summarized as follows:

- for B&B trademark would determine an impairment of Euro 1.4 Million;
- for Maxalto trademark would determine an impairment of Euro 0.3 Million;
- for Arclinea trademark would determine an impairment of Euro 0.2 Million;
- for Flos trademark would determine an impairment of Euro 3.3 Million;
- for Louis Poulsen trademark would determine an impairment of Euro 1.2 Million.

10 PROPERTY, PLANT AND EQUIPMENT

The amount as at December 31, 2019 totals Euro 111.680 thousand, as shown in detail in the following table:

	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL AND COMMERCIAL EQUIPMENT	OTHER ASSETS	WORK IN PROGRESS AND ADVANCES	**TOTAL PROPERTY, PLANT AND EQUIPMENT**
NET BOOK VALUE as of January 1, 2018	**88.125**	**11.937**	**7.048**	**4.258**	**697**	**112.065**
HISTORICAL COST as of January 1, 2018	**125.734**	**69.880**	**61.724**	**21.395**	**697**	**279.430**
Increases	507	724	718	908	-	2.857
Decreases	(45)	(5.179)	(175)	(614)	(139)	(6.152)
Exchange rate difference	-	(2)	-	86	-	84
Other changes	68	-	-	210	(223)	55
HISTORICAL COST as of December 31, 2018	**126.264**	**65.424**	**62.267**	**21.985**	**335**	**276.275**
ACCUMULATED AMORTISATION as of January 1, 2018	**37.609**	**57.944**	**54.676**	**17.137**	**-**	**167.366**
Increases	342	251	429	149	-	1.171
Decreases	(22)	(4.911)	(189)	(393)	-	(5.515)
Exchange rate difference	36	(1)	-	(4)	-	31
Other changes	-	-	-	-	-	-
ACCUMULATED AMORTISATION as of December 31, 2018	**37.965**	**53.283**	**54.916**	**16.889**	**-**	**163.053**
NET BOOK VALUE as of December 31, 2018 (restated)	**88.299**	**12.141**	**7.351**	**5.096**	**335**	**113.222**

	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL AND COMMERCIAL EQUIPMENT	OTHER ASSETS	WORK IN PROGRESS AND ADVANCES	**TOTAL PROPERTY, PLANT AND EQUIPMENT**
NET BOOK VALUE as of January 1, 2019	**88.299**	**12.141**	**7.351**	**5.096**	**335**	**113.222**
HISTORICAL COST as of January 1, 2019	**126.264**	**65.424**	**62.267**	**21.985**	**335**	**276.275**
Increases	2.761	1.952	3.324	1.970	1.355	11.361
Decreases	(313)	(1.268)	(719)	(937)	(208)	(3.445)
Exchange rate difference	210	2	4	36	-	251
Other changes	485	(19)	124	64	(208)	446
HISTORICAL COST as of December 31, 2019	**129.406**	**66.090**	**65.000**	**23.118**	**1.274**	**284.888**
ACCUMULATED AMORTISATION as of January 1, 2019	**37.965**	**53.283**	**54.916**	**16.889**	**-**	**163.053**
Increases	4.040	2.949	3.727	1.696	-	12.412
Decreases	(313)	(794)	(703)	(850)	-	(2.659)
Exchange rate difference	148	4	(0)	36	-	188
Other changes	338	(484)	(48)	409	-	214
ACCUMULATED AMORTISATION as of December 31, 2019	**42.178**	**54.958**	**57.892**	**18.180**	**-**	**173.208**
NET BOOK VALUE as of December 31, 2019	**87.228**	**11.132**	**7.107**	**4.939**	**1.274**	**111.680**

11 RIGHT OF USE AND FINANCIAL LEASE LIABILITIES

The Group has existing leases covering land and buildings, plants and machinery, vehicles and other equipment that are used in operational activities. Land and construction leases generally last between 2 and 24 years, plant and machinery leases generally last between 2 and 8 years, while those for vehicles and other equipment generally last between 2 and 5 years.

The group's liabilities relating to these leasing agreements are guaranteed by the title of the landlord's property on the leased assets. Generally, the Group may not in turn lease the leased assets to third parties and certain contracts require the group to comply with certain liquidity indices. There are many leasing agreements that include options for renewal and cancellation and variable payments that are best described below.

The group also has certain leases for machinery whose lifespan is 12 months or less and office equipment whose value is modest. The group has chosen for these contracts to apply the exemptions provided by IFRS16 for short-term or low value assets. We point out that, in total, in 2019, the costs recorded in the economic account for short-term leases amounted to Eur 459 thousand.

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL AND COMMERCIAL EQUIPMENT	OTHER ASSETS	TOTAL RIGHT OF USE ASSET
Right of Use assets as of January 1st, 2019	**46.790**	**1.179**	**17**	**1.294**	**49.279**
Additions	4.951	424	2	300	5.677
Decreases for dismissal/change in scope	-	-	-	(26)	(26)
Transfers/Reclassifications	-	-	-	-	-
Exchange rate differences	(16)	-	-	-	(16)
Right of Use assets as of December 31st, 2019	**51.724**	**1.603**	**18**	**1.568**	**54.913**
Accumulated amortization as of January 1st, 2019	**-**	**-**	**-**	**-**	**-**
Additions	9.195	647	5	564	10.411
Decreases for dismissal/change in scope	-	-	-	-	-
Transfers/Reclassifications	-	-	-	-	-
Exchange rate differences	(0)	-	-	-	(0)
Accumulated amortization as of December 31st, 2019	**9.195**	**647**	**5**	**564**	**10.411**
Net Book Value as of December 31st, 2019	**42.529**	**955**	**14**	**1.005**	**44.503**

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

Financial lease liability as of 1st January 2019	**50.328**
Additions	5.746
Decreases	(26)
Interests	3.814
Payments	(12.515)
Exchange rate difference	(9)
Financial lease liability as of 31st December 2019	**47.338**
Current financial lease liability	8.341
Non-current financial lease liability	38.997

12 SHAREHOLDING IN PARENT COMPANY

In December 2019, IDG has bought shares of its Parent Company, Design Holding S.p.A., for Euro 18.006 thousand. This amount is considered the fair value of the investment.

13 DEFERRED TAX ASSETS

The breakdown and related changes in deferred tax assets are as follows:

	Balance on acquisition	Taxes to income statement 2018 (restated)	Balance as of 31 December 2018 (restated)	Taxes to income statement 2019	Balance as of December 31, 2019
Reversal of related expenses for the purchase of equity investments	153	3.718	3.871	-	3.871
Inventory margin	1.898	(76)	1.822	92	1.914
Tax losses carried forward	852	(119)	733	(197)	536
Non-deductible financial charges	1.767	7	1.774	364	2.138
Depreciation of tangible assets and amortization of intangible assets	1.785	40	1.825	169	1.994
Provisions for stock obsolescence	1.797	(87)	1.710	578	2.288
Allowance for doubtful debts	1.249	(1)	1.248	91	1.339
Provisions for employee severance indemnities	735	(55)	680	118	798
Allocations to risk provision	1.649	(306)	1.343	283	1.626
Remuneration not yet paid	145	(53)	92	(163)	-71
Other changes	1.171	540	1.711	(1.015)	696
DEFERRED TAX ASSETS	**13.201**	**3.608**	**16.809**	**320**	**17.129**

14 NON-CURRENT FINANCIAL ASSETS

The item, amounting to Euro 3.466, includes at December 31, 2019 mainly the deposits on rent paid by Group companies.

15 INVENTORIES

Inventories are detailed in the following table:

	Dec-31-19	Dec-31-18 (restated)
Materials, auxiliaries and consumables	44.791	41.198
Provision for write-down on materials, auxiliaries and consumables	(5.425)	(4.875)
Work in progress and semi-finished goods	30.779	18.260
Provision for write-down on work in progress and semi-finished goods	(2.998)	(2.574)
Finished gaming machines and merchandise	27.817	73.230
Provision for write-down on finished gaming machines and merchandise	(6.672)	(5.144)
Advances	1.839	1.510
Goods in transit	2.022	2.426
TOTAL INVENTORIES	**92.152**	**124.031**

We report that the amounts at December 31, 2018 are significantly influenced by the surplus values identified in the business combinations that took place in November 2018 and the item inventories at December 31, 2018 includes a residual value of these step-ups for Euro 45.484 thousand which were realized and sold during 2019.

The changes in the provision for write-down relating to inventories are as follows:

	PROVISION FOR WRITE-DOWN OF INVENTORIES
BALANCE as of January 1, 2019	**(12.593)**
Usage of Provision	3.161
Write-down portion	(5.653)
Exchange rate difference	(10)
BALANCE AS OF DECEMBER 31, 2019	**(15.095)**

16 TRADE RECEIVABLES

At December 31, 2019, trade receivables total Euro 68.512 net of the bad debt provision which amounts to Euro 5.801.

The following table shows the breakdown by geographic areas of the amount of trade receivables, including the breakdown by geographic areas of the amount of the provision for write-down:

	Dec-31-19	Dec-31-18
Italy	17.663	15.934
EEC	31.712	30.726
Non-EEC	19.137	20.903
TOTAL TRADE RECEIVABLES	**68.512**	**67.563**

The changes in the provision for impairment of receivables are summarised below:

	PROVISION FOR IMPAIRMENT OF RECEIVABLES
BALANCE as of January 1, 2019	**(6.370)**
Usage of Provision	533
Allocation to Provision	51
Exchange rate difference	(15)
BALANCE AS OF DECEMBER 31, 2019	**(5.801)**

Trade receivables, amounting to Euro 74.313 thousand, are broken down by maturity, without taking into account the Provision for Impairment of Receivables of Euro 5.801 and Bad debts in litigation:

	Total as of December 31, 2019	Current	Overdue 0-30	Overdue 30-60	Overdue 60-90	Overdue 90-120	Past due more than 120 days
Italy	19.611	18.509	360	39	125	237	342
EEC	33.470	25.398	4.765	529	151	361	2.265
Non-EEC	21.232	13.910	3.386	708	355	372	2.500
TOTAL TRADE RECEIVABLES	**74.313**	**57.817**	**8.512**	**1.277**	**630**	**970**	**5.107**

17 TAX ASSETS AND OTHER CURRENT ASSETS

17.1 TAX CREDIT AND DUE FROM TAX AUTHORITIES

Tax credit and due from tax authorities are detailed as follows:

	Dec-31-19	Dec-31-18
Receivables for paid tax advances	1.704	5.857
Tax receivable vs. DH	2.341	-
VAT receivable	4.133	3.286
Receivables for withholding taxes	96	286
Other tax receivables	400	187
TOTAL CURRENT TAX CREDIT AND DUE FROM TAX AUTHORITIES	**8.674**	**9.616**

Receivables for tax advances paid and for withholding taxes include the positions of different companies with respect to the local Tax Authority for the payment of taxes.

17.2 OTHER CURRENT ASSETS

Other assets, amounting to Euro 7.011, refer mainly to advances paid to suppliers and to amounts already paid for maintenance fees.

18 CASH AND CASH EQUIVALENTS AND DEPOSITS

Current and restricted cash and cash equivalents at December 31, 2019 total Euro 63.564 thousand and their breakdown is as follows:

	Dec-31-19	Dec-31-18
Bank and postal accounts	63.278	72.819
Cheques	7	18
Cash and cash equivalents in hand	96	83
Total current cash and cash equivalents	**63.381**	**72.920**
Restricted bank deposits	**183**	**182**
TOTAL CASH AND CASH EQUIVALENTS	**63.564**	**73.102**

For a detailed analysis of the change in the cash and cash equivalents of the company, please refer to the Consolidated Statement of Cash Flows.

19 ASSETS HELD FOR DISPOSAL

The caption “Assets held for disposal”, amounting to Euro 2.511 thousand, includes the buildings and land with the related generic facilities relevant to the Ascoli plant of the B&B Group, currently unused.
Compared to last year, the group further devalued these assets by a total of Euro 1.489 thousand and obtained an insurance reimbursement of Euro 890 thousand.

20 SHAREHOLDERS’ EQUITY

The Total Shareholders’ Equity (of the Group and of minority interests) totals Euro 983.627 thousand of which Euro 980.723 of the Group and Euro 2.904 of minority interests.
For the details of changes in its breakdown, please refer to the Statement of Changes in Shareholders’ Equity.
Below the reconciliation table between the Shareholders’ Equity of the Parent company and the Consolidated Shareholders’ Equity has been represented.

Reconciliation of IDG's Equity	2019
Shareholders' equity of IDG consistent with local GAAP	993.142
Impact of IFRS adjustments on IDG's Equity	(10.856)
Controlled Equity net of participations' reversal	40.258
PPA's reversal impacts	(38.917)
Consolidated Shareholders' Equity of IDG Group	**983.627**

21 DEFINED BENEFIT PLANS

Defined benefit plans represent the use and allocations within the year for the Parent Company and by the Italian subsidiaries.
The amount of the provision for Employee severance indemnities is net of the amounts allocated to the Complementary Treasury Provision.
The changes are as follows:

	FUTURE BENEFITS PLAN
BALANCE as of January 1, 2019	**8.064**
Allocations to Provision	2.805
Usage of Provision	(3.181)
Discounting interest	10
Actuarial gains and losses	25
Exchange rate difference	(1)
BALANCE as of DECEMBER 31, 2019	**7.721**

The measurement of the employee severance indemnity for IAS purposes follows the method of the projection of the present value of the defined benefits obligation with the estimate of the benefits accrued by employees. Following the changes introduced by Law no. 296 of December 27, 2006 ("2007 Budget Act") and by the following implementing Decrees and Regulations, the portions of employee severance indemnity accrued until December 31, 2006 will continue to remain in the company configuring a defined benefits plan (obligation for the accrued benefits subject to actuarial valuation), while the portions accruing from January 1, 2007 onwards, by effect of the choices made by the employees during the year, will be allocated to complementary pension plans or transferred by the company to the treasury provision managed by INPS and starting from the time the decision is formalised by the employee, they are defined contribution plans (no longer subject to actuarial valuation). Hence, the employee severance indemnity is determined as a result of the application of an actuarial model based on several demographic and economic assumptions.
The following table shows the technical economic assumptions used:

	2019
Annual discount rate	0,37%
Annual inflation rate	1,20%
Annual rate of increase of employee severance indemnity	2,40%

In particular, the annual discount rate used to determine the annual value of the obligation was obtained, consistently with Paragraph 83 of IAS 19, from the Iboxx Corporate AA index recorded on the date of the measurement. For this purpose, the return whose duration is comparable to the collective duration of the evaluated Company was selected.

22 PROVISIONS FOR RISKS AND OTHER CHARGES

Provisions for risks and charges, totalling Euro 10.350 thousand, include:
- Provisions for pension liabilities and the like, amounting to Euro 4.069 thousand;
- Other Provisions, amounting to Euro 6.281 thousand.

The changes of these two types of provisions are shown below.

22.1 PROVISIONS FOR PENSION LIABILITIES AND THE LIKE

	PROVISIONS FOR PENSION LIABILITIES AND THE LIKE
BALANCE as of January 1, 2019	**3.227**
Allocations to Provision	971
Usage of Provision	(97)
Exchenge rate difference	(31)
BALANCE AT DECEMBER 31, 2019	**4.069**

At December 31, 2019 the Provisions for pension liabilities, amounting to Euro 4.069 thousand, consists of the amount of the supplementary customer indemnity accrued towards agents, in accordance with the current agents' national collective agreement. The amount reflects the prudent appreciation of the risk connected with any interruption of the mandate conferred to agents in the cases prescribed by law.
The Provision for pension liabilities is subject to actuarial calculation.

22.2 OTHER PROVISIONS FOR RISKS AND CHARGES

"Other Provisions for Risks", at December 31, 2019, totalling Euro 6.281, are made up by the two following captions. The main amount is represented by the product warranty provision.

	PROVISION FOR PRODUCTS' WARRANTY
BALANCE as of January 1, 2019	**3.242**
Allocations to Provision	743
Usage of Provision	(383)
Exchange rate difference	(1)
BALANCE AS OF DECEMBER 31, 2019	**3.601**

	OTHER PROVISIONS FOR RISKS AND CHARGES
BALANCE as of January 1, 2019	**1.985**
Allocations to Provision	1.027
Usage of Provision	(334)
Exchange rate difference	2
BALANCE AS OF DECEMBER 31, 2019	**2.680**

23 CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

The details of the financial liabilities are as follows:

	31-dic-19	31-dic-18
Current financial liabilities:		
Payables to other lenders	3.026	2.698
Payables to banks	4.473	4.181
Liabilities for leases	8.341	
Total current financial liabilities	**15.840**	**6.879**
Non-current financial liabilities:		
Payables to other lenders	3.767	4.868
Bond loan	698.093	692.495
Liabilities for leases	38.997	
Total non-current financial liabilities	**740.857**	**697.363**
TOTAL FINANCIAL LIABILITIES	**756.697**	**704.242**

The reconciliation of the payable for Shareholder Loan is as follows:

	Dec-31-19	Dec-31-18
Bond Loan	720.000	720.000
Amortised cost	(27.649)	(33.122)
Matured interest	5.742	5.617
Liabilities for Shareholder Loan	**698.093**	**692.495**

The Shareholder Loan comprises two bonds issued on November 16, 2018 with the following characteristics:

	Nominal value	Due	Nominal rate
Bond 1	400,000	Bullet 15/11/2025	6.5%
Bond 2	320,000	Bullet 17/11/2025	Euribor 3m + 6%

Regarding the Bond, the main features are specified below.
As mentioned before, the Company issued a guaranteed and non-convertible senior bond loan with a principal accounting for Euro 720 million, maturing in 2025, divided into two lines: the first one is equal to Euro 400 million and called "Senior secured fixed rate notes"; the second one accounts for Euro 320 million and it is denominated "Senior secured Floating rate notes".
As far as the Fixed line is concerned, the bond has a fixed annual interest rate equal to 6.5%, semiannual coupons and capital repayment at maturity.
On the other hand, the Floating line bond has a fixed annual interest rate equal to the quarterly Euribor plus a 6 percentage points spread, with quarterly coupon maturity and capital repayment at maturity.
The bonds have been offered to institutional investors and traded on regulated markets, especially in the Third Market managed by the Vienna stock exchange.
For personal and real guarantees regarding the obligations assumed after the issue of the Bond, please see the specific paragraph of this explanatory note (6.4.2).
Furthermore, with reference to any financial obligations assumed by the Company according to the existing financial documentation, it is stated that: (i) according to the documentation relating to the bond issue of Euro 720,000,000.00 by IDG, no financial recurring obligation compliance is envisaged (maintenance financial covenant); (ii) according to the revolving loan agreement accounting for Euro 100,000,000.00 subscribed by IDG, the financial obligation should be verified only if the revolving credit facility reported in the contract is used for a higher amount than a specific threshold at the last day of the reference period ending at a date that corresponds to or follows the first calculation date (i.e. the last day of the third financial quarter following the closing date of the transaction).
This condition did not occur during the year 2019.

24 DEFERRED TAX LIABILITIES

The breakdown and related changes in deferred tax liabilities are as follows:

	On acquisition (restated)	Taxes to income statement 2018 (restated)	Exchange rate difference 2018	Other changes 2018	Dec-31-18 (restated)	Taxes to income statement 2019	Dec-31-19
Brand	40.037	-	-	-	40.037	1.311	41.348
R&D	5.433	274	(3)	-	5.704	308	6.012
Property revaluation	26.071	22	-	-	26.093	(1.331)	24.762
Exchange (gains) losses not material for tax purposes	39	6	-	(11)	34	(21)	13
Business combination	100.809	(1.846)			98.963	(12.434)	86.529
Leasing deduction	116	18	-	-	134	(2)	132
Other minor differences	127	102	-	(82)	147	41	188
DEFERRED TAX LIABILITIES	**172.632**	**(1.424)**	**(3)**	**(93)**	**171.112**	**(12.128)**	**158.984**

25 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities, equal to Euro 752, refer mainly to payables for rent tied to stores and offices of the Group.

26 TRADE PAYABLES

Trade payables broken down by geographic area are provided below.

	Dec-31-19	Dec-31-18
Italy	74.789	74.003
EEC	34.280	30.433
Non-EEC	15.150	16.894
TOTAL TRADE PAYABLES	**124.219**	**121.330**

The item includes both trade payables to suppliers, including allocations for invoices to be received and advances from customers.

The breakdown by maturity of payables to suppliers, amounting to Euro 124.219 thousand, is as follows:

	Dec-31-19	Dec-31-18
Italy	74.789	74.003
EEC	34.280	30.433
Non-EEC	15.150	16.894
TOTAL TRADE PAYABLES	**124.219**	**121.330**

27 TAX PAYABLES AND OTHER CURRENT LIABILITIES

More details about these items are provided below.

27.1 TAX PAYABLES AND DUE TO TAX AUTHORITIES

	Dec-31-19	Dec-31-18
Due to Tax Authorities for taxes	4.320	3.366
Due to DH for taxes	3.313	
Due to Tax Authorities for VAT	3.009	2.973
Sundry taxes payable	1.115	7.944
TOTAL TAX PAYABLES AND DUE TO TAX AUTHORITIES	**11.756**	**14.283**

27.2 PAYABLES TO SOCIAL SECURITY AGENCIES

Payables to social security agencies amount to Euro 4.617 and include mainly the contributions to be paid for the month of December.

27.3 DUE TO PERSONNEL AND OTHER PAYABLES

	Dec-31-19	Dec-31-18
Other payables to personnel	8.750	7.276
Payables for unused holidays	4.454	4.850
Tax payables for employee taxes	1.203	2.457
Payables to management and directors	1.096	1.523
Payables to customers for bonus and other payables	3.720	3.242
Payables for marketing contributions	89	236
Payables for royalties	1.661	1.216
Other payables	497	2.076
DUE TO PERSONNEL AND OTHER PAYABLES	**21.470**	**22.877**

28 REVENUES

Revenues at December 31, 2019 amount to Euro 556.753 thousand and refer to the sale of products and services.
The breakdown by geographic area is as follows:

	December 2019	December 2018
Italy	100.650	8.011
EEC	265.605	21.917
Non-EEC	190.497	18.252
TOTAL REVENUES	**556.753**	**48.180**

29 OTHER REVENUES AND INCOME

Details about Other revenues and income are provided in the following table.

	December 2019	December 2018
Rental income	109	18
Revenues vs. parent company	874	
Other revenues	6.298	803
Gains on disposal of assets	87	5
Operating grants	130	100
Release of provisions	852	491
TOTAL OTHER REVENUES AND INCOME	**8.350**	**1.416**

Other revenues include revenues for performance of other services, debited transports and sundry insurance reimbursements.

30 PURCHASES OF RAW MATERIALS AND VARIATION IN INVENTORIES

The details of Purchases of raw materials and changes in inventories are as follows:

	December 2019	December 2018 (restated)
Purchases of raw materials, semifinished goods, finished products	(172.488)	(11.460)
Purchases of promotion and advertising materials	(1.973)	(126)
Purchase of various other materials	(1.617)	(451)
Changes in inventories of work in progress	(45.562)	(9.384)
Increases in internal work capitalised	426	89
Changes in inventories of raw materials	2.536	(904)
TOTAL PURCHASES OF RAW MATERIALS AND CHANGES IN INVENTORIES	**(218.678)**	**(22.236)**

We point out that in 2018 and 2019 the item "Changes in inventories of work in progress and finished products" has been influenced by the reversal of the surplus values attributable to inventories respectively for Euro 7.014 thousand and 45.483 thousand.

31 PERSONNEL COSTS

Details about Personnel costs are provided in the following table:

	December 2019	December 2018
Salaries and wages	(86.251)	(7.988)
Stock options plans	(943)	
Social security contributions	(17.260)	(1.107)
Employee severance indemnities and pension charges	(4.437)	(430)
Other personnel costs	(2.065)	(423)
TOTAL PERSONNEL COSTS	**(110.956)**	**(9.949)**

The number of Group employees are broken down by category below, distinguished between those employed at December 31, 2019 and the average workforce of the year:

	Dec-31-19	Dec-31-18
Executives	47	53
White-collar	974	978
Blue-collar	667	665
Total employees	**1.688**	**1.696**

32 SERVICE COSTS

The details of Service costs are as follows:

	December 2019	December 2018
Contractor work and outsourced production work	(34.307)	(3.782)
Fees, royalties, expenses for advertising and communication	(36.496)	(3.100)
Transport and customs expenses	(16.170)	(1.618)
Utilities, accessory services, EDP fees, maintenance and repairs	(9.919)	(673)
Technical, artistic, tax, legal and other advisory services	(9.719)	(635)
Management fees and other costs vs. parent company	(10.004)	
Emoluments to directors, statutory auditors and independent auditors	(2.529)	(298)
Travel and lodging expenses	(8.115)	(668)
Expenses for training, third-party personnel, banking services and sundry administrative services	(6.967)	(446)
Insurance, patents and trademarks, telephone and mail expenses	(2.571)	(230)
TOTAL COSTS FOR SERVICES	**(136.798)**	**(11.450)**

33 PROVISIONS

Allocations to provisions refer to:

	December 2019	December 2018
Provisions for pension liabilities and the like	(776)	(86)
Provisions for other risks	(1.582)	(117)
Provisions for other charges	(750)	(115)
TOTAL ALLOCATIONS TO PROVISIONS	**(3.107)**	**(318)**

34 OTHER COSTS AND CHARGES

The Other costs and charges comprise the following:

	December 2019	December 2018
Property services	(2.740)	(1.135)
Short term and low value leases	(459)	
Rent and EDP licence fees	(2.161)	(155)
Other taxes and duties	(1.922)	(103)
Gifts and charitable donations	(303)	(80)
Purchase of office supplies and consumables	(568)	(63)
Sundry and general expenses	(1.698)	(488)
Cost closing down LP Italy and Belgium	(483)	
Other operating costs	(2.635)	(930)
TOTAL OTHER COSTS AND CHARGES	**(12.969)**	**(2.954)**

35 AMORTIZATION, DEPRECIATION AND IMPAIRMENT

The details of Amortization, depreciation and impairment are provided in the following table:

	December 2019	December 2018
Amortization of intangible assets	(8.031)	(738)
Depreciation of tangible assets	(11.853)	(1.171)
Depreciation of right of use assets	(10.411)	
Write-down of fixed assets	(233)	(230)
Impairment of receivables	(754)	(487)
TOTAL AMORTIZATION, DEPRECIATION AND IMPAIRMENT	**(31.282)**	**(2.626)**

36 BUSINESS COMBINATION COSTS

The item, amounting to Euro 15.452, includes the costs incurred by the parent company in relation to the business combination that took place in 2018. These are mainly costs for legal and due diligence advisory services.

37 FINANCIAL CHARGES

Financial charges comprise mainly Financial charges tied to the bond issued for the purposes of the business combination and amount to Euro 57.478.

38 INCOME TAXES

The details of taxes is as follows:

	December 2019	December 2018 (restated)
Current income taxes	(19.337)	(431)
Deferred tax assets/liabilities	14.431	5.043
TOTAL INCOME TAXES	**(4.906)**	**4.612**

39 SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE YEAR

Group's goal is to pursue healthy and profitable growth both through the development of the existing business; facing the new technological and commercial challenges and opportunities, making the most of the excellence of Group's brand positioning, the industrial and technical flexibility that characterizes Group's structure, both constantly evaluating the possibility of new acquisitions and integrations with companies whose values and positioning are in harmony with Group's portfolio.

The year 2020 has had a start in the name of continuity, registering a constant increase in the acquisition of orders for all the lines of business in which we are present, and the effort in the implementation of commercial and organizational synergies between the companies belonging to the Design Holding Group has continued.

Since February, the spread of the Covid-19 virus has caused a marked slowdown in the economies of Asian countries and, subsequently, its worldwide spread is causing global human and economic impacts.

Our primary concern has been the safety and health of our employees, we have taken all the necessary measures, including extraordinary ones, aimed at mitigating health risks and ensuring business continuity, complying, in various geographies, with the measures introduced by the various national authorities. The worsening situation led us to the decision to suspend on March 16th, 2020, the production activities in Italy and subsequently the European retail activities were also suspended and, lastly, the retail and production activities

in the USA. Louis Poulsen has always remained in operation in Denmark, while adopting all the social distancing and remote working measures to minimize the health risk for employees.

At the time of the approval of these financial statements, the picture of uncertainty about the evolution of the situation remains. Now, the unavoidable negative effects of the epidemic on the outlet markets and on our activity are difficult to quantify. However, the Company has set up a sensitivity scenario assuming a slowdown in revenues attributable to the health emergency in 2020 and 2021 and has instructed the Accuracy company to use this scenario for further and more severe stress of the impairment test.
This further sensitivity confirmed the holding of the start-up balance sheet, while with reference to the brands reported a potential impairment total of about 1.1% at the consolidated level.
The CEO reports that, in any case, there was no need to change the values recorded in the Company's balance sheet as of December 31, 2019.

As known, the Company, as an original borrower and original guarantor and, inter alios, UniCredit S.p.A., as an agent and security agent, they both signed, on November 9, 2018, a super senior revolving financing agreement (as amended as of 22 November 2019) under which the relevant financing banks have made available to the Company a super senior revolving line of credit of the original amount of Euro 100,000,000.00. During the 2020 financial year, the Company required the financing banks to proceed with the provision of this financing for the full amount, in order to find the necessary financial resources to be able to support its own working capital needs and of the group to which it is responsible, also considering the current state of emergency on the national territory arising from the health risk associated with the spread of the so-called "COVID-19" and considering the legislative measures taken by the Italian Government to deal with the current state of emergency on the national territory with the Decree Act of February 23, 2020 and following implementation measures, including the DPCM March 11, 2020.

We or our affiliates may, at any time and from time to time, seek to purchase or retire our outstanding notes through open-market purchases, privately negotiated transactions, tender offers or otherwise. Such purchases, if any, will be upon such terms and at such prices as we or our affiliates, as the case may be, may determine in light of then-existing market conditions.

40 FAIR VALUE MEASUREMENT

The following table provides the hierarchy of fair value measurement for the Group's liability at December 31, 2018 and 2019.

	Carrying amount (based on measurement basis)			
2018		**Fair value**	**Fair value**	**Fair value**
		level 1	**level 2**	**level 3**
Financial assets:	**157.076**			
Cash and cash equivalents	73.102	73.102		
Loans and receivables	**79.974**			
Trade and other receivables	76.836			
Non current financial assets and other non current assets	3.139			
Available-for-sale assets	**4.000**			
Available for sale assets	4.000			
Liabilities:	**826.793**			
Trade payables	121.330			
Short-term financial debt	6.879			
Other non current liabilities	1.220			
Non-current financial liabilities	697.363			

	Carrying amount (based on measurement basis)			
2019	**Total**	**Fair value**	**Fair value**	**Fair value**
		level 1	**level 2**	**level 3**
Financial assets:	**148.141**			
Cash and cash equivalents	63.564	63.564		
Loans and receivables	**82.066**			
Trade and other receivables	75.524			
Non current financial assets and other non current assets	6.543			
Available-for-sale assets	**2.511**			
Available for sale assets	2.511			
Financial liabilities:	**881.669**			
Trade payables	124.219			
Short-term financial debt	7.499			
Current lease financial liabilities	8.341			
Other non current liabilities	752			
Non-current financial payables	701.860			
Non-current lease financial liabilities	38.997			

The Management verified that the fair value of cash and cash and cash equivalents and short-term deposits, of trade receivables and payables, of bank overdrafts and of other current liabilities approximates the book value as a result of the short-term maturities of these instruments.
The fair value of the financial assets and liabilities is reported in the amount for which the instrument could be traded in a current transaction between willing parties, instead of in a forced sale or in a liquidation. To estimate fair value, the following methods and the following assumptions were used:

- Long-term receivables and loans, both fixed rate and floating rate, are measured by the Group on the basis of parameters such as interest rates, specific risk factors for each Country, the individual credit rating of each customer and the characteristic risk of the financial project. Based on this measurement, the allocations for the expected losses on these receivables are recognised in the accounting records.
- The fair value of listed securities and bonds is based on the listed price at the date of the financial statements. The fair value of unlisted instruments, such as loans from banks or other financial liabilities, obligations deriving from financial leases or as other non-current financial liabilities, is estimated through discounted future cash flows applying the current rates available for payables with similar terms, such as the credit risk and the remaining maturities. In addition to being sensitive to reasonably possible changes of the expected cash flows or of the discount rate, the fair value of equity

instruments is also sensitive to reasonably possible changes of the growth rates. The valuation requires the use, by the Management of non-observable input data, illustrated previously. The Management regularly defines a range of reasonably possible alternatives for these significant non observable input data and it determines their impact on total fair value.

The present Financial Statements, consisting of the Statement of Financial Position, Statement of Profit/Loss for the Year, Statement of Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Explanatory Notes, provide a true and fair representation of the financial position and the income for the year and match the results of the accounting records.

Milan, April 14th, 2020

On behalf of the Board of Directors

The Chairman
Piero Canzani