Building a better working world

International Design Group S.p.A.

Consolidated financial statements as at 31 December 2020

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

EY S.p.A.
Corso Magenta, 29
25121 Brescia

Tel: +39 030 2896111
Fax: +39 030 295437
ey.com

Building a better working world

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

To the sole Shareholder of
International Design Group S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of International Design Group (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

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

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

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

EY S.p.A.
Sede Legale: Via Lombardia, 31 - 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

A member firm of Ernst & Young Global Limited

Building a better working world

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

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

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

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

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

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

Building a better working world

Report on compliance with other legal and regulatory requirements

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

The Directors of International Design Group S.p.A. are responsible for the preparation of the Report on Operations of International Design Group as at 31 December 2020, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the consolidated financial statements of International Design Group as at 31 December 2020 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of International Design Group as at 31 December 2020 and comply with the applicable laws and regulations.

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

Brescia, April 9, 2021

EY S.p.A.
Signed by: Stefano Colpani, Independent auditor

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

INTERNATIONAL DESIGN GROUP S.P.A. WITH A SOLE SHAREHOLDER

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, 2020

1 Introduction

Dear Shareholder,

The consolidated financial statements as of December 31, 2020 of International Design Group S.p.A. (hereafter also "***IDG***" or "***IDG Group***") show a positive Net result of Euro 22.633 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 Italian 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 and Group Performances

For the group composed by Design Holding, International Design Group and their subsidiaries B&B Italia, Flos and Louis Poulsen, a unique design hub on a worldwide scale of furniture and lighting, 2020 would have had to represent a year of consolidation and development in its target market.

In fact, the first months of the year started with growth, recording a constant increase in acquisition of orders for all brands and channels; revenues for the first two months of the year recorded a growth of 5.1%, supported by a growth of orders of 11.5% at the end of February.

From March however, the rapid spread of the Covid-19 virus epidemic first caused a marked slowdown in the economies of Asian countries and, subsequently, for the entire global. Between March and April, the worsening of health conditions in Europe and North America led national authorities to impose periods of closure of production and distribution activities with different durations and characteristics in each country.
Between March and April, our Group suspended production and distribution activities for a few weeks, first in Italy, then in Spain and the United States as well as European retail activities. The measures taken by the Danish Government allowed Louis Poulsen to always remain in operation, adopting all the distancing and remote-working measures to minimize the health risk for our employees.

In each office and organization in which the Group operates, the primary concern was the safety and health of our employees, suppliers and customers and we adopted from the outset all the necessary measures, in same case as extraordinary measures, in order to mitigate health risks and ensure business continuity, complying with the measures introduced by the different national authorities.

The second quarter was negatively affected by the temporary closures of some production sites and stores, recording a decrease in consolidated sales of 23.7% as per the same period of the previous year, led by Italian brands that suffered from a longer period of closures imposed by local authorities, while Louis Poulsen recorded an increase in sales of 6.2%.
At the same time due to a worsening of the health crisis, the Group introduced a series of cost control measures, especially in fixed and discretionary components, and operational working capital, in order to preserve the profitability and competitiveness of our Brands. The participation at the most important sector events were cancelled, but the presentation of new products and the maintenance of relationships with customers and specifiers has been based on an extensive use of digital means combined with the targeted use of flagships placed in the various geographies.

The third and fourth quarters of the year show a strong recovery in sales and orders for B2C channels driven by the growth of residential products., B2B sales were not up to pace as a result of the continuing weak

conditions in the hospitality, travel, retail and office sectors, which were most affected by the restrictions caused by the pandemic.

Despite the difficulties of the period, during 2020 the project related to the startup of the group CRM was completed. It will allow the contract sales organizations of our brands to coordinate effectively in the different geographical areas. Moreover, the D-Studio project has been launched, which unites all the Brands of the group in a new retail and soft contract format.

Total revenues for the full year 2020 were down by 6.8% compared to the previous year; Flos and B&B Italia fell by 13.3% and 8.7% respectively, due to the lock-down of production activities in Italy, Spain and the USA and the slowdown in Contract sales, while Louis Poulsen recorded growth of 7.9%, thanks to the lower impact of health measures on production activities, lower exposure to B2B and the extraordinary resilience of northern European markets. .

The commitment of all brands in proactive cost management allowed us to close the 2020 financial year with a EBITDA adjusted by non-recurring components of 128.6 million, an increase of 1.3% on the same basis calculated for 2019, the impact on sales reached 24.7%, an improvement of 2% over the previous year.

The consolidated financial statements for the financial year 2020 recorded a net profit of 22.6 million Euros, against a loss of 9.6 million euros in the previous year.

Finally, the cash management in the 2020 financial year show an interesting progress: considering a stable debt exposure, the cash position as at 31 December 2020 stands at 92.7 million Euros (63.6 million euros as at 31.12.2019) thanks to the positive contribution of the flows determined by ordinary management.
As a precautionary measure, it is important to highlight that on 17 March 2020 the Group made use of the entire revolving credit line (RCF) of 100 million Euros, to strengthen the cash position and thus face any situations of macroeconomic difficulties. In the fourth quarter of the year, in view of the stabilization of the situation and the good results of the measures taken by the Group, the line of credit was fully repaid and is now fully available.

4 Reclassified Income Statement of the Group

The following table summarizes, in a reclassified format, the 2020- and 2019-income statements, with a separate indication of non-recurring costs and revenues. We report that the accounting information relating to 2019 is influenced by the effects of the reversal of the step-up in values deriving from the business combination that took place in 2018.

Reclassified Income Statement of the Group (euro/mln)	2020	2019
Revenues from contracts with customers	520,8	556,8
Other revenues and income	5,3	7,5
Total revenues	**526,1**	**564,3**
Purchases of raw materials and variation in inventories	(154,2)	(173,2)
Personnel costs	(108,0)	(111,4)
Service costs	(126,2)	(139,4)
Provisions	(0,9)	(0,1)
Other costs and charges	(8,2)	(12,9)
Total costs	**(397,5)**	**(437,1)**
Amortization, depreciation and impairment	(22,4)	(20,9)
Operating result	**106,2**	**106,3**
Non-recurring costs and revenues	(12,3)	(13,5)
Reversal of surplus values	-	(45,5)
Net profit of discontinued operations	(0,5)	(0,6)
Financial income	2,0	2,0
Financial charges	(54,5)	(53,4)
Result before taxes	**40,9**	**(4,7)**
Taxes	(18,2)	(4,9)
Result for the period	**22,6**	**(9,6)**

Alternative performance indicators are defined below and are used to illustrate the financial and economic trends 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 and income taxes.

NON-RECURRING COSTS AND REVENUES: they are represented by positive and negative components connected to transactions whose occurrence is non-recurring or from those transactions 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:

	2020	2019
Nonrecurring income	-	(2)
Provisions	1,1	3
"Una tantum" costs	11,2	12,5
- Stock option costs	*1,2*	*0,9*
- Nonrecurring consultancy fee	*0,6*	*2,7*
- Agent extraordinary costs	*0,7*	*-*
- Covid 19 costs	*1,7*	*-*
- Restructuring costs	*-*	*1,4*
- Advertising costs	*-*	*0,7*
- Salone del mobile costs	*-*	*3,5*
- Cost closing down	*0,1*	*0,3*
- Salary Dismissal	*2,1*	*0,2*
- Labor costs transfer	*-*	*1,2*
- Management fees vs DH	*4*	*0,9*
- Other minor non-recurring costs	*0,8*	*0,7*
Total nonrecurring income and charges	**12,3**	**13,5**

EBITDA adjusted: is defined as the sum of the operating result increased by depreciation and amounts to 128,6 million Euros.

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

Reclassified Statement of Financial Position (Euro/mln)	**2020**	**2019**
Goodwill	1.052	1.052
Other intangible fixed assets	588	587
Property, plant and machinery	152	156
1) Net Technical Fixed Assets	**1.792**	**1.795**
Deferred tax assets	18	17
Other non-current assets	26	24
2) Net Financial Fixed Assets	**44**	**41**
3) Net Fixed Assets (1+2)	**1.836**	**1.836**
Account receivables	57	68
Other non-current assets	13	16
Inventories	100	92
a) Total Current Assets (net of bank balances receivable)	**170**	**176**
Trade payables	(124)	(116)
Tax payables	(11)	(12)
Liabilities due to social security institutions	(5)	(5)
Other current payables	(24)	(29)
b) Total current liabilities (net of short-term exposure to banks)	**(164)**	**(162)**
4) Operating Working Capital (A+B)	**6**	**14**
5) Net Invested Capital (3+4)	**1.843**	**1.850**
6) Consolidated Equity	**1.011**	**981**
Severance indemnity funds, taxes, risks and charges and other non-current liabilities	166	176
7) Medium/Long Term Finance Sources	**166**	**176**
Cash and cash equivalents	(93)	(63)
Payables to other lenders (current and non-current)	750	757
8) Total Net Financial Position	**657**	**694**
9) Total Medium/Long Term Finance Sources (6+7+8)	**1.834**	**1.851**

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

On the basis of the above amounts, the following are certain ratios for presenting the performance of the Group:

	2020	**2019**
Return on capital (ROE)	2,2%	(1%)
Current ratio (DI)	1,1	1,1
Ratio of internally financed fixed assets (CI)	0,5	0,5
Leverage ratio (LEV)	1,8	1,9

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 Managerial results of the parent company

The income statement of the Parent Company's separate financial statements, according to the national accounting principles, is summarized in the following table:

	2020	%	2019	%
Revenue from contracts with customers	-		-	
Other revenue	28		874	
Total revenue	**28**	**100%**	**874**	**100%**
Operating costs	(546)		(474)	
EBITDA	**(518)**	**n/a**	**399**	**46%**
Depreciation and amortization	(10)		(10)	
EBIT	**(528)**	**n/a**	**389**	**45%**
Financial income and charges	(11.457)		(16.008)	
Result before Taxes	**(11.985)**	**n/a**	**(15.618)**	**n/a**
Taxes	(13)		2.192	
Result for the period	**(11.998)**	**n/a**	**(13.427)**	**n/a**

6 Main risks and uncertainties

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

7 Investments and Research and Development Activity

As of 31 December 2020, investments amounted to 22.7 million euros, divided as follows:

- Flos invested 10.9 million euros, dedicated to the design and development of new decorative, architectural and outdoor product lines (5.5 million euros for the realization of prototypes, molds and research and development expenses), 2.1 million for software and patent activities, and 0.8 million euros for upgrading showrooms;

- B&B Italia invested 5.9 million Euros mostly for the completion of Arclinea machinery (2.5 million euros) in order to improve the efficiency of industrial processes with a view to 4.0. requirements.
Additional resources were dedicated to B&B Italia for equipment, for new products and fo improvements to the Novedrate production plant (0.6 million Euros) and also for the enhancement of information systems (1.0 million euros) and retail structures (1.1 million euros);

- Louis Poulsen invested 5.9 million Euros, mainly dedicated to the development of new products [4.0 million Euros] for research and development activities involving company's staff and numerous international designers, for prototypes and equipment, and to the extension of shop-in-shop facilities [1.1 million Euros] that support the sale of products in the most qualified distribution

8 Human resources

As of 31 December 2020, Group's staff amounted to 1.704 units, of which 606 in Flos, 460 in Louis Poulsen and 638 in B&B Italy.

9 Relations with subsidiary and parent companies and companies under the control of the latter

Relations between the Group companies, entirely eliminated in the presentation of the consolidated financial statements, mainly concerned financing transactions and took place at market conditions. During the fiscal year 2020, the group signed a specific contract for consolidated tax return, in which the subsidiaries transfer tax items towards to ultimate parent company and receive a remuneration on the tax amounts transferred, Design Holding Spa in accordance whit specific requirement and conditions. For further details, please refers to par. 37 “Income taxes””.

10 Number and nominal value of treasury 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 23,4 million. The shareholding investments are measured at fair value as at each reporting date.

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 events that occurred after the end of the financial year

The mission of the Group is to pursue a sustainable growth by addressing the challenges of a rapidly changing economic market, developing the existing business, leveraging the development of direct consumer channels and accelerating on the digital transformation of our organization. In other cases, also considering eventual business combinations and integrations with third companies, in which their values and positioning are in harmony with the Group's portfolio.

The developments in recent months, confirm that the group’s business model, which leverages the positioning of the Group's brands and is characterized by high industrial flexibility and high technical and quality standards.

As the first quarter of 2021, the performance of the Brands’ order portfolio looks very positive, registering a double-digit growth compared to the first quarter of both 2020 and 2019, despite the presence of weak B2B channels in all the markets of reference.

We trust that the progress for COVID19 vaccination campaign of the populations in developed countries, in the absence of further negative sanitary news, will lead to a stabilization and improvement of the reference markets, with positive impacts on the entire industry
However, considering the uncertainties still present, suggest that we do not publish, inat this time, target results expected for the year and for subsequent periods.

Consolidated Financial Statements at December 31, 2020

Consolidated Statement of Financial Position as at December 31, 2020

Amounts in thousands of Euro	Note	December 31, 2020	December 31, 2019
NON-CURRENT ASSETS			
Intangible fixed assets:			
- Goodwill	7	1.052.460	1.052.460
- Other intangible assets	8	588.456	587.449
Right of use	10	43.023	44.503
Property, plant and equipment	9	109.292	111.680
Shareholding in parent company	11	23.365	18.006
Deferred tax assets	12	18.054	17.129
Non-current financial assets	13	3.354	3.466
Other non-current assets		1.912	2.011
Non-current assets vs. ultimate Parent Company		1.066	1.066
TOTAL NON-CURRENT ASSETS		**1.840.982**	**1.837.771**
CURRENT ASSETS			
Inventories	14	100.224	92.152
Trade receivables	15	57.101	68.315
Trade receivables vs. ultimate Parent Company	15	32	197
Tax assets and other current assets:	16		
- Taxes receivables from tax authorities	16.1	4.911	6.333
- Taxes receivables vs. ultimate Parent Company	16.1	2.290	2.341
- Other assets	16.2	5.634	7.011
Cash and short-term deposits	17	92.723	63.564
TOTAL CURRENT ASSETS		**262.915**	**239.914**
Assets held for sale	18	2.011	2.511
TOTAL ASSETS		**2.105.908**	**2.080.196**

Amounts in thousands of Euro	Note	December 31, 2020	December 31, 2019
SHAREHOLDERS' EQUITY	19		
Share capital		5.102	5.102
Other reserves		980.794	986.132
Result for the period		21.239	(10.511)
TOTAL GROUP SHAREHOLDERS' EQUITY		**1.007.135**	**980.723**
Minority shareholders' equity		2.875	1.974
Result attributable to minority interests		1.394	930
TOTAL SHAREHOLDERS' EQUITY		**1.011.404**	**983.627**
NON-CURRENT LIABILITIES			
Defined benefit plans	20	7.483	7.721
Provisions for risks and other charges	21	10.986	10.350
Non-current financial liabilities	22	704.674	701.860
Non-current lease liabilities	10	37.571	38.997
Deferred tax liabilities	23	158.856	158.984
Other non-current liabilities	24	106	752
TOTAL NON-CURRENT LIABILITIES		**919.676**	**918.665**
CURRENT LIABILITIES			
Current financial liabilities	22	1.934	7.499
Current lease liabilities	10	9.336	8.341
Trade payables	26	77.870	85.684
Trade payables vs. ultimate Parent Company	25	2.110	8.145
Contract liabilities vs. third parties	25	43.463	30.390
Tax payables and other current liabilities:	26		
- Tax payables to tax authorities	26.1	8.852	8.443
- Tax payables vs. ultimate Parent Company	26.1	2.512	3.313
- Due to social security institutions	26.2	4.866	4.617
- Due to personnel and other payables	26.3	23.885	21.470
TOTAL CURRENT LIABILITIES		**174.828**	**177.904**
TOTAL LIABILITIES		**1.094.504**	**1.096.569**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2.105.908**	**2.080.196**

Consolidated profit and loss statement for the year ended December 31, 2020

Amounts in thousands of Euro	Note	December 31, 2020	December 31, 2019
Revenues from contracts with customers	27	520.561	555.879
Other revenues and income	28	5.332	8.350
Revenues vs. ultimate Parent Company		222	874
Purchases of raw materials and variation in inventories	29	(154.200)	(218.678)
Personnel costs	30	(109.260)	(112.327)
Service costs	31	(116.508)	(125.426)
Service costs towards ultimate Parent Company	31	(5.107)	(10.001)
Provisions	32	(1.972)	(3.107)
Other costs and charges	33	(8.228)	(12.969)
Amortization, depreciation and impairment	34	(33.625)	(31.282)
Financial income	35	1.969	2.090
Financial charges	36	(57.819)	(57.478)
RESULT BEFORE TAX FROM CONTINUING OPERATIONS		**41.367**	**(4.076)**
Income taxes	37	(18.234)	(4.906)
NET RESULT FROM CONTINUING OPERATIONS		**23.133**	**(8.982)**
Net profit of discontinued operations	18	(500)	(599)
PROFIT/(LOSS) FOR THE PERIOD		**22.633**	**(9.581)**
Profit/(Loss) for the period, attributable to minority interest		*1.394*	*930*
Profit/(Loss) for the period, attributable to the Group		*21.239*	*(10.511)*
Earnings per share (EPS)			
Profit attributable to ordinary equity holders of the parent for basic earnings	*38*	4,2	(2,1)
Profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution	*38*	4,2	(2,1)

Consolidated statement of other comprehensive income (OCI) as at December 31, 2020

Amounts in thousands of Euro	Notes	December 31, 2020	December 31, 2019
PROFIT/(LOSS) FOR THE PERIOD		**22.633**	**(9.581)**
Other comprehensive income (expense) that may be restated in the profit/(loss) for the period:			
Exchange difference on translating foreign financial statements		(1.274)	1.296
Profit/(Loss) from cash flow hedge		82	5
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE) THAT MAY BE RECLASSIFIED TO THE PROFIT/(LOSS) FOR THE PERIOD, NET OF TAX		**(1.192)**	**1.301**
Total other comprehensive income (expense) that may not be reclassified to the profit/(loss) for the period, net of tax:			
Net gain/(loss) on equity instruments designated at fair value through other comprehensive income	11	5.294	
(Gain/(Loss) from revaluation on defined benefit plans	20	(56)	(220)
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE) THAT MAY NOT BE RESTATED IN THE PROFIT/(LOSS) FOR THE PERIOD, NET OF TAX		**5.238**	**(220)**
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE), NET OF TAX		**4.046**	**1.081**
TOTAL COMPREHENSIVE INCOME (EXPENSE), NET OF TAX		**26.744**	**(8.500)**
Profit/(Loss) for the period, attributable to minority interest		1.365	945
Profit/(Loss) for the period, attributable to the Group		25.314	(9.445)

Statement of changes in consolidated shareholders' equity at December 31, 2020

2019-2020								
Amounts in thousands of Euro	**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 January 1, 2019	**5.102**	**1.005.423**	**(130)**	**(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)**	**6.628**	**(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	-	-	50	-	50	(5)	-	45
Total variations for the period	**-**	**-**	**(3.088)**	**-**	**(3.087)**	**(3.612)**	**-**	**(6.700)**
Balance at December 31, 2019	**5.102**	**1.005.423**	**(19.291)**	**(10.511)**	**980.723**	**1.974**	**930**	**983.627**
Balance at January 1, 2020	**5.102**	**1.005.423**	**(19.291)**	**(10.511)**	**980.723**	**1.974**	**930**	**983.627**
Allocation of previous period result			(10.511)	10.511	-	930	(930)	-
Result for the period				21.239	21.239		1.394	22.633
Other income (expenses)			4.075		4.075	(29)		4.046
Total comprehensive profit for the period	**-**	**-**	**(6.436)**	**31.750**	**25.314**	**901**	**464**	**26.679**
Stock option reserve			1247		1.247			1.247
Other movements			(149)		(149)			(149)
Total variations for the period	**-**	**-**	**1.098**	**-**	**1.098**	**-**	**-**	**1.098**
Balance at December 31, 2020	**5.102**	**1.005.423**	**(24.629)**	**21.239**	**1.007.137**	**2.871**	**1.394**	**1.011.404**

Consolidated Statement of Cash Flows

(Amounts in thousands of Euro)	2020	2019
PROFIT FROM OPERATIONS AFTER TAX	**22.633**	**(9.581)**
Depreciation and impairment of property plant and equipment	12.450	12.600
Amortisation and impairment of intangible assets	9.018	8.271
Amortisation and impairment of right of use assets	11.230	10.411
Financial income	(1.969)	(2.090)
Financial charges	57.819	57.478
Income taxes	18.234	4.906
Financial interests paid	(49.464)	(50.536)
Income taxes paid	(10.800)	(11.818)
Other non monetary movements	1.247	943
Net change in employee severance indemnities and pension funds	(239)	(342)
Net change in provisions for risks and other charges	3.354	1.897
Net change in deferred tax assets and liabilities	(1.117)	(10.381)
Changes in working capital:		
(Increase)/decrease in inventories	(9.363)	31.878
(Increase)/decrease in trade receivables	10.453	(949)
(Increase)/decrease in other non-financial assets	1.477	(2.176)
Increase/(decrease) in trade payables	(777)	2.889
Increase/(decrease) in taxes payable	(6.354)	4.386
Increase/(decrease) in other non-financial liabilities	1.891	(2.865)
NET CASH FLOWS FROM OPERATIONS	**69.723**	**44.920**
Investing activities:		
Acquisition of tangible assets net of disposals	(10.063)	(11.057)
Net investments in intangible assets	(10.025)	(9.744)
Acquisition of non-current financial assets	-	(18.006)
NET CASH FLOWS FROM INVESTING ACTIVITIES	**(20.088))**	**(38.807)**
Financing activities:		
(Increase)/decrease of financial receivables	2.081	1.435
Increase/(decrease) in financial payables	(11.106)	(1.824)
Payment of principal portion of lease liability	(10.053)	(8.701)
Share capital increase	-	-
Acquisition of non-controlling interests	-	(6.388)
Dividends paid to minority interests	-	(801)
Other equity movements	(1.398)	628
CASH FLOW FROM FINANCING ACTIVITIES	**(20.476)**	**(15.651)**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**29.159**	**(9.538)**
Net cash and cash equivalents at the beginning of the period	63.564	73.102
Net cash and cash equivalents at the end of the period	92.723	63.564

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, 2020 has been approved by the Board of Directors on April 7th, 2021.
IDG is a joint stock company, registered and headquartered in Italy, with its registered office in Milan, Via Manzoni 38.

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 Manzoni 38, 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, according to the national accounting principles, 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	
6) asset in progress		
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
Other non current asset		
Total financial assets		
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*

	31/12/2020	31/12/2019
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) interests and other finacial charges	-	-
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	
taxes relating to previous years	-	
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

On October 2020, the company, through the establishment of a new company, Design Holding Denmark Aps, a hub located in Denmark, with the aims to create in Copenhagen, one of the design capital of Europe, the activity of the prime D-Studios in order to collect the entire Brands in a singular format retail and soft contract.

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, except for the recognition of derivative financial instruments and of other 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 of December 31, 2020.

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, can 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, 2020 are as follows:

Name of shareholding	Currency	Share capital as at December 31, 2020	Shareholding as at December 31, 2020
Design Holding Denmark	DKK	40.000	100%
Luminous Design Investment ApS*	DKK	1.260.101	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 Asia Ltd.	EUR	2.459	100%
Flos S.p.A.**	EUR	1.875.000	100%
Antares Iluminacion S.A.U.	EUR	401.000	100%
Flos Illuminacion Shanghai Co. Ltd	CNY	4.000.000	100%
Antares Iluminacion Pte Ltd	SGD	100	100%
Ares S.r.l.	EUR	78.000	100%
Flos Benelux NV	EUR	100.000	100%
Flos B.V.	EUR	931.000	100%
Flos GmbH	EUR	300.000	100%
Flos Japan Co. Ltd	JPY	40.000.000	100%
Flos Bespoke S.r.l***.	EUR	13.000	100%
Flos Norge AS	NOK	1.500.000	55%
Flos France S.a.s	EUR	61.000	100%
Flos Scandinavia A/S	DKK	1.429.000	65%
Flos Sverige AB	SEK	100.000	65%
Flos Usa Inc.	USD	390.000	100%
Flos UK Ltd	GBP	136.000	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 Paris Sarl	EUR	50.000	100%
Arclinea Spa	EUR	240.000	100%
B&B Furniture (Shanghai) Co., Ltd	CNY	1.000	100%

* Note 1: Luminous Design Denmark ApS is merged into Luminous Design Investment ApS at 01.01.2020
** Note 2: Flos Milano S.r.l. closed following merger in Flos spa at 01.07.2020 (accounting and fiscal effect from 01.01.2020). Flos Roma S.r.l closed following merger in Flos spa at 01.07.2020 (accounting and fiscal effect from 01.01.2020)
*** Note 3: Euroformat S.r.l. was merged in Flos Bespoke as at 01.10.2020 (accounting and fiscal effect from 01.01.2020).
**** Note 4: B&B Italia Contract Projects Srl was closed by liquidation.
***** Note 5: Louis Poulsen Italy Sarl was closed by liquidation at 29.12.2020

4 SUMMARY OF THE MAIN ACCOUNTING STANDARDS

4.1 ACCOUNTING POLICIES, CHANGES I N ACCOUNTING ESTIMATES AND ERRORS

Group revised the classification of expenses related to members of the board of directors not employees including these expenses in the caption “personnel costs”. As a consequence, figures as at December 31, 2019 has been reclassified reducing by Euro 1.371 thousand, services costs and increasing for the same amount personnel costs.

4.2 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.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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 measured 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.

4.3 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:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period
  Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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.

4.4 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, 2020 and the average rates of the period from January 1, 2020 - December 31, 2020 are as follows:

		December 31, 2020	
		Exchange rate at the end of the year	**Average exchange rate**
SEK	Sweden	10,0343	10,4848
NOK	Norway	10,4703	10,7228
GBP	United Kingdom	0,89903	0,88970
USD	US Dollar	1,2271	1,1422
JPY	Japan	126,4900	121,8458
CHF	Switzerland	1,0802	1,0705
HK$	Hong Kong Dollar	9,5142	8,8587
CNY	Renminbi (Yuan)	8,0225	7,8747
DKK	Denmark	7,4409	7,4542
SGD	Singapore	1,6218	1,5742

4.5 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.

4.6 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 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.

4.6.1 SALE OF GOODS

The revenue is recognized when the company has transferred the control of the goods and services, 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.

4.6.2 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.

4.6.3 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.

4.7 INCOME TAXES

4.7.1 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. Please refers to note 37 “Income taxes”

4.7.2 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.

4.7.3 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.

4.8 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.

4.9 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%

We point out that no changes have occurred in respect of the depreciation rates of previous year.
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.

4.9.1 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

The item “Land and Buildings” mainly include the lease contracts for the showrooms directly managed by B&B and Flos.

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.

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.

4.10 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, except for 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.

4.10.1 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.

4.10.2 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%

4.10.3 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, 2020, 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.

4.11 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. Except for 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.

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 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 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.

4.12 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.

4.13 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.

4.14 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 seven years, of which five characterized by an analytical plan development and the next two years by an analytical construction provision based on a g-rate year by year.
This chose to aim to represent the entire actions carried out by the companies' managements.
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:

4.14.1 GOODWILL

Goodwill is tested for impairment at least once a year (as of 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 was 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.

4.14.2 TRADEMARKS

The other intangible assets with indefinite useful life, the trademarks (FLOS, B&B, Maxalto, Arclinea and “Louis Poulsen” are subject to annual impairment test at the Cash Generating unit level.

4.15 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.

4.16 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.

4.17 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 fulfil 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.

4.18 PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

The Group operates a defined benefit pension plan, which requires contributions to be made to a separately administered fund.
Defined benefit pension plans, which also include the “TFR” (Trattamento di Fine Rapporto) due in Italy to employees pursuant to Article 2120 of the Italian Civil Code, based on the working life of the employees and on the remuneration received by the employee during a predetermined service period. These benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method, so are recognized in the financial statement to discounting calculation

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur.

4.19 SHARE-BASED PAYMENTS

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognized in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not considered when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement is non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES CONTINUED

5.1.1 AMENDMENTS TO IFRS 3: DEFINITION OF A BUSINESS

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group enter into any business combinations.

5.1.2 AMENDMENTS TO IFRS 7, IFRS 9 AND IAS 39 INTEREST RATE BENCHMARK REFORM

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

5.1.3 AMENDMENTS TO IAS 1 AND IAS 8 DEFINITION OF MATERIAL

The amendments provide a new definition of material that states, "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 clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

5.1.4 CONCEPTUAL FRAMEWORK FINANCIAL REPORTING ISSUED ON 29 MARCH 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

5.1.5 AMENDMENTS TO IFRS 16 COVID-19 RELATED RENT CONCESSIONS

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

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.

Following the impairment test carried out, as per paragraph “Other Intangible asset” no triggered event has been recognized for the group.

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.

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 financing 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. Consequently, the analysis of interest rate risk was carried out with a variation of + 100bps e -100 bps on Shareholder Loan and it may lead to a variation of 530 thousands f Euro no triggered event are expected.

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 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 by the relative Group Administrative Offices. 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.

6.3.4 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.

6.3.5 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.

The tables below present the Group's financial commitments:

	As of 31 December 2020			
	Whthin 1 year	**from 1 to 2 years**	**from 3 to 5 years**	**Carrying amount**
Bond loan	-	-	720.000	704.674
Interest bearing loans	45.200	45.200	135.600	-
Other financial debts	1.934	-	-	1.934
Finance lease	9.336	9.336	28.235	46.907
Interest financial lease	3.613	3.613	10.839	-
Total	**60.083**	**48.813**	**866.439**	**753.515**

	As of 31 December 2019			
	Whthin 1 year	**from 1 to 2 years**	**from 3 to 5 years**	**Carrying amount**
Bond loan	-	-	720.000	701.860
Interest bearing loans	45.200	45.200	180.800	-
Other financial debts	7.499	-	-	7.499
Finance lease	8.341	8.341	30.655	46.907
Interest financial lease	3.813	3.813	11.439	-
Total	**64.853**	**57.354**	**942.894**	**756.266**

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.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.

6.5 CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued capital, convertible preference shares share premium and all other equity reserves attributable to the equity holders of the parent.
The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments due to changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 40% and 50%. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and short-term deposits, excluding discontinued operations.

	December 31, 2020	December 31, 2019
Corporate Bond	704.674	701.860
Other financial liabilities	1.934	7.499
Financial liability per leases	46.907	47.338
Trade payables and other debtsi	163.663	162.816
Cash and cash equivalents and deposits	(92.723)	(63.564)
Net debt	**824.455**	**855.949**
Shareholders' equity	1.011.404	983.627
Shareholders' equity and net debt	**1.835.859**	**1.839.576**
Gearing ratio	*45%*	*47%*

6.5 FAIR VALUE MEASUREMENT

The following table provides the hierarchy of fair value measurement for the Group's liability at December 31, 2020 and 2019.

December 31, 2020	Carrying amount (based on measurement basis) Total	Fair value level 1	Fair value level 2	Fair value level 3
Financial assets:	**116.088**			
Shareholding in parent company	23.365			23.365
Cash and cash equivalents	92.723	92.723		
Loans and receivables	**69.099**			
Trade and other receivables	62.767			
Non-current financial assets and other non-current assets	6.332			6.332
Available-for-sale assets	**2.011**			
Available for sale assets	2.011			
Financial liabilities:	**877.063**			
Trade payables	123.443			
Short-term financial debt	1.934			
Current lease financial liabilities	9.336			9.336
Other non current liabilities	106			
Non-current financial payables	704.674			704.674
Non-current lease financial liabilities	37.571			37.571

December 31, 2019	Carrying amount (based on measurement basis) Total	Fair value level 1	Fair value level 2	Fair value level 3
Financial assets:	**81.570**			
Shareholding in parent company	18.006			18.006
Cash and cash equivalents	63.564	63.564		
Loans and receivables	**82.067**			
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:	**881.668**			
Trade payables	124.219			
Short-term financial debt	7.499			7.499
Current lease financial liabilities	8.341			8.341
Other non current liabilities	752			
Non-current financial payables	701.860			701.860
Non-current lease financial liabilities	38.997			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 because 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.

6.6 SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on the three CGU (cash generating unit) identified for the evaluation of the fair value asset and liabilities.

The Executive Management Committee is the Chief Operating Decision Maker (CODM) and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The Group's financing (including finance costs, finance income and other income) and income taxes are managed on a Group basis through the cash pooling and fiscal consolidated and are not allocated to operating segments.
Transfer prices between operating segments are on an arm's-length basis in a manner similar to transactions with third parties.

December, 31 2020	B&B	FLOS	LP	Adjustments and elimination	Consolidated
Revenues					
Revenues from contracts with customers	195.769	203.683	122.315	(984)	520.783
Other revenues and income	1.796	3.317	12	(31)	5.094
Total revenues	**197.565**	**207.000**	**122.327**	**(1.015)**	**525.877**
Income/Expenses					
Costs of inventories	(61.309)	(57.353)	(36.514)	976	(154.200)
Personnel costs	(35.238)	(39.296)	(34.726)	0	(109.260)
Service costs	(49.989)	(54.757)	(16.333)	10	(121.069)
Other costs	(2.560)	(4.554)	(3.085)	0	(10.199)
Depreciation and amortization	(12.315)	(12.669)	(8.461)	0	(33.444)
Segment profit	**36.154**	**38.371**	**23.208**	**(29)**	**97.704**
Total asset	**674.305**	**833.810**	**543.730**	**(1.056)**	**2.050.789**
Non-current asset	524.139	701.088	501.554	0	1.726.781
Current asset	150.166	132.722	42.176	(1.056)	324.008
Total liabilities	**(263.054)**	**(261.587)**	**(171.835)**	**1.056**	**(695.420)**
Non-current liabilities	(171.298)	(207.211)	(140.883)	0	(519.392)
Current liabilities	(91.756)	(54.376)	(30.952)	1.056	(176.028)

December, 31 2019	B&B	FLOS	LP	Adjustments and elimination	Consolidated
Revenues					
Revenues from contracts with customers	213.429	231.323	112.785	(785)	556.752
Other revenues and income	2.795	4.502	76	103	7.476
Total revenues	**216.224**	**235.825**	**112.861**	**(682)**	**564.228**
Income/Expenses					
Costs of inventories	(85.143)	(93.963)	(40.187)	598	(218.695)
Personnel costs	(36.988)	(41.092)	(34.246)	0	(112.327)
Service costs	(57.251)	(61.817)	(17.073)	1.960	(134.181)
Other costs	(5.682)	(5.834)	(4.643)	(103)	(16.262)
Depreciation and amortization	(10.832)	(12.155)	(8.295)	0	(31.282)
Segment profit	**20.328**	**20.964**	**8.417**	**1.773**	**51.482**
Total asset	**663.723**	**815.243**	**556.264**	**(192)**	**2.035.038**
Non-current asset	529.731	702.417	520.338	0	1.752.486
Current asset	133.992	112.826	35.926	(192)	282.552
Total liabilities	**(272.141)**	**(266.482)**	**(176.369)**	**209**	**(714.783)**
Non-current liabilities	(175.854)	(209.815)	(149.161)	0	(534.830)
Current liabilities	(96.287)	(56.667)	(27.208)	209	(179.953)

Adjustments and eliminations

Finance costs, finance income, other income, and fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a group basis.
Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis.
Capital expenditure consists of additions of property, plant and equipment, intangible assets and investment properties including assets from the acquisition of subsidiaries.
The contribution of the equity and economic balances of the parent company is shown net of the infra-group reports with the subsidiaries, eliminated in the consolidation.

Reconciliation of profit	31-dic-20	31-dic-19
Segment profit	**97.704**	**51.482**
Parent company results before interests and taxes and net to intercompany records	(487)	(170)
Financial income	1.969	2.090
Financial charges	(57.819)	(57.478)
Income taxes	(18.234)	(4.906)
Result before tax from continuing operations	**23.133**	**(8.982)**
Net profit of discontinued operations	(500)	(599)
Profit/(loss) for the period	**22.633**	**(9.581)**

Reconciliation of assets	31-dic-20	31-dic-19
Segment operating assets	**2.050.789**	**2.035.038**
Asset of the parent company net to intragroup movements	44.879	42.647
DHD ROU	8.229	-
Assets held for sale	2.011	2.511
Total assets	**2.105.908**	**2.080.196**

Reconciliation of liabilities	31-dic-20	31-dic-19
Segment operating liabilities	**(695.420)**	**(628.253)**
Parent company liabilities net to intragroup movements	(390.724)	(381.786)
DHD lease liabilities	(8.360)	-
Total liabilities	**(1.094.504)**	**(1.096.569)**

7 GOODWILL

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

	December 31, 2020	December 31, 2019
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**

7.1 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 7 years, as approved by the management.

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.

COVID-19 pandemic spread constitutes an external factor of potential presumption of impairment for all companies, therefore the recoverability of the goodwill allocated to the three CGUs has been verified, in light of a specific analysis of the impact of the crisis on the value of fixed assets and on the basis of a business plan updated at the beginning of 2021.

The European Securities and Markets Authority (ESMA - European Securities and Market Authority) draws attention to the need to represent the growing level of uncertainty by:
• the possible use of multi-scenario techniques in determining the plans;
• alternatively, adjustments to the rates used for discounting the flows;
• update of the assumptions underlying the impairment tests at 31.12.2020 compared to the previous tests.

On this basis, the management has defined a single plan for each CGU (approved by the Board of Directors) which represents the normal and expected scenario, with reference to the period 2021-2027 and which was used for the development of impairment tests. The recoverable value of each CGU, determined on the basis of this plan, was subjected to stress tests and sensitivity analyzes which also took into consideration economic parameters and as a result of which positive results emerged.

The value in use of each CGU was calculated on the basis of a cost of asset (Ka) applied to the forecast operating cash flow projections of 8%, unchanged from last year, and a perpetual growth rate (g) by 1.5%, down from the previous year when it was 2%.

The recoverable value determined on the basis of the aforementioned assumptions and valuation techniques was higher than the book value of the assets allocated to the three CGUs, consequently the carrying amount of goodwill at 31 December 2020 is considered recoverable

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

For Flos, the headroom emerged is 71.8 million. The alternative scenario, has been prepared, considering the last two years of the plan and has previewed a reduction of the revenues of 1%, and a reduction of the Ebitda margin of 0,5%. In this scenario the headroom emerged was 49.7 million. Therefore, the recoverable value of Goodwill was in any case higher than the book value.

For B&B, the headroom emerged is 174,3 million. The alternative scenario, has been prepared, considering the last two years of the plan and has previewed a reduction of the revenues of 1%, and a reduction of the Ebitda margin of 0,5%. In this scenario the headroom emerged was 146.7 million. Therefore, the recoverable value of Goodwill was in any case higher than the book value.

For LP, the headroom emerged is 121,1 million. The alternative scenario, has been prepared, considering the last two years of the plan and has previewed a reduction of the revenues of 1%, and a reduction of the Ebitda margin of 0,5%. In this scenario the headroom emerged was 113,3 million. Therefore, the recoverable value of Goodwill was in any case higher than the book value.

8 OTHER INTANGIBLE ASSETS

The amount as at December 31, 2020 totals Euro 588.456 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**
HISTORICAL COST as of January 31st, 2019	**32.181**	**24.809**	**23.426**	**568.867**	**649.283**
Increases	6.485	1.952	1.828	-	10.265
Decreases	(188)	-	(81)	-	(270)
Exchange rate difference	51	14	32	53	151
Other changes	-	-	(14)	-	(14)
HISTORICAL COST as of December 31st, 2020	**38.529**	**26.775**	**25.191**	**568.920**	**659.415**
ACCUMULATED AMORTISATION as of January 1st, 2019	**23.225**	**22.146**	**16.383**	**80**	**61.834**
Increases	5.320	2.300	1.398	-	9.018
Decreases	-	-	-30	-	(30)
Exchange rate difference	30	13	37	5	86
Other changes	(3)	53	1	-	51
ACCUMULATED AMORTISATION as of December 31st, 2020	**28.573**	**24.512**	**17.789**	**85**	**70.959**
NET BOOK VALUE as of December 31st, 2019	**8.956**	**2.663**	**7.043**	**568.787**	**587.449**
NET BOOK VALUE as of December 31st, 2020	**9.956**	**2.263**	**7.402**	**568.835**	**588.456**

Development costs, totalling Euro 9.956 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, costs for software licenses and the development of CRM software, costs for projects in progress and customer relationships.

Trademark, amounting to Euro 568.835 thousand, refers to the trademarks:

- "FLOS", equal to Euro 244.139 thousand;
- "B&B", "Maxalto" and "Arclinea" equal to Euro 201.248 thousand;
- "Louis Poulsen", equal to Euro 123.448 thousand.

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 among 6% -7%, 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, considering the last two years of the plan and expected a reduction in revenues of 1%, and a reduction in the royalty rate of 0.2%, to verify the effects of this scenario on the value of the brands. No Brand impairment are due in this latter case.

9 PROPERTY, PLANT AND EQUIPMENT

The amount as at December 31, 2020 totals Euro 109.292 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**
HISTORICAL COST as of December 31st, 2019	**129.407**	**66.089**	**64.999**	**23.119**	**1.274**	**284.888**
Increases	1.461	5.600	3.488	1.149	692	12.391
Decreases	(1.131)	(3.546)	(399)	(929)	(492)	(6.498)
Exchange rate difference	(300)	(255)	1	6	(1)	(549)
Other changes	-	-	(53)	-	(100)	(153)
HISTORICAL COST as of December 31st, 2020	**129.437**	**67.887**	**68.036**	**23.345**	**1.373**	**290.078**
ACCUMULATED AMORTISATION as of December 31st, 2019	**42.178**	**54.958**	**57.892**	**18.180**	**-**	**173.208**
Increases	4.000	3.626	3.032	1.791	-	12.450
Decreases	(319)	(3.235)	(357)	(259)	-	(4.170)
Exchange rate difference	(250)	(12)	(17)	(10)	-	(289)
Other changes	(268)	-	(3)	(142)	-	(413)
ACCUMULATED AMORTISATION as of December 31st, 2020	**45.341**	**55.337**	**60.547**	**19.560**	**-**	**180.786**
NET BOOK VALUE as of December 31, 2019	**87.229**	**11.131**	**7.107**	**4.939**	**1.274**	**111.680**
NET BOOK VALUE as of December 31, 2020	**84.096**	**12.550**	**7.488**	**3.785**	**1.373**	**109.292**

The variation in Plant and Machinery mainly refers to the improvements of the Arclinea plant that lead to enhance the efficiency of the industrial processes, pursuant to 4.0 technology requirement, and for plant improvement of B&B company, located in Novedrate (0,6 thousand euro).

The variation in Industrial and Commercial Equipment refers to purchases of new molds for the development and manufacture of products.

10 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.

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 December 31st, 2019	**51.724**	**1.603**	**18**	**1.569**	**54.914**
Additions	9.050	586	1	554	10.192
Decreases for dismissal/change in scope	-	-	-	-	-
Exchange rate differences	(386)	6	1	(3)	(382)
Right of Use assets as of December 31st, 2020	**60.388**	**2.195**	**20**	**2.120**	**64.724**
Accumulated amortization as of December 31st, 2019	**9.195**	**647**	**5**	**564**	**10.411**
Additions	10.125	658	6	440	11.230
Decreases for dismissal/change in scope	-	-	-	-	-
Exchange rate differences	56	3	-	1	60
Accumulated amortization as of December 31st, 2020	**19.376**	**1.309**	**11**	**1.005**	**21.701**
Net Book Value as of Decmeber 31st, 2019	**42.529**	**956**	**13**	**1.005**	**44.503**
Net Book Value as of December 31st, 2020	**41.012**	**887**	**9**	**1.115**	**43.023**

The item “Land and Buildings” mainly includes the lease contracts for the shops managed by B&B and Flos.

The increase of the year is mainly due to the signing of the long-term lease agreement, signed by Design Holding Denmark, a company established and controlled by IDG SpA, and concerning the spaces in which the same company is situated.
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 31 December 2019	**47.338**
Additions	9.580
Decreases	-
Interests	3.613
Payments	(13.666)
Exchange rate difference	41
Financial lease liability as of 31st December 2020	**46.907**
Current financial lease liability	*9.336*
Non-current financial lease liability	*37.571*

Many lessors have provided rent concessions to lessees because of the Covid-19 pandemic. Rent concessions can include rent holidays or rent reductions for a period, possibly followed by increased rent payments in future periods. Applying the requirements in IFRS 16 for changes to lease payments, particularly assessing whether the rent concessions are lease modifications and applying the required accounting, could be practically difficult in the current environment. The objective of the amendment is to provide lessees that have been granted Covid-19 related rent concessions with practical relief, while still providing useful information about leases to users of the financial statements.
As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic.
A lessee that applies the practical expedient discloses that it has applied the practical expedient to all rent concessions that meet the conditions for the practical expedient or, if not applied to all such rent concessions, information about the nature of the contracts to which it has applied the practical expedient. In addition, a lessee discloses the amount recognized in profit or loss to reflect changes in lease payments that arise from such rent concessions to which the lessee has applied the practical expedient.
Entities will need to assess whether the regulator in their jurisdiction allows the use of the relief and the date from which it is effective.
The Group during the year, recorded reductions in leasing installments of approximately euro 94 thousand and mainly for the stores of Flos SpA and Flos France.

11 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. As of December 2020, the fair value of the investment amount to Euro 23.569 and due to the revaluation on the basis of the equity value of the parent company.

12 DEFERRED TAX ASSETS

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

	Balance as of 31 December 2020	Taxes to income statement 2020	Exchange rates differences	Balance as of December 31, 2019
Reversal of related expenses for the purchase of equity investments	3.871	-	-	3.871
Inventory margin	1.917	3	-	1.914
Tax losses carried forward	369	(168)	1	536
Non-deductible financial charges	2.811	673	-	2.138
Depreciation of tangible assets and amortization of intangible assets	2.145	159	(8)	1.994
Provisions for stock obsolescence	2.910	633	(11)	2.288
Allowance for doubtful debts	1.262	(73)	(4)	1.339
Provisions for employee severance indemnities	958	160	-	798
Allocations to risk provision	1.354	(265)	(7)	1.626
Remuneration not yet paid	(265)	(194)	-	(71)
Other changes	722	29	(3)	696
DEFERRED TAX ASSETS	**18.054**	**957**	**(32)**	**17.129**

13 NON-CURRENT FINANCIAL ASSETS

The item, amounting to Euro 3.354 thousand, includes on December 31, 2020 mainly the deposits on rent paid by Group companies.

14 INVENTORIES

Inventories are detailed in the following table:

	Dec-31-20	Dec-31-19
Materials, auxiliaries and consumables	47.302	44.791
Provision for write-down on materials, auxiliaries, and consumables	(7.256)	(5.425)
Work in progress and semi-finished goods	40.377	30.778
Provision for write-down on work in progress and semi-finished goods	(3.774)	(2.998)
Finished gaming machines and merchandise	27.524	27.817
Provision for write-down on finished gaming machines and merchandise	(6.387)	(6.672)
Advances	867	1.839
Goods in transit	1.571	2.022
TOTAL INVENTORIES	**100.224**	**92.152**

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

	PROVISION FOR WRITE-DOWN OF INVENTORIES
BALANCE as of December 31st, 2019	(15.095)
Usage of Provision	2.084
Write-down portion	(4.416)
Exchange rate difference	10
BALANCE AS OF DECEMBER 31st, 2020	**(17.417)**

15 TRADE RECEIVABLES

At December 31, 2020, trade receivables total Euro 57.133 thousand, including the trade receivables toward the ultimate aren't company and net of the bad debt provision which amounts to Euro 5.688 thousand.

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-31-20	Dec-31-19
Italy	9.854	17.663
EEC	26.882	31.712
Non-EEC	20.397	19.137
TOTAL TRADE RECEIVABLES	**57.133**	**68.512**

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

	PROVISION FOR IMPAIRMENT OF RECEIVABLES
BALANCE as of December 31st, 2019	**(5.801)**
Usage of Provision	1.035
Allocation to Provision	(927)
Exchange rate difference	25
BALANCE AS OF DECEMBER 31st, 2020	**(5.668)**

Trade receivables, amounting to Euro 62.801 thousand, are broken down by maturity, without taking into account the Provision for Impairment of Receivables of Euro 5.668:

	Total as of December 31st, 2020	Current	Overdue 0-30	Overdue 30-60	Overdue 60-90	Overdue 90-120	Past due more than 120 days
Italy	25.178	19.717	1.617	261	59	242	3.282
EEC	22.239	15.846	3.114	1.091	210	350	1.628
Non-EEC	15.384	11.888	1.785	227	257	287	940
TOTAL TRADE RECEIVABLES	**62.801**	**47.451**	**6.516**	**1.579**	**526**	**879**	**5.850**

16 TAX ASSETS AND OTHER CURRENT ASSETS

16.1 TAX CREDIT AND DUE FROM TAX AUTHORITIES

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

	Dec-31-20	Dec-31-19
Receivables for paid tax advances	2.558	1.704
Tax receivable vs. DH	2.191	2.341
VAT receivable	1.939	4.133
Receivables for withholding taxes	43	96
Other tax receivables	470	400
TOTAL CURRENT TAX CREDIT AND DUE FROM TAX AUTHORITIES	**7.201**	**8.674**

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.

16.2 OTHER CURRENT ASSETS

Other assets, amounting to Euro 5.634 thousand, refer mainly to advances paid to suppliers and to amounts already paid for maintenance fees, utilisation of software and services for IP deposits.

17 CASH AND CASH EQUIVALENTS AND DEPOSITS

Current and restricted cash and cash equivalents at December 31, 2020 total Euro 92.723 thousand and their breakdown is as follows:

	Dec-31-20	Dec-31-19
Bank and postal accounts	92.268	63.278
Cheques	6	7
Cash and cash equivalents in hand	86	96
Total current cash and cash equivalents	**92.360**	**63.381**
Restricted bank deposits	**363**	**183**
TOTAL CASH AND CASH EQUIVALENTS	**92.723**	**63.564**

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.

18 ASSETS HELD FOR DISPOSAL

The caption “Assets held for disposal”, amounting to Euro 2.011 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 500 thousand net to tax effect.

19 SHAREHOLDERS’ EQUITY

The Total Shareholders’ Equity (of the Group and of minority interests) totals Euro 1.011.404 thousand of which Euro 1.001.841 thousand of the Group and Euro 4.269 thousand 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	**Dec-31-20**	**Dec-31-19**
Shareholders' equity of IDG consistent with local GAAP	981.144	993.142
Impact of IFRS adjustments on IDG's Equity	(5.554)	(10.856)
Controlled Equity net of participations' reversal	35.814	40.258
PPA's reversal impacts	-	(38.917)
Consolidated Shareholders' Equity of IDG Group	**1.011.404**	**983.627**

20 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 December 31st, 2019	**7.721**
Allocations to Provision	2.259
Usage of Provision	(2.523)
Discounting interest	3
Actuarial gains and losses	16
Exchange rate difference	7
BALANCE as of DECEMBER 31st, 2020	**7.483**

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:

	Dec-31-20	**Dec-31-19**
Annual discount rate	-0,02%	0,37%
Annual inflation rate	0,80%	1,20%
Annual rate of increase of employee severance indemnity	2,10%	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.

21 PROVISIONS FOR RISKS AND OTHER CHARGES

Provisions for risks and charges, totalling Euro 10.986 thousand, include:

- Provisions for pension liabilities and the like, amounting to Euro 4.608 thousand;
- Provisions for products' warranty, amounting to Euro 3.512 thousand;
- Other Provisions, amounting to Euro 2.866 thousand.

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

21.1 PROVISIONS FOR PENSION LIABILITIES AND THE LIKE

	PROVISIONS FOR PENSION LIABILITIES AND THE LIKE
BALANCE as of December 31st, 2019	**4.069**
Allocations to Provision	893
Usage of Provision	(173)
Actuarial gains/(losses)	(181)
BALANCE AT DECEMBER 31st, 2020	**4.608**

At December 31, 2020 the Provisions for pension liabilities, amounting to Euro 4.608 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.

21.2 OTHER PROVISIONS FOR RISKS AND CHARGES

"Other Provisions for Risks" 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 December 31st, 2019	**3.601**
Allocations to Provision	353
Usage of Provision	(443)
Exchange rate difference	1
BALANCE AS OF DECEMBER 31st, 2020	**3.512**

	OTHER PROVISIONS FOR RISKS AND CHARGES
BALANCE as of December 31st, 2019	**2.680**
Allocations to Provision	726
Usage of Provision	(511)
Exchange rate difference	(29)
BALANCE AS OF DECEMBER 31st, 2020	**2.866**

The other provisions for risks reflect the potential charges for litigation risks and related legal fees.

22 CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

The details of the financial liabilities are as follows:

	Dec-31-20	Dec-31-19
Current financial liabilities:		
Payables to other lenders	761	3.026
Payables to banks	1.163	4.473
Liabilities for leases	9.336	8.341
Total current financial liabilities	**11.261**	**15.840**
Non-current financial liabilities:		
Payables to other lenders	2.777	3.767
Bond loan	701.907	698.093
Liabilities for leases	37.571	38.997
Total non-current financial liabilities	**742.255**	**740.857**
TOTAL FINANCIAL LIABILITIES	**753.515**	**756.697**

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

	Dec-31-20	Dec-31-19
Bond Loan	720.000	720.000
Amortised cost	(23.710)	(27.649)
Matured interest	5.617	5.742
Liabilities for Shareholder Loan	**701.907**	**698.093**

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%, semi-annual 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 and Luxemburg 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 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 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).
During the first semester of 2020, the company drawdown the total amount of revolving loan for Euro 100.000.000 and as at December 2020, the same facility its totally refund.

23 DEFERRED TAX LIABILITIES

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

	Dec-31-20	Taxes to income statement	Taxes to OCI	Exchange rate difference	Dec-31-19
Brand	42.671	1.311	-	12	41.348
R&D	5.356	(658)	-	2	6.012
Property revaluation	23.446	(1.324)	-	8	24.762
Shareholding revaluation	64	-	64	-	13
Business combination	86.546	-	-	17	86.529
Leasing deduction	146	14	-	-	132
Ammortamnto imm. materiali	129	127	-	2	-
Other minor differences	497	296	-	-	201
DEFERRED TAX LIABILITIES	**158.856**	**(233)**	**64**	**41**	**158.984**

24 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities, equal to Euro 106 thousand, refer mainly to ongoing fees to pay to the bank for the loan facility granted to IDG.

25 TRADE PAYABLES

Trade payables broken down by geographic area are provided below.

	Dec-31-20	Dec-31-19
Italy	53.399	74.789
EEC	52.357	34.280
Non-EEC	17.687	15.150
TOTAL TRADE PAYABLES	**123.443**	**124.219**

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

The breakdown by maturity of payables to suppliers, amounting to Euro 79.980 thousand, is as follows:

	Total as of Dec.31-2020	Current	Overdue 0-30	Overdue 30-60	Overdue 60-90	Overdue 90-120	Overdue Oltre 120
Italy	51.676	48.893	797	436	345	379	826
EEC	24.438	21.562	1.300	256	56	677	587
Non-EEC	3.866	2.872	582	117	14	1	280
TOTAL TRADE LIABILITIES	**79.980**	**73.326**	**2.679**	**809**	**415**	**1.057**	**1.692**

26 TAX PAYABLES AND OTHER CURRENT LIABILITIES

More details about these items are provided below.

26.1 TAX PAYABLES AND DUE TO TAX AUTHORITIES

	Dec-31-20	Dec-31-19
Due to Tax Authorities for taxes	3.517	4.320
Due to DH for taxes	2.512	3.313
Due to Tax Authorities for VAT	3.869	3.009
Sundry taxes payable	1.466	1.115
TOTAL TAX PAYABLES AND DUE TO TAX AUTHORITIES	**11.364**	**11.756**

26.2 PAYABLES TO SOCIAL SECURITY AGENCIES

Payables to social security agencies amount to Euro 4.866 thousand and include mainly the contributions to be paid for the month of December.

26.1 DUE TO PERSONNEL AND OTHER PAYABLES

	Dec-31-20	Dec-31-19
Other payables to personnel	7.636	8.750
Payables for unused holidays	5.967	4.454
Tax payables for employee taxes	3.498	1.203
Payables to management and directors	1.260	1.096
Payables to customers for bonus and other payables	3.171	3.720
Payables for marketing contributions	181	89
Payables for royalties	1.745	1.661
Other payables	427	497
DUE TO PERSONNEL AND OTHER PAYABLES	**23.885**	**21.470**

27 REVENUES

Revenues as of December 31, 2020 amount to Euro 520.561 thousand and relate to the sale of products and services.

27.1 DISAGGREGATED REVENUES

Set out below is the disaggregation of the Group's revenues from contracts with customers by geographical markets:

Geographical markets	December 2020	December 2019
Europe	361.066	362.785
United States	74.882	99.771
APAC	76.332	81.892
MENA and other	8.281	11.431
Total revenue from contracts with customers	**520.561**	**555.879**

Set out below is the disaggregation of the Group's revenues from contracts with customers by type of goods or service:

Type of goods or service	December 2020	December 2019
Lighting	321.631	340.629
Upholstery	60.864	63.335
Kitchen	27.632	28.658
Other*	106.033	118.749
Spare parts and accessories	4.401	4.508
Total revenue from contracts with customers	**520.561**	**555.879**

Set out below is the disaggregation of the Group's revenues from contracts with customers by channel:

Revenues by channel	December 2020	December 2019
Wholesale	381.828	379.534
Contract	102.606	133.034
Retail	32.220	40.089
Direct online	3.907	3.223
Total revenue from contracts with customers	**520.561**	**555.879**

**Includes revenues from the sale of* Outdoor Furniture, Tables, Beds complementary furniture.

28 OTHER REVENUES AND INCOME

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

	December 2020	December 2019
Other revenues	4.830	7.281
Gains on disposal of assets	70	87
Operating grants	178	130
Release of provisions	254	852
TOTAL OTHER REVENUES AND INCOME	**5.332**	**8.350**

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

29 PURCHASES OF RAW MATERIALS AND VARIATION IN INVENTORIES

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

	December 2020	December 2019
Purchases of raw materials, semi-finished goods, finished products	(154.433)	(172.488)
Purchases of promotion and advertising materials	(1.583)	(1.973)
Purchase of various other materials	(1.633)	(1.617)
Changes in inventories of work in progress	427	(45.562)
Increases in internal work capitalised	482	426
Changes in inventories of raw materials	2.540	2.536
TOTAL PURCHASES OF RAW MATERIALS AND CHANGES IN INVENTORIES	**(154.200)**	**(218.678)**

We point out that in 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 for Euro 45.483 thousand.
The further reduction of the item "Purchases of raw materials, semi-finished products, finished products" is due to the proactive management of products and cost optimization set by the group to minimize any Covid-19 impacts.

30 PERSONNEL COSTS

Details about Personnel costs are provided in the following table:

	December 2020	December 2019
Salaries and wages	(84.791)	(86.251)
Stock options plans	(1.246)	(943)
Social security contributions	(16.237)	(17.260)
Employee severance indemnities and pension charges	(4.751)	(4.437)
Other personnel costs	(2.234)	(3.436)
TOTAL PERSONNEL COSTS	**(109.260)**	**(112.327)**

The Group granted a stock grant plan to some employee.
In accordance with IFRS 2 “Share-based payments”, the Group recognized in its consolidated financial statement the stock grant plan, composed only by “equity settled” plan, among the personnel costs together with a corresponding increase in equity.
The item “Other personnel costs” include also the remuneration to directors and other minor cost for employee.

The number of Group employees are broken down by category below, distinguished between those employed at December 31, 2020 and the average workforce of the year:

	Dec-31-20	Dec-31-19
Executives	47	47
White-collar	999	974
Blue-collar	658	667
Total employees	**1.704**	**1.688**

31 SERVICE COSTS

The details of Service costs are as follows:

	December 2020	December 2019
Contractor work and outsourced production work	(32.177)	(34.307)
Fees, royalties, expenses for advertising and communication	(34.652)	(36.496)
Transport and customs expenses	(14.870)	(16.170)
Utilities, accessory services, EDP fees, maintenance, and repairs	(10.634)	(9.919)
Technical, artistic, tax, legal and other advisory services	(10.514)	(9.719)
Emoluments to statutory auditors and independent auditors	(1.104)	(1.159)
Travel and lodging expenses	(3.371)	(8.115)
Expenses for training, third-party personnel, banking services and sundry administrative services	(6.466)	(6.968)
Insurance, patents and trademarks, telephone and mail expenses	(2.720)	(2.574)
Management fees and other costs vs. ultimate parent company	(5.107)	(10.001)
TOTAL COSTS FOR SERVICES	**(121.615)**	**(135.427)**

32 PROVISIONS

Allocations to provisions refer to:

	December 2020	December 2019
Provisions for pension liabilities and the like	(893)	(776)
Provisions for other risks	(726)	(1.582)
Provisions for other charges	(353)	(750)
TOTAL ALLOCATIONS TO PROVISIONS	**(1.972)**	**(3.107)**

33 OTHER COSTS AND CHARGES

The Other costs and charges comprise the following:

	December 2020	December 2019
Property services	(1.252)	(2.740)
Short term and low value leases	-	(459)
Rent and EDP licence fees	(1.455)	(2.161)
Other taxes and duties	(1.181)	(1.922)
Gifts and charitable donations	(237)	(303)
Membership and subscriptions included Internet	(337)	-
Purchase of office supplies and consumables	(505)	(568)
Sundry and general expenses	(821)	(1.698)
Cost closing down LP Italy and Belgium	-	(483)
Other operating costs	(2.441)	(2.635)
TOTAL OTHER COSTS AND CHARGES	**(8.228)**	**(12.969)**

34 AMORTIZATION, DEPRECIATION AND IMPAIRMENT

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

	December 2020	December 2019
Amortization of intangible assets	(9.018)	(8.031)
Depreciation of tangible assets	(12.450)	(11.853)
Depreciation of right of use assets	(11.230)	(10.411)
Write-down of fixed assets	-	(233)
Impairment of receivables	(927)	(754)
TOTAL AMORTIZATION, DEPRECIATION AND IMPAIRMENT	**(33.625)**	**(31.282)**

35 FINANCIAL INCOME

The item, amounting to Euro 1.969 thousand, includes mainly exchange gains relating to foreign exchange transactions.

36 FINANCIAL CHARGES

Financial charges comprise mainly Financial charges tied to the bond issued for the purposes of the business combination and amount to Euro 57.819 thousand.

37 INCOME TAXES

The details of taxes are as follows:

	December 2020	December 2019
Current income taxes	(19.424)	(17.354)
Deferred tax assets/liabilities	1.190	12.448
TOTAL INCOME TAXES	**(18.234)**	**(4.906)**

The item “Deferred tax assets/liabilities as of December 2019 was mainly composed by the deferred tax due to the reversal of excess values recognized for the business combination.

The reconciliation between income taxes and the theoretical ones, resulting from the application of the current rate in Europe to pre-tax profit for the year ended December 31, 2020 is as follow:

	December 2020	December 2019
Accounting loss before income tax	**41.367**	**(4.076)**
Tax at domestic rates applicable to individual group entities (26%)	(10.938)	(7.109)
Prior year's taxes	1.827	1.175
Non-deductible expenses or non-taxable income	(4.538)	(1.041)
Tax asset not recognised on IDG	(4.585)	-
Benefit from consolidated tax declaration	-	2.069
Actual taxes recognised in the Profit & Loss	**(18.234)**	**(4.906)**

Under the Italian fiscal jurisdiction, IDG SpA and its subsidiaries for the three-year period 2020-2022 have joined to the national tax consolidation regime, with a specific contract signed that aim to transferr tax items towards to ultimate parent company, Design Holding SpA .
The national tax consolidation regime, pursuant the articles 117-129 of Presidential Decree 917/86, provide a single calculation of a group taxable base for the consolidated companies;

Consequently:
(i) at the equity level, all items relating to the regulation of IRES are classified as intragroup relations of a tax nature;
(ii) an economic level, in addition to the relevant resources, income and / or charges from consolidation for the remuneration of the tax items transferred to the consolidating entity are recognized only upon the occurrence of certain conditions envisaged in the tax consolidation contract. In particular, the remuneration of the items transferred to the parent company will be recognized to the consolidated company in the tax period in which these items can be used independently by the company that transferred to the tax consolidation, within the next five fiscal periods form the transfer date.

At 31 December 2020, the Group has not allocated receivables relating to the tax consolidation for a total of Euro 2.2 million, deriving from the non-deductible interest expense and the ACE of IDG S.p.A., because doesn't exists a condition for future recovery of the credit.

38 EARNINGS PER SHARE (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.
Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	Dicembre 2020	Dicembre 2019
Profit attributable to ordinary equity holders of the parent:	**21.239**	**(10.511)**
Weighted average number of ordinary shares for basic EPS*	**5.102**	**5.102**
Ordinary shares	5.102	5.102
Weighted average number of ordinary shares adjusted for the effect of dilution	**5.102**	**5.102**
Ordinary shares	5.102	5.102
EPS Base	*4,2*	*(2,1)*
EPS Diluited	*4,2*	*(2,1)*

** L'EPS Base and Diluted as of December 2019 is influenced by the effects of the reversal of the surplus values deriving from the business combination that took place in 2018.Excluding this effect the EPS base and diluted should be equal to 4,6.*

39 RELATED PARTY DISCOUSURE

IDG Spa and its subsidiaries have joined to the national tax consolidation regime with the ultimate parent company, Design Holding S.p.A. as explained in the paragraph 37 “Income taxes”.

Credit and payables, revenues and costs between the groups entities and the parent company has recognized in individual item in the schemes.

40 EVENTS AFTER THE REPORTING PERIOD

Please refer to notes 12 “Business outlook and important event that occurred after the end of the financial year”, of the management reports.

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 7, 2021

On behalf of the Board of Directors

The Chairman
Piero Canzani