INTERNATIONAL DESIGN GROUP S.P.A. SOLE SHAREHOLDERS

Registered Office: Via Montenapoleone 29 – 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, 2018

1 INTRODUCTION

Dear Shareholder,

The consolidated financial statements as at December 31, 2018 of International Design Group S.p.A. (hereafter also "***IDG***" or "***IDG Group***") show a Net profit of Euro -11,5 millions after amortization and write-downs for Euro 2,6 million.

As better explained in the Notes that follows, this is the first IDG Consolidated Financial Statement and the Income Statement represents around one month of activity and has been deeply impacted by the transaction costs connected to the business combination occurred in November 2018 for Euro 15,5 million.

2 MACROECONOMIC CONTEXT

During the period, a decrease in world economy has been observed. US protectionist strategy and Middle East geopolitical risks generated uncertainty with a decrease of world trade exchanges.
Further economic expansion was recorded in US, with high employment levels due to tax reduction and to an increase of public expenses. On the other side, this growth was partially limited by the worsening of the general world economic condition.
The mean value of euro/dollar exchange was 1.18 in 2018, with an increase of 4.6% with respect to 2017.
A progressive decrease of the exchange rate was recorded starting from March, which caused exchange rates lower than 2017 starting from August, down to a level of 1.14, observed in December.
The slowdown of expansion was higher than forecast in Europe, especially at the end of operation.
In spite of the contest, occupation rate improved. GDP trend was characterized by different rates from country to country.
The economic growth in Italy is lower than in other European countries; with respect to the growth recorded in 2017, economy suffered a slowdown especially in the second half of 2018, and a weakening in both export and industrial production was observed. The reduction of GDP was induced by external factors, which caused export decrease, but also by internal factors.
After national elections in March 2018 and the government formation, economical politic decisions were taken, which caused concerns in financial markets and induced tensions between European institutions and Italian government about their compatibility with respect to Community economic-financial convergence criteria.
These elements caused a temporary deterioration of the investor credit, an increase in the spread of public debt credits with respect to German ones, and a particular attention on the public finance parameters.
The dynamic of expenses for private needs was observed in light decrease, as in many other European countries, while the cycle of investments suffered a reduction due to the contraction in instrumental goods expenses of industrial companies.

3 RECLASSIFIED INCOME STATEMENT OF THE GROUP

As explained in the Notes to the Financial Statement, the 2018 consolidated Income Statement represents around one month of activity and has been deeply impacted by the transaction costs connected to the business combination occurred in November 2018.
The Income Statement is therefore not representative of the true Group potential; in order to provide a representation of the results of the Group please refer to the following table that represents, according to a reclassified scheme, costs and revenues with indication of the non-recurring costs and revenues of the companies included in the scope of consolidation taking into consideration 12 months of activity.

Reclassified Income Statement of the Group (euro/mln)	2018 (12 months)
Revenues from contracts with customers	534,9
Other revenues and income	6,8
TOTAL REVENUES	**541,7**
Purchases of raw materials and variation in inventories	(158,0)
Personnel costs	(108,2)
Service costs	(130,0)
Provisions	(1,8)
Other costs and charges	(21,5)
TOTAL COSTS	**(419,5)**
Amortization, depreciation and impairment	(25,8)
OPERATING RESULT	**96,4**
Non-recurring costs and revenues	(55,0)
Financial income	2,2
Financial charges	(25,1)
RESULT BEFORE TAX FROM CONTINUING OPERATIONS	**18,4**
Income taxes	(6,5)
PROFIT/(LOSS) FOR THE PERIOD	**11,9**

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

OPERATING RESULT: is defined as the difference between revenues from sales and services and operating costs including amortization and depreciation and non recurring costs excluding financial non-recurring costs and charges.

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

- Costs related to the IDG Group business combination for Euro 15,5 million
- Costs related to management bonuses paid to directors and employees for Euro 33,5 million incurred by the Flos and B&B Groups
- Costs, of a financial nature, for the early termination of bank loans for Euro 6 million

EBITDA: is defined as the sum of the operating result with amortization and depreciation. The so defined EBITDA is equal to Euro 121 million.

ADJUSTED EBITDA: is the EBITDA as defined above summed up with: i) costs incurred for stores pre-opening, opening or closing, ii) restructuring costs; iii) provisions for bad debts or risks.

The adjusted EBITDA is shown below:

	2018
EBITDA	**121,0**
Allowance for bad debts and write-downs – Flos Group	0,6
Allowance for bad debts and write-downs – B&B Group	0,5
Allowance for bad debts and write-downs –LP Group	0,1
Other provisions for risks and charges – Flos Group	1,2
Other provisions for risks and charges – B&B Group	0,1
Restructuring costs – Flos Group	0,7
Pre-opening costs – B&B Group	0,9
Restructuring costs –LP Group	0,3
Adjusted EBITDA	**125,3**

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

Reclassified Statement of Financial Position (Euro/mln)	**2018**
Goodwill	1,335
Other intangible fixed assets	252
Property, plant and machinery	113
1) NET TECHNICAL FIXED ASSETS	**1,701**
Deferred tax assets	16
Other non-current assets	3
2) NET FINANCIAL FIXED ASSETS	**19**
3) NET FIXED ASSETS (1+2)	**1,720**
Account receivables	68
Other non-current assets	19
Inventories	79
a) Total Current Assets (net of bank balances receivable)	**165**
Trade payables	(121)
Tax payables	(14)
Liabilities due to social security institutions	6
Other current payables	(23)
b) Total current liabilities (net of short-term exposure to banks)	**(164)**
4) OPERATING WORKING CAPITAL (a+b)	**1**
5) NET INVESTED CAPITAL (3+4)	**1,721**
6) CONSOLIDATED EQUITY	**1,004**
Severance indemnity funds, taxes, risks and charges and other non-current liabilities	90
7) MEDIUM/LONG TERM FINANCE SOURCES	**90**
Cash and cash equivalents	(73)
Payables to other lenders (current and non-current)	704
8) TOTAL NET FINANCIAL POSITION	**631**
9) TOTAL MEDIUM/LONG TERM FINANCE SOURCES (6+7+8)	**1,725**

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

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

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

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.

4 MAIN RISKS AND UNCERTAINTIES

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

5 INVESTMENTS OF THE GROUP

The 2018 Group's investments relate exclusively to one month of activity and refer mainly to development and investment costs connected to the preparation of showrooms and shops.

6 RESEARCH AND DEVELOPMENT ACTIVITY CARRIED OUT BY THE GROUP

In 2018, the research and development activities have been carried out to implement new lighting equipment, this resulting in the designing of new products particularly complex from a project and manufacturing perspective. As such, the Group had to acquire and develop new know-how for the finalization of these products through the project and manufacturing phases. Such new products will be presented as prototype at 2019 Salone del Mobile.

7 HUMAN RESOURCES

As at December 31, 2018 the Group had 1,696 employees.

8 RELATIONS WITH SUBSIDIARY AND PARENT COMPANIES AND WITH RELATED PARTIES

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

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

There are no owned shares or shares of controlling companies owned by the Group.

10 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

THERE ARE NO OWNED SHARES OR SHARES OF CONTROLLING COMPANIES OWNED BY THE GROUP.

There are no treasury shares or shares of unit of parent companies purchased or sold during the year.

11 BUSINESS OUTLOOK

The Group's strategic goal is to perceive a healthy and profitable growth both organic that through acquisitions on specific markets and business lines.
The strategy for the future is to face new challenges and take new opportunities under a technology and commercial perspective, leveraging on the high-end brand positioning and on the well-known operational flexibility.

12 SIGNIFICANT EVENTS OCCURRED AFTER THE FINANCIAL YEAR ENDING

Please note that on April 5th 2019, Gabriele Del Torchio was appointed CEO of the Group.

13 INTERNATIONAL DESIGN S.P.A. SEPARATED FINANCIAL STATEMENT RESULT

Below are the results achieved in December 2018 by the parent company International Design Group S.p.A. which prepares the separate financial statements in accordance with Italian accounting principles (OIC).

Reclassified Statement of Financial Position (Euro/thousand)	**2018**
Intangible fixed assets	40
1) NET TECHNICAL FIXED ASSETS	**40**
Investments in subsidiaries	1,410,523
Other non-current assets	308,150
2) NET FINANCIAL FIXED ASSETS	**1,718,673**
3) NET FIXED ASSETS (1+2)	**1,718,713**
Account receivables vs subsidiaries	2,222
Other assets	0
a) Total Current Assets (net of bank balances receivable)	**2,222**
Trade payables	(22,444)
Tax payables	(648)
b) Total current liabilities (net of short-term exposure to banks)	**(23,091)**
4) OPERATING WORKING CAPITAL (a+b)	**(20,870)**
5) NET INVESTED CAPITAL (3+4)	**1,697,843**
6) EQUITY	**1,006,569**
Severance indemnity funds, taxes, risks and charges and other non-current liabilities	-
7) MEDIUM/LONG TERM FINANCE SOURCES	**-**
Cash and cash equivalents	(1,329)
Payables to other lenders (current and non-current)	686,878
8) TOTAL NET FINANCIAL POSITION	**685,548**
9) TOTAL MEDIUM/LONG TERM FINANCE SOURCES (6+7+8)	**1,692,117**

Reclassified Income Statement (euro/thousand)	**2018 (1 month)**
Service costs	-40
TOTAL COSTS	**-40**
Amortization, depreciation and impairment	-10
OPERATING RESULT	**-50**
Financial income	2,222
Financial charges	-6,128
RESULT BEFORE TAX FROM CONTINUING OPERATIONS	**-3,956**
Income taxes	-
PROFIT/(LOSS) FOR THE PERIOD	**-3,956**

In November 2018 IDG issued the Shareholder Loan that comprises two bonds.
Within IDG Financial Statement the costs connected to the business combination have been included into the investments in subsidiaries amount.
The company has no employees.

Consolidated Financial Statements at December 31, 2018

Consolidated Statement of Financial Position as at December 31, 2018

Amounts in thousand Euro	Notes	December 31, 2018
NON-CURRENT ASSETS		
Intangible fixed assets:		
- Goodwill	8	1,335,380
- Other intangible fixed assets	9	252,267
Property, plant and machinery	10	113,222
Deferred tax assets	11	16,110
Non-current financial assets	12	2,791
Other non-current assets	13	348
TOTAL NON-CURRENT ASSETS		**1,720,118**
CURRENT ASSETS		
Inventories	14	78,548
Trade receivables	15	67,563
Tax assets and other current assets:	16	
- Tax credit and due from tax authorities	16.1	9,616
- Other assets	16.2	9,252
Current financial assets		21
Cash and cash equivalents and deposits	17	73,102
TOTAL CURRENT ASSETS		**238,101**
Assets held for disposal	18	4,000
TOTAL ASSETS		**1,962,220**

Amounts in thousand Euro	Notes	December 31, 2018
SHAREHOLDERS' EQUITY	**19**	
Share capital	19.1	5,102
Other reserves	19.2	1,005,292
Result for the period		(11,971)
TOTAL GROUP SHAREHOLDERS' EQUITY		**998,423**
Minority shareholders' equity		5,095
Result attributable to minority interests		476
TOTAL SHAREHOLDERS' EQUITY		**1,003,994**
NON-CURRENT LIABILITIES		
Defined benefit plans	20	8,064
Provisions for risks and other charges	21	8,453
Non-current financial liabilities	22	697,363
Deferred tax liabilities	23	72,149
Other non-current liabilities	24	1,220
TOTAL NON-CURRENT LIABILITIES		**787,249**
CURRENT LIABILITIES		
Current financial liabilities	22	6,879
Trade payables	25	121,330
Tax payables and other current liabilities:	26	
- Tax payables and due to tax authorities	26.1	14,283
- Due to social security institutions	26.2	5,608
Due to personnel and other payables	26.3	22,877
TOTAL CURRENT LIABILITIES		**170,977**
TOTAL LIABILITIES		**958,225**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,962,220**

Consolidated profit and loss statement for the year ended December 31, 2018

Amounts in thousand Euro	Notes	December 31, 2018
Revenues from contracts with customers	27	48,180
Other revenues and income	28	1,416
Purchases of raw materials and variation in inventories	29	(15,222)
Personnel costs	30	(9,949)
Service costs	31	(11,450)
Provisions	32	(318)
Other costs and charges	33	(2,953)
Amortization, depreciation and impairment	34	(2,626)
Business combination costs	35	(15,452)
Financial income		303
Financial charges	36	(6,190)
RESULT BEFORE TAX FROM CONTINUING OPERATIONS		**(14,262)**
Income taxes	37	2,766
PROFIT/(LOSS) FOR THE PERIOD		**(11,496)**
Profit/(Loss) for the period, attributable to minority interest		476
Profit/(Loss) for the period, attributable to the Group		(11,971)

Consolidated statement of other comprehensive income (OCI) as at December 31, 2018

(amounts in thousand Euro)	Notes	2018
PROFIT/(LOSS) FOR THE PERIOD		**(11,496)**
Other comprehensive income (expense) that may be restated in the profit/(loss) for the period:		
Exchange difference on translating foreign financial statements		(151)
(Loss)/Net profit from cash flow hedge		-
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE) THAT MAY BE RESTATED IN THE PROFIT/(LOSS) FOR THE PERIOD, NET OF TAX		**(151)**
Total other comprehensive income (expense) that may not be restated in the profit/(loss) for the period, net of tax:		
(Profit/(Loss) from revaluation on defined benefit plans	20	21
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE) THAT MAY NOT BE RESTATED IN THE PROFIT/(LOSS) FOR THE PERIOD, NET OF TAX		**21**
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE), NET OF TAX		**(130)**
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE), NET OF TAX		**(11,626)**
Profit/(Loss) for the period, attributable to the Group		475
Profit/(Loss) for the period, attributable to minority interest		(12,100)

Statement of changes in consolidated shareholders' equity at December 31, 2018

2018									
	Share Capital	**Share premium reserve**	**Revaluation reserve Employee severance indemnities**	**Other reserves**	**Profit for the period**	**Total Group Shareholders' Equity**	**Minority shareholders' equity**	**Net profit attributable to minority interests**	**Total shareholders' equity**
Balance at September 10, 2018	**3**		**-**		**-**	**3**			**3**
Result for the period					(11,971)	(11,971)		476	(11,496)
Other income (expenses)			21	(150)	-	(129)	(1)		(130)
Total comprehensive profit for the period	**-**	**-**	**21**	**(150)**	**(11,971)**	**(12,100)**	**(1)**	**476**	**(11,626)**
Transfer / Business combination	5,099	1,005,423				1,010,522	5,095		1,015,617
Balance at December 31, 2018	**5,102**	**1,005,423**	**21**	**(150)**	**(11,971)**	**998,423**	**5,095**	**476**	**1,003,994**

Consolidated Statement of Cash Flows

amounts in thousand Euro	Notes	2018
RESULT FROM OPERATING ACTIVITIES NET OF TAXES		**(11,496)**
Adjustments to reconcile the profit before tax with net cash flows:		
Depreciation and impairment of property, plant and machinery	35	1,171
Amortisation and impairment of intangible assets	35	738
Financial income		303
Financial charges	36	(6,227)
Net change in employee severance indemnity and pension funds	20	151
Net change in provisions for risks and charges	21	216
Net change in deferred tax assets and liabilities	37	716
Changes in working capital:		
(Increase)/decrease in inventories	14	6,980
(Increase)/decrease in trade receivables	15	5,335
(Increase)/decrease in other non-financial assets	16	(923)
Increase/decrease in trade payables	25	35,515
Increase/decrease in tax payables	26	4,314
(Increase)/decrease in other non-financial liabilities	26	(45,156)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**3,133**
Investment activities:		
Acquisitions of tangibles assets net of disposals	10	(2,221)
Net investments in intangible assets	9	(1,318)
Price paid for the acquisition	7	(1,395,071)
Acquired cash	7	79,370
NET CASH FLOWS FROM INVESTMENT ACTIVITIES		**(1,319,240)**
Financing activities:		
(Increase)/decrease in financial receivables		
Increase in financial payables	22	720,000
Repayment of financial payables	22	(329,819)
Share capital increase	19	1,010,522
CASH FLOWS FROM FINANCING ACTIVITIES		**1,400,703**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**73,099**
Net cash and cash equivalents at the start of the period		3
Net cash and cash equivalents at the end of the period		73,102
Change in cash and cash equivalents		73,099

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, 2018 will be approved by the Board of Directors.
IDG is a joint stock company, registered and headquartered in Italy, with its registered office in Milan, Via Montenapoleone 29.

IDG was established on September 10, 2018 and it is controlled by Design Holding S.p.A. that exercises management and coordination.

1.1 SIGNIFICANT EVENTS OCCURRING DURING THE YEAR

On November 22, 2018, the IDG group, by effect of a complex extraordinary transaction, acquired control of the Flos group, of the B&B group and of the Louis Poulsen group (hereafter also "LP Group"). The consolidated profit and loss account thus represents little more than one month of activity and it is affected by costs incurred for the business combination and entirely accounted for in the period for approximately 15,5 million euro.

The Group is a worldwide leader in the design market; it designs, manufactures, distributes and sells high-range lamps and furniture, comprising three companies with leadership positions in the global market of high range design: the Italian Flos and the Danish Louis Poulsen - both lamp manufacturers - and B&B, an Italian furniture manufacturer.

See Note 7 for business combinations that took place during the year for additional information.

2 ACCOUNTING STANDARDS

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

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

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

The consolidated financial statements do not provide comparative information referred to the previous year because the inception date of the parent company is September 10, 2018 and the IDG Group arose with the extraordinary transactions carried out on November 22, 2018.

3 CONSOLIDATION PRINCIPLES

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

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

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

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

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

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

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

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

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

Specifically, the companies of the IDG Group included in the scope of consolidation at December 31, 2018 are as follows:

Name of shareholding	Currency	Share capital as at December 31, 2018	Shareholding as at December 31, 2018
Luminous Design Investment ApS	DKK	1,260,101	100%
Luminous Design Denmark ApS	DKK	100,000	100%
P-LP 2014 A/S	DKK	10,000	100%
Louis Poulsen Sweden AB	SEK	600,000	100%
Louis Poulsen Norge AS	NOK	1,500,000	100%
Louis Poulsen Finland OY	EUR	100,000	100%
Louis Poulsen UK Ltd.	GBP	100,000	100%
Louis Poulsen German GmbH	EUR	4,090,591	100%
Louis Poulsen US Inc.	USD	1,000	100%
Louis Poulsen Holland B.V	EUR	300,001	100%
Louis Poulsen Japan Ltd.	JPY	80,150,000	100%
Louis Poulsen Switzerland AG	CHF	500,000	100%
Louis Poulsen Italy Sarl.	EUR	10,000	100%
Louis Poulsen Asia Ltd.	EUR	2,459	100%
Cocoon S.p.A.	EUR	10,000	100%
Fiore S.p.A.	EUR	10,000	100%
Flos S.p.A.	EUR	1,875,000	100%
Antares Iluminacion S.A.U.	EUR	401	100%
Flos Illuminacion Shanghai Co. Ltd*	CNY	4,000	100%
Antares Iluminacion Pte Ltd*	SGD	0	100%
Ares S.r.l.	EUR	78	100%
Flos Benelux NV	EUR	100	100%
Flos B.V.	EUR	931	100%
Euroformat S.r.l.	EUR	75	100%
Flos GmbH	EUR	300	100%
Flos Japan Co. Ltd	JPY	40,000	100%
Light Contract S.r.l.	EUR	13	70%
Flos Milano S.r.l	EUR	100	100%
Flos Norge AS	NOK	1,500	55%
Flos Roma S.r.l	EUR	31	100%
Flos France S.a.s	EUR	61	100%
Flos Projets S.ar.l.***	EUR	124	100%
Flos Scandinavia A/S	DKK	1,429	65%
Flos Sverige AB****	SEK	100	65%
Flos Usa Inc.	USD	390	100%
Flos UK Ltd	GBP	136	100%
B&B Italia S.p.A.	EUR	1,000,000	100%
B&B Italia Usa Inc.- New York	USD	10,000	100%
B&B Italia Munchen Gmbh -Munich	EUR	150,000	100%
B&B London LTD	GBP	500,000	100%
B&B Asia Pacific Limited	USD	100	100%
B&B Contract France Sas	EUR	30,000	100%
B&B Italia Contract Projects Srl	EUR	10,000	100%
B&B Italia Paris Sarl	EUR	50,000	100%
Arclinea Spa	EUR	240,000	100%
B&B Furniture (Shanghai) Co., Ltd	CNY	1,000	100%

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

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

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

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

4 SUMMARY OF THE MAIN ACCOUNTING STANDARDS

4.1 BUSINESS COMBINATIONS AND GOODWILL

Business combinations are recognized using the acquisition method. The cost of an acquisition is determined as the sum of the transferred price, measured at fair value as at the acquisition date, and of the amount of the minority interest in the acquired entity. For each business combination, the Group defines whether to measure the minority interest in the acquired entity at fair value or proportionally to the minority interest in the identifiable net assets of the acquired entity. The acquisition cost are expensed in the year and classified among administrative expenses.

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

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

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

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

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

4.2 CURRENT/NON-CURRENT CLASSIFICATION

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

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

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

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

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

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

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

The exchange rates applied in the conversion of the asset and liability balances in currencies other than the Euro at December 31, 2018 and the average rates of the period from December 1, 2018 - December 31, 2018 are as follows:

		December 31, 2018	
		Exchange rate at the end of the year	**Average exchange rate**
SEK	Sweden	10.2548	10.2583
NOK	Norway	9.9483	9.5975
EUR	Euro	1	1
GBP	United Kingdom	0.8945	0.8847
USD	US Dollar	1.145	1.181
JPY	Japan	125.85	130.3959
CHF	Switzerland	1.1269	1.1550
HK$	Hong Kong Dollar	8.97	9.2559
CNY	Renminbi (Yuan)	7.88	7.8081
DKK	Denmark	7.4673	7.4532
SGD	Singapore	1.5591	1.5926

4.4 FAIR VALUE MEASUREMENT

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

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

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

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

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

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

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

4.5 REVENUE RECOGNITION

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

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

4.5.1 SALE OF GOODS

The revenue is recognized when the company has transferred all significant risks and benefits connected to the ownership of the asset to the purchaser, generally on the date of delivery of the goods.

The revenue is valued at the fair value of the consideration received or to be received, net of returns and rebates, commercial discounts and volume reductions. Subsidiaries provide a two-year warranty on repair, in line with industry practice. Customers are not provided with additional guarantees and maintenance contracts.

4.5.2 DIVIDENDS

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

4.5.3 RENTAL REVENUES

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

4.6 INCOME TAXES

4.6.1 CURRENT TAXES

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

4.6.2 DEFERRED TAX ASSETS AND LIABILITIES

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

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

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

- the deferred tax asset connected with deductible temporary differences derive from the initial recognition of an asset or liability in a transaction that does not represent a business combination and, at the time of the transaction itself, influences neither the result of the financial statements nor the result for tax purposes;
- in the case of deductible temporary differences associated with equity investments in subsidiaries, associates and joint ventures, deferred tax assets are recognised only to the extent to which it is probable that they will be reversed in the foreseeable future and that there will be sufficient taxable income that allows to recover these temporary differences.

The carrying amount of deferred tax assets is re-examined at each reporting date and reduced to the extent to which it is no longer probable that in the future there will be sufficient taxable income to allow the receivable to be used in full or in part. Unrecognised deferred tax assets are re-examined at each reporting date and are recognised to the extent to which it becomes probable that taxable income will be sufficient to allow these taxes to be recovered.

Deferred tax assets and liabilities are measured on the basis of the tax rate expected to be applied during the year in which these assets will be realised or these liabilities will be extinguished, considering the rates in force and the ones already promulgated, or substantially in force, on the date of the financial statements.
Deferred taxes relating to elements recognised outside the income statement are also recognised outside the income statement and, hence, in the shareholders' equity or in the statement of comprehensive income, consistently with the element to which they refer.
Deferred tax assets and deferred tax liabilities are offset if there is a legal right that allows to offset current tax receivables and current tax payables, and the deferred taxes refer to the same taxpayer and to the same tax authority.

4.6.3 INDIRECT TAXES

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

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

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

4.7 ASSETS HELD FOR DISPOSAL

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

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

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

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

4.8 PROPERTY, PLANT AND MACHINERY

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

recognised among the assets and amortised according to their estimated useful life; the residual carrying amount of the replaced component is recognised in the income statement.

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

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

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

4.8.1 LEASED ASSETS

Assets held under finance leases, in which substantially all the risks and rewards of ownership are transferred to the Group, are initially recognized as tangible assets at their current value or, if lower, at the present value of the minimum lease payments. The corresponding liability due to the lessor is included in the statement of financial position under financial liabilities. The assets are depreciated according to the criterion and rates indicated previously for tangible assets, unless the lease term is shorter than the useful life represented by those rates and there is no reasonable certainty of transfer of ownership of the leased asset on expiry of the lease, in which case the depreciation period will be represented by the lease term. The cost of the lease fee is broken down in its financial cost components, accounted for in the income statement, and principal repayment, recognised as a reduction of the financial debt.
Leases where the lessor substantially retains all the risks and rewards of ownership of the assets are accounted for as operating leases. Operating lease costs are charged to the income statement on a straight-line basis over the lease term.

4.9 OTHER INTANGIBLE ASSETS

Other intangible assets acquired separately are initially recognised at cost, whereas those acquired through business combinations are recognised at fair value at the date of purchase. After the initial recognition, intangible assets are recognised at cost net of accumulated amortisation and of any accumulated impairment losses. Intangible assets produced internally, with the exception of the development costs, are not capitalised and are recognised in the income statement of the year in which they were incurred.
The useful life of intangible assets is assessed as finite or indefinite.

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

4.9.1 RESEARCH AND DEVELOPMENT COSTS

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

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

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

4.9.2 TRADEMARKS, LICENCES AND SIMILAR RIGHTS

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

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

4.9.3 TRADEMARK

Trademarks recognised in the consolidated financial statements, present in the financial statements of the group of which IDG obtained control through the extraordinary transaction that took place in 2018, are represented mainly by the "FLOS", "B&B", "Maxalto", "Azucena" and "Louis Poulsen" trademarks. For the purposes of preparing the 2018 consolidated financial statements, awaiting completion of the allocation of the price paid to the assets acquired and liabilities assumed within the business combination, the trademarks were temporarily considered with indefinite useful life and, hence, they are not subject to the amortisation process.

4.10 FINANCIAL ASSETS

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

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

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

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

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

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

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

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

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

• the financial asset is held within the scope of a business model whose objective is achieved both through the collection of contractual cash flows and through the sale of the financial assets and

• the contractual terms of the financial asset provide at determined dates cash flows represented solely by payments of the principal and interest determined on the amount of the principal to be repaid.

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

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

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

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

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

Financial instruments at fair value with changes recognised in the income statement are recorded in the statement of financial position at fair value and net changes in fair value recognised in the statement of profit/(loss) for the year.
This category includes the derivative instruments and the listed equity investments the Group has not irrevocably chosen to classify at fair value recognised in OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit/(loss) for the year when the right to the payment has been established. The embedded derivative contained in a hybrid non-derivative contract, in a financial liability or in a non-financial main contract, is separated from the main contract and accounted for as a separate derivative, if: its economic characteristics and the risks associated therewith are not closely related to those of the main contract; a separate instrument with the same terms as the embedded derivative would satisfy the definition as a derivative; and the hybrid contract is not measured at fair value recognised in the income statement. Embedded derivatives are measured at fair value, with changes in fair value recognised in the income statement. A redetermination takes place only if there is a change in the terms of the contract that significantly changes the cash flows otherwise expected or a reclassification of a financial asset to a different category from fair value in the income statement.
An embedded derivative included in a hybrid contract that contains a financial asset is not separated from the host contract. The financial asset together with the embedded derivative is classified internally as a financial asset at fair value recognised in the income statement.

Write-off

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

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

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

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

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

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

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

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

4.11 FINANCIAL LIABILITIES

Recognition and initial measurement

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

Write-off

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

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

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

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

4.12 INVENTORIES

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

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

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

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

4.13 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

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

4.13.1 GOODWILL

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

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

4.14 CASH AND CASH EQUIVALENTS AND SHORT-TERM DEPOSITS

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

4.15 TREASURY SHARES

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

4.16 PROVISIONS FOR RISKS AND CHARGES

The Group recognises provisions for risks and charges when:

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

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

5 STANDARDS PROMULGATED BUT NOT YET IN FORCE

The standards and interpretations that, at the date of preparation of the Group's consolidated financial statements. had already been promulgated but were not yet in force. The Group intends to adopt these standards and interpretations, if applicable, when they enter into force.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces the standards IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of lease agreements and requires lessees to account for all lease agreement following a single accounting model in the financial statements similar to the accounting treatment of financial leases regulated by IAS 17.

The standard includes two exemptions to recognition for lessees - leases of "low value" assets (e.g. Personal Computers) and short-term lease agreements (i.e. lease agreements with a lease period shorter than or equal to 12 months). At the starting date of a lease, the lessee shall recognise a liability relating to lease fees (i.e. the liability for the lease) and an asset that represents the right to use the underlying asset during the duration of the lease (i.e., the right to use the asset). Lessee shall separately recognise interest expenses on the liability for the lease and amortisation on the utilisation right.

Lessees shall also be required to reconsider the amount of the liability relating to the lease upon occurrence of determined events (e.g., a change of the duration of the lease, a change of the future fees deriving from the change of an index or of the rate used to determine such payments). In general, the lessee shall recognise the re-measurement difference of the amount of the lease liability as an adjustment to the utilisation right.

The accounting method for the lessor in compliance with IFRS 16 remains substantially unchanged with respect to the current accounting policies according to IAS 17. Lessors shall continue to classify all leases using the same classification principle of IAS 17 and will distinguish two types of leases: operating and financial leases.

IFRS 16, which is effective starting from years beginning from January 1, 2019, requires lessees and lessors to provide broader disclosure compared to IAS 17.

The Group will make use of the exemptions proposed by the standard on lease agreements for which the term of the lease agreement expire within 12 months from the date of initial application and the lease agreements for which the underlying asset has a low value. The Group entered into lease agreements for some office equipment (e.g. personal computers, printers and photocopiers) that are considered to have low value.

The multi-year duration of the agreements required the exercise of a complex professional judgement by the Corporate Management for the definition of the assumptions to be adopted for the purposes of determining the impacts connected with the new provisions of the standard. In particular, the main assumptions adopted regarded:

- the assessment of the periods covered by extension or early termination options for the purposes of the determination of the duration of the lease agreement;
- the separation of the non-lease components;
- the assessment of the periods covered by extension or early termination options for the purposes of the determination of the duration of the lease agreement;
- the discounting rate used for determining the lease liability, represented by the incremental financing rate of the lessee. This rate was defined taking into account the duration of the lease agreements, the currency in which they are denominated and the characteristics of the economic environment in which lessees operate, defined on the basis of the country risk premium attributed to the individual countries in which the IDG Group operates. At present, the range of these discount rates is between 6.9% and 9.4%.

Upon first application, IDG intends to take the option to recognise the effect connected to the retroactive redetermination of the values in the shareholders' equity as at January 1, 2019, without restating the previous years provided for comparison (modified retrospective approach).

Based on the available information, adoption of IFRS 16 entails the recognition of right-of-use of the asset and lease liability amounting to Euro 48,420 thousand and reclassifying, as reduction of the Right of Use, the amount of Euro 1,028 thousand in relation to the closing of deferred income items for fees paid in advance. Said estimate could undergo changes deriving from the refinement of the data processing procedure in view of the first application of the standard in the financial reporting of 2019.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a new complete standard relating to insurance contracts which cover recognition and measurement, presentation and disclosure. When IFRS 17 enters into force, it will replace IFRS 4 *Insurance Contracts*, issued in 2005. IFRS 17 applies to all types of insurance contracts (e.g.: life, non-life, direct insurance, reinsurance) regardless of the type of entity that issue them, as well as to some guarantees and financial instruments with discretionary participation characteristics. Limited exceptions shall be applied for this purpose. The general objective of IFRS 17 is to present an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast with the provisions of IFRS 4 that are widely based on maintaining the previous accounting policies, IFRS 17 provides a complete model for insurance contracts that covers all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contrasts with direct participation characteristics (the *variable fee approach*)

- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 shall be in force for the years starting on or after January 1, 2021, and shall require the presentation of the comparative balances. Early adoption is allowed, in which case the entity must also have

adopted IFRS 9 and IFRS 15 at the date of first application of IFRS 17 or previously. This standard does not apply to the Group.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The interpretation defines the accounting treatment of income taxes when the tax treatment entails uncertainties that have effect on the application of IAS 12 and does not apply to taxes or duties that are not included in the scope of IAS 12, nor does it specifically include requirements relating to interest or penalties connected with uncertain tax treatments.

The Interpretation specifically deals with the following points:

- If an entity separately considers uncertain tax treatments
- The assumptions of the entity on the examination of the tax treatments by the tax authorities
- How an entity determines the taxable income (or tax loss), the tax base, unused tax losses, unused tax receivables and tax rates
- How an entity treats changes in facts and in circumstances.

An entity must define whether to consider every uncertain tax treatment separately or together with (one or more) other uncertain tax treatments. The approach that allows the best prediction of the resolution of the uncertainty should be followed. The interpretation is in force for the years starting on or after January 1, 2019, but some concessions are available for the first application. The Group will apply the interpretation on the effective date. Since the Group operates in a complex multinational tax environment, application of the Interpretation could have effects on the consolidated financial statements and on the required disclosure. Moreover, the Group may have to define processes and procedures to obtain the information necessary for the timely application of the Interpretation.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

In accordance with IFRS 9, a debt instrument may be measured at amortised cost or at fair value to comprehensive income, provided that the contractual cash flows are “exclusively payments of principal and interest on the reference amount” (the SPPI criterion) and the instrument is classified in the appropriate business model. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or of the circumstance that causes the early termination of the contract and regardless of which party pays or receives a reasonable indemnification for the early termination of the contract.

The amendments shall be applied retrospectively and are effective from January 1, 2019, and early adoption is allowed. These amendments have no impact on the consolidated financial statements of the Group

Amendments to IFRS 10 and to IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 with reference to the loss of control of a subsidiary that is sold or transferred to an associated or of a joint venture. The amendments clarify that the gain or loss resulting from the sale or from the transfer of assets constituting a business, as defined by IFRS 3, between an investor and an associate or joint venture, must be recognised in full. Any gain or loss resulting from the sale or from the transfer of assets that do not constitute a business is recognised only within the limits of the share held by minority investors in the associate or joint venture. The IASB indefinitely postponed the date of application of these amendments, but if a unit decides to apply them early it should do so prospectively. The Group will apply these amendments when they enter into force.

Amendment to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 define the accounting tules if, during the reference period, there is a plan amendment, curtailment or settlement. The amendments specify that when a plan amendment, a curtailment or a settlement take place during the year, an entity shall:

- Determine the service cost for the rest of the period following the plan amendment, curtailment or settlement, using the reference actuarial assumptions to remeasure the net liability (asset) for defined benefits so that it reflects the benefits offered by the plan and the assets of the plan after this event
- Determine the net interest for the remaining period following the plan amendment, curtailment or settlement: the net liability (asset) for defined benefits that reflects the benefits offered by the plan and the assets of the plan after this event; and the discount rate used to redefine the parameters of the net liability (asset) for defined benefits.

The amendments also clarify that an entity shall in the first place quantify all costs relating to the previous labour, rather than the gains or loss that are realised at the time of the settlement, without considering the effect of the maximum limit of the asset. This amount is recognised in the statement of the profit/(loss) for the year.

Subsequently, after the plan amendment, curtailment or settlement, the entity shall quantify the effect of the maximum limit of the asset. Any change in this regard, with the exception of what is already included in net interest, shall be recognised in other comprehensive income.

Amendments apply to plan amendments, curtailments or settlements that occur starting from the first year starting on or after January 1, 2019, and early adoption is allowed.

These changes will apply only to any future plan amendments, curtailments or settlements of the Group.

Amendment to IAS 28: Long-term interests in associates and joint ventures

The amendments specify that an entity applies IFRS 9 for long-term investments in an associated company of joint venture, for which the shareholders' equity method does not apply which, substantially, are part of the net investment in the associate or joint venture (long-term interests).

This clarification is relevant because it implies that the model of expected losses on receivables of IFRS 9 applies to these long-term investments.

The amendments also clarify that, in applying IFRS 9, an entity does not have to take into account any losses of the associated or joint venture or of any impairment losses of the equity investment, recognised as adjustments to the net equity investment in the associate or joint venture that derive from the application of IAS 28 Investments in Associates and Joint Ventures.

The amendments shall be applied retrospectively and are effective from January 1, 2019, and early adoption is allowed. Since the group does not hold any long-term interests in it associates and joint venture, the amendments will have no impact on the consolidated financial statements.

2015-2017 Annual Improvements Cycle (issued in December 2017)

These improvements include:

IFRS 3 Business Combinations

The amendments that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination that is carried out in multiple steps, including the revision to fair value of the equity investment previously held in the assets and liabilities of the joint operation. In so doing, the purchaser revalues the entire equity investment previously held in the joint operation.

The entity applies these amendments to the business combinations for which the date of purchase coincides or is subsequent to the first year starting from January 1, 2019, with early adoption allowed. These amendments apply to the subsequent business combinations of the Group.

IFRS 11 Joint Arrangements

A party that participates in a joint operation, without having joint control, could obtain joint control of the joint operation if its activity constitutes a business as defined in IFRS 3.

The amendments clarify that the equity investments previously held in that joint operation are not remeasured. An entity applies these amendments to the operations in which it holds joint control starting from the year beginning on or after January 1, 2019, with early adoption allowed. These amendments are not applicable to the Group today but they could become so in the future.

IAS 12 Income Taxes

The amendments clarifies that the effects of taxes on dividends are mostly connected to past transactions or to the events that generated distributed earnings rather than to the distributions to shareholders. Therefore, an entity recognises the effects of the income taxes from the dividends in the statement of profit/(loss) for the year, in the other comprehensive income or in the shareholders' equity consistently with the way in which the entity previously recognised these transactions or past events.

The entity applies these amendments for the years that started on or after January 1, 2019, and early adoption is allowed. When the entity applies these amendments for the first time, it applies them to the effects of taxes on the dividends recognised beginning from the start of the first year. Since the current practice of the Group is in line with these amendments, the Group does not foresee any effect on its own consolidated financial statements.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as non-specific loans any loan made which from the beginning was directed at developing an asset, if all actions necessary to prepare this asset for use or sale are completed.

An entity applies these amendments to the financial expenses incurred starting from the start of the year in which the entity applies these amendments the first time. An entity applies these amendments for the years that started on or after January 1, 2019, and early adoption is allowed. Since the current practice of the Group is in line with these amendments, the Group does not note any effect on its own consolidated financial statements.

6 DISCRETIONARY VALUATIONS AND SIGNIFICANT ACCOUNTING ESTIMATES

Preparation of the Group’s financial statements requires directors to make discretionary valuations, estimates and hypotheses that influence the values of revenues, costs, assets and liabilities and the related disclosure, as well as the indication of potential liabilities. Uncertainty about assumptions and estimates could lead to outcomes that will require, in the future, a significant adjustment to the carrying amount of these assets and/or liabilities.

6.1 DISCRETIONARY VALUATIONS

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

6.2 USE OF ESTIMATES

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

6.2.1 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

6.2.2 ALLOCATION FOR IMPAIRMENT OF TRADE RECEIVABLES AND CONTRACTUAL ASSETS

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

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

6.3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND CRITERIA

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

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

6.3.1 INTEREST RATE RISK

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will be changed because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates is related firstly to long-term debt with variable interest rate.

6.3.2 EXCHANGE RATE RISK

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

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

6.3.3 CREDIT RISK

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

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

6.3.3.1 FINANCIAL INSTRUMENTS AND BANK DEPOSITS

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

6.3.4 LIQUIDITY RISK

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

6.4 COMMITMENTS AND RISKS

6.4.1 GUARANTEES AND COMMITMENTS

6.4.2 FINANCIAL LEASES AND SURRENDER COMMITMENTS

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

Act of pledge on current accounts of International Design Group SpA, signed on November 22, 2018, established by International Design Group SpA, to guarantee, inter alia, the loan agreement for Euro 100

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

The Group has entered into a financial lease agreement with ING Leasing of Madrid (ES) as a result of the acquisition of the industrial building by the subsidiary Antares Iluminacion S.A.U. and related take-over of the underlying lease agreement. Of this commitment, equal to Euro 5,988 thousand, Euro 2,767 thousand are considered over 5 years (Euro 585 thousand beyond 12 months and Euro 5,403 beyond 12 months).

7 BUSINESS COMBINATIONS

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

The fair value of assets and liabilities as at the acquisition date is represented in the following table. We specify that these are provisional values that, as provided by international accounting standards, will be subjected to a specific valuation, possibly with the support of experts, expected to be completed within 12 months from acquisition.

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

8 GOODWILL

The total value of goodwill amounts to Euro 1,335,380 thousand and its breakdown is as follows:

	Dec-31-18
Goodwill from acquisition of Flos S.p.A. Group	575,213
Goodwill from acquisition of B&B Group	469,028
Goodwill from acquisition of Louis Poulsen Group	291,139
TOTAL ASSETS WITH AN INDEFINITE USEFUL LIFE	**1,335,380**

As indicated in the Business Combinations paragraph, this is a provisional value pending completion of the identification of the current values of the assets acquired and liabilities assumed of the group over which IDG has obtained control.

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

In accordance with IAS 36, goodwill is not subject to amortisation and it is tested for impairment at least once a year.

For impairment testing purpose, goodwill is allocated to Cash Generating Units, CGU).

The impairment test as at December 31, 2018, since it refers to a month later than the acquisition date, was carried out verifying that the fair value of individual CGUs, validated by a specific appraisal obtained from an independent third party, does not exceed the total carrying amount of goodwill and of the set of net assets autonomously able to generate cash flows (CGU).

9 OTHER INTANGIBLE ASSETS

The amount as at December 31, 2018 totals Euro 252,267 thousand and includes the following:

	DEVELOPMENT COSTS	INDUSTRIAL PATENT AND INTELLECTUAL PROPERTY RIGHTS	CONCESSIONS, LICENCES AND TRADEMARKS AND OTHER INTANGIBLE ASSETS	TRADEMARK	**TOTAL INTANGIBLE ASSETS EXCLUDING GOODWILL**
NET BOOK VALUE on acquisition	**5,776**	**2,481**	**8,341**	**235,103**	**251,701**
HISTORICAL COST on acquisition	**24,466**	**14,921**	**18,360**	**239,767**	**297,514**
Increases	505	275	675	-	1,455
Decreases	-	-	-	-	-
Exchange rate difference	(1)	2	(6)	0	(6)
Other changes	-	-	(139)	-	(139)
HISTORICAL COST - end of current year	**24,970**	**15,197**	**18,891**	**239,767**	**298,825**
ACCUMULATED AMORTISATION on acquisition	**18,691**	**12,440**	**10,019**	**4,664**	**45,813**
Increases	339	232	166	-	738
Decreases	-	-	-	-	-
Exchange rate difference	2	3	3	-	8
Other changes	-	-	-	-	-
ACCUMULATED AMORTISATION - end of current year	**19,032**	**12,675**	**10,188**	**4,664**	**46,558**
NET BOOK VALUE - end of current year	**5,938**	**2,523**	**8,703**	**235,103**	**252,267**

Development costs, totalling Euro 5,938 thousand, includes the costs for the personnel dedicated to product development work carried out within the Group. These costs are amortised in three years.

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

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

Trademark, amounting to Euro 235,103 thousand, refers to the trademarks:

- “FLOS”, equal to Euro 143,500;
- “B&B”, "Maxalto” and “Azucena” equal to Euro 79,631 thousand;
- “Louis Poulsen”, equal to Euro 11,972.

As indicated in the notes to the financial statements, the value of the trademarks is understood to be provisional pending completion of the identification of the fair value deriving from the business combination occurred during the period. Trademarks were provisionally considered to have indefinite useful life.

10 PROPERTY, PLANT AND MACHINERY

The amount as at December 31, 2018 totals Euro 113,222 thousand, as shown in detail in the following table:

	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL AND COMMERCIAL EQUIPMENT	OTHER ASSETS	WORK IN PROGRESS AND ADVANCES	**TOTAL PROPERTY, PLANT AND EQUIPMENT**
NET BOOK VALUE on acquisition	**88,125**	**11,937**	**7,048**	**4,258**	**697**	**112,064**
HISTORICAL COST on acquisition	**125,734**	**69,880**	**61,724**	**21,395**	**697**	**279,430**
Increases	507	724	718	908	-	2,857
Decreases	(45)	(5,179)	(175)	(614)	(139)	(6,151)
Exchange rate difference	-	(2)	-	86	-	84
Other changes	68	-	-	210	(223)	55
HISTORICAL COST - end of current year	**126,264**	**65,424**	**62,267**	**21,986**	**335**	**276,275**
ACCUMULATED AMORTISATION on acquisition	**37,609**	**57,944**	**54,676**	**17,137**	**-**	**167,366**
Increases	342	251	429	149	-	1,171
Decreases	(22)	(4,911)	(189)	(393)	-	(5,515)
Exchange rate difference	36	(1)	-	(4)	-	31
Other changes	-	-	-	-	-	-
ACCUMULATED AMORTISATION - end of current year	**37,965**	**53,283**	**54,915**	**16,889**	**-**	**163,053**
NET BOOK VALUE - end of current year	**88,299**	**12,141**	**7,351**	**5,096**	**335**	**113,222**

The increase of ***Land and Buildings*** refers mainly to the extraordinary maintenance work carried out on the Bovezzo property owned by Flos S.p.A. The item also includes the expenses incurred to furnish and fit out the show rooms and the stores of the Group.

The increases recorded in ***Plant and equipment*** refer mainly to the investments made by the Group for equipment in the warehouse facility and in new machinery for production.

The change in ***Industrial and commercial equipment*** refers to purchases of new moulds for the development and fabrication of products.

Increases in ***Other assets*** refer to purchases of fixtures and furnishings, electronic office machines, motor vehicles and internal transportation means for warehousing service, as well as the expenses incurred to furnish and fit out the Milan show room.

11 DEFERRED TAX ASSETS

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

	Balance on acquisition	Taxes to income statement 2018	Balance at December 31, 2018
Reversal of incidental expenses for the purchase of equity investments	153	3,718	3,871
Inventory margin	1,898	(76)	1,822
Tax losses carried forward	852	(119)	733
Non-deductible financial charges	1,767	7	1,774
Depreciation of tangible assets and amortization of intangible assets	1,785	40	1,825
Provisions for stock obsolescence	1,797	(87)	1,710
Allowance for doubtful debts	1,249	(1)	1,248
Provisions for employee severance indemnities	735	(55)	680
Allocations to risk provision	1,649	(306)	1,342
Remuneration not yet paid	143	(53)	90
Other changes	476	540	1,017
DEFERRED TAX ASSETS	**12,503**	**3,607**	**16,110**

12 NON-CURRENT FINANCIAL ASSETS

The item, amounting to Euro 2,791, includes at December 31, 2018 mainly the deposits on rent paid by Group companies.

13 OTHER NON-CURRENT ASSETS

Other non-current assets, which amount to Euro 348, include mainly the costs for renewal of patent rights already incurred and accrued in future years.

14 INVENTORIES

Inventories are detailed in the following table:

	Dec-31-18
Materials, auxiliaries and consumables	41,198
Provision for write-down on materials, auxiliaries and consumables	(4,875)
Work in progress and semi-finished goods	18,260
Provision for write-down on work in progress and semi-finished goods	(2,574)
Finished gaming machines and merchandise	27,746
Provision for write-down on finished gaming machines and merchandise	(5,144)
Advances	1,510
Goods in transit	2,426
TOTAL INVENTORIES	**78,548**

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

	PROVISION FOR WRITE-DOWN OF INVENTORIES
BALANCE on acquisition	**(13,344)**
Usage of Provision	2,018
Write-down portion	(1,269)
Exchange rate difference	2
BALANCE AT DECEMBER 31, 2018	**(12,593)**

15 TRADE RECEIVABLES

At December 31, 2018, trade receivables total Euro 67,563 net of the bad debt provision which amounts to Euro 6,376.

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-31-18
Italy	15,934
EEC	30,726
Non-EEC	20,903
TOTAL TRADE RECEIVABLES	**67,563**

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

	PROVISION FOR IMPAIRMENT OF RECEIVABLES
BALANCE on acquisition	**(6,730)**
Usage of Provision	838
Allocation to Provision	(487)
Exchange rate difference	3
BALANCE AT DECEMBER 31, 2018	**(6,376)**

Trade receivables, amounting to Euro 79,939 thousand, are broken down by maturity, without taking into account the Provision for Impairment of Receivables of Euro 6,376 and Bad debts in litigation:

	Total at December 31, 2018	Current	Overdue 0-30	Overdue 30-60	Overdue 60-90	Overdue 90-120	Past due more than 120 days
Italy	23,575	21,255	782	359	120	199	860
EEC	29,874	22,122	5,867	1,186	262	154	284
Non-EEC	20,489	13,736	2,454	839	261	254	2,945
TOTAL TRADE RECEIVABLES	**73,939**	**57,113**	**9,103**	**2,383**	**643**	**608**	**4,089**

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-31-18
Receivables for paid tax advances	5,857
VAT receivable	3,286
Receivables for withholding taxes	286
Other tax receivables	187
TOTAL CURRENT TAX CREDIT AND DUE FROM TAX AUTHORITIES	**9,616**

Receivables for tax advances paid and for withholding taxes include the positions of different companies with respect to the local Tax Authority for the payment of taxes.
The item also includes the receivable recognised as a result of the application for IRES refund submitted for the missed IRAP deduction on personnel cost for the years 2007-2011.

VAT receivables include the VAT receivable accrued in 2018 or in previous years.

16.2 OTHER CURRENT ASSETS

Other assets, amounting to Euro 9,252, refer mainly to advances paid to suppliers and to amounts already paid for maintenance fees.

17 CASH AND CASH EQUIVALENTS AND DEPOSITS

Current and restricted cash and cash equivalents at December 31, 2018 total Euro 73,102 thousand and their breakdown is as follows:

	Dec-31-18
Bank and postal accounts	72,819
Cheques	18
Cash and cash equivalents in hand	83
Total current cash and cash equivalents	**72,920**
Restricted bank deposits	**182**
TOTAL CASH AND CASH EQUIVALENTS	**73,102**

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

18 ASSETS HELD FOR DISPOSAL

“Assets held for disposal”, amounting to Euro 4,000 thousand, include buildings and land with the related generic facilities belonging to the Ascoli plant of the B&B Group, currently unused.

19 SHAREHOLDERS’ EQUITY

The Total Shareholders’ Equity (of the Group and of minority interests) totals Euro 1,003,994 thousand of which Euro 998,423 of the Group and Euro 5,571 of minority interests.
For the details of changes in its breakdown, please refer to the Statement of Changes in Shareholder’s Equity.
For a more correct exposure, some reserves were reclassified by nature.

19.1 SHARE CAPITAL

At the balance sheet date the share capital fully underwritten and paid in amounts to Euro 5,102 thousand.

19.2 OTHER RESERVES

Other reserves at December 31, 2018 total Euro 1,005,292 referred to the share premium account of the parent company.

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 on acquisition	**7,913**
Allocations to Provision	383
Usage of Provision	(244)
Discounting interest	(8)
Actuarial gains and losses	21
Exchange rate difference	(1)
BALANCE AT DECEMBER 31, 2018	**8,064**

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:

	2018
Annual discount rate	1.13%
Annual inflation rate	1.50%
Annual rate of increase of employee severance indemnity	2.63%

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 8,453 thousand, include:

- Provisions for pension liabilities and the like, amounting to Euro 3,227 thousand;
- Other Provisions, amounting to Euro 5,227 thousand.

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

21.1 PROVISIONS FOR PENSION LIABILITIES AND THE LIKE

	PROVISIONS FOR PENSION LIABILITIES AND THE LIKE
BALANCE on acquisition	**3,163**
Allocations to Provision	86
Usage of Provision	(23)
BALANCE AT DECEMBER 31, 2018	**3,227**

At December 31, 2018 the Provisions for pension liabilities, amounting to Euro 3,227 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 AND CHARGES
BALANCE on acquisition	**5,074**
Allocations to Provision	231
Usage of Provision	(75)
Exchange rate difference	(3)
BALANCE AT DECEMBER 31, 2018	**5,227**

"Other Provisions for Risks", at December 31, 2018, totalling Euro 5,227, comprises mainly the product warranty provision.

22 CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

The details of the financial liabilities are as follows:

	Dec-31-18
Current financial liabilities:	
Payables to other lenders	2,698
Payables to banks	4,181
Total current financial liabilities	**6,879**
Non-current financial liabilities:	
Payables to other lenders	4,868
Bond loan	692,495
Total non-current financial liabilities	**697,363**
TOTAL FINANCIAL LIABILITIES	**704,242**

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

	Dec-31-18
Bond Loan	720,000
Amortised cost	(33,122)
Matured interest	5,617
Liabilities for Shareholder Loan	**692,495**

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

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

Regarding the Bond, the main features are specified below.
As mentioned before, the Company issued a guaranteed and non-convertible senior bond loan with a principal accounting for Euro 720 million, maturing in 2025, divided into two lines: the first one is equal to Euro 400 million and called "Senior secured fixed rate notes"; the second one accounts for Euro 320 million and it is denominated "Senior secured Floating rate notes".
As far as the Fixed line is concerned, the bond has a fixed annual interest rate equal to 6.5%, semiannual coupons and capital repayment at maturity.
On the other hand, the Floating line bond has a fixed annual interest rate equal to the quarterly Euribor plus a 6 percentage points spread, with quarterly coupon maturity and capital repayment at maturity.
The bonds have been offered to institutional investors and traded on regulated markets, especially in the Third Market managed by the Vienna stock exchange.
For personal and real guarantees regarding the obligations assumed after the issue of the Bond, please see the specific paragraph of this explanatory note (6.4.2).
Furthermore, with reference to any financial obligations assumed by the Company according to the existing financial documentation, it is stated that: (i) according to the documentation relating to the bond issue of Euro 720,000,000.00 by IDG, no financial recurring obligation compliance is envisaged (maintenance financial covenant); (ii) according to the revolving loan agreement accounting for Euro 100,000,000.00 subscribed by IDG, the financial obligation should be verified only if the revolving credit facility reported in the contract is used for a higher amount than a specific threshold at the last day of the reference period ending at a date that corresponds to or follows the first calculation date (i.e. the last day of the third financial quarter following the closing date of the transaction).
Therefore, since this calculation date has not occurred, this financial obligation has not to be verified as at 31 December 2018.

23 DEFERRED TAX LIABILITIES

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

	On acquisition	Taxes to income statement 2018	Exchange rate difference 2018	Other changes 2018	Dec-31-18
Brand	40,037	-	-	-	40,037
R&D	5,433	274	(3)	-	5,704
Property revaluation	26,071	22	-	-	26,093
Exchange (gains) losses not material for tax purposes	39	6	-	-	34
Leasing deduction	116	18	-	-	134
Other minor differences	127	102	0	(82)	147
DEFERRED TAX LIABILITIES	**71,823**	**411**	**(3)**	**(82)**	**72,149**

24 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities, equal to Euro 1,220, refer mainly to payables for rent tied to stores and offices of the Group.

25 TRADE PAYABLES

Trade payables broken down by geographic area are provided below.

	Dec-31-18
Italy	74,003
EEC	30,433
Non-EEC	16,894
TOTAL TRADE PAYABLES	**121,330**

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

The breakdown by maturity of payables to suppliers, amounting to Euro 124,157 thousand, is as follows:

	Total at December 31, 2018	Current	Overdue 0-30	Overdue 30-60	Overdue 60-90	Overdue 90-120	Past due more than 120 days
Italy	77,208	73,436	1,711	503	484	947	128
EEC	29,704	28,522	769	47	35	208	123
Non-EEC	14,417	13,574	361	62	48	330	41
TOTAL TRADE PAYABLES	**121,330**	**115,532**	**2,840**	**612**	**567**	**1,486**	**292**

26 TAX PAYABLES AND OTHER CURRENT LIABILITIES

This category comprises:
- tax payables and due to tax authorities, Euro 14,283 thousand;
- payables to social security agencies, Euro 5,608 thousand;
- payables to personnel and other payables, Euro 22,877 thousand.

More details about these items are provided below.

26.1 TAX PAYABLES AND DUE TO TAX AUTHORITIES

	Dec-31-18
Due to Tax Authorities for taxes	3,366
Due to Tax Authorities for VAT	2,973
Sundry taxes payable	7,944
TOTAL TAX PAYABLES AND DUE TO TAX AUTHORITIES	**14,283**

26.2 PAYABLES TO SOCIAL SECURITY AGENCIES

Payables to social security agencies amount to Euro 5,608 and include mainly the contributions to be paid for the month of December.

26.3 DUE TO PERSONNEL AND OTHER PAYABLES

	Dec-31-18
Other payables to personnel	7,276
Payables for unused holidays	4,850
Tax payables for employee taxes	2,457
Payables to directors	373
Payables for stock options	1,150
Payables to customers for bonus and other payables	3,242
Payables for marketing contributions	236
Payables for royalties	1,216
Other payables	2,076
DUE TO PERSONNEL AND OTHER PAYABLES	**22,877**

27 REVENUES

Revenues at December 31, 2018 amount to Euro 48,180 thousand and refer to the sale of products and services.
The breakdown by geographic area is as follows:

	December 2018
Italy	8.011
EEC	21,917
Non-EEC	18,252
TOTAL REVENUES	**48,180**

28 OTHER REVENUES AND INCOME

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

	December 2018
Rental income	18
Other revenues	803
Gains on disposal of assets	5
Operating grants	100
Release of provisions	491
TOTAL OTHER REVENUES AND INCOME	**1,416**

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 2018
Purchases of raw materials, semifinished goods, finished products	(11,460)
Purchases of promotion and advertising materials	(126)
Purchase of various other materials	(451)
Changes in inventories of work in progress	(2,370)
Increases in internal work capitalised	89
Changes in inventories of raw materials	(904)
TOTAL PURCHASES OF RAW MATERIALS AND CHANGES IN INVENTORIES	**(15,222)**

30 PERSONNEL COSTS

Details about Personnel costs are provided in the following table:

	December 2018
Salaries and wages	(7,988)
Social security contributions	(1,107)
Employee severance indemnities and pension charges	(430)
Other personnel costs	(423)
TOTAL PERSONNEL COSTS	**(9,949)**

The number of Group employees are broken down by category below, distinguished between those employed at December 31, 2018 and the average workforce of the year:

	Dec-31-18
Executives	53
White-collar	978
Blue-collar	665
Total employees	**1,696**

31 SERVICE COSTS

The details of Service costs are as follows:

	December 2018
Contractor work and outsourced production work	(3,782)
Fees, royalties, expenses for advertising and communication	(3,100)
Transport and customs expenses	(1,618)
Utilities, accessory services, EDP fees, maintenance and repairs	(673)
Technical, artistic, tax, legal and other advisory services	(635)
Emoluments to directors, statutory auditors and independent auditors	(298)
Travel and lodging expenses	(668)
Expenses for training, third-party personnel, banking services and sundry administrative services	(446)
Insurance, patents and trademarks, telephone and mail expenses	(230)
TOTAL COSTS FOR SERVICES	**(11,450)**

32 PROVISIONS

Allocations to provisions refer to:

	December 2018
Provisions for pension liabilities and the like	(86)
Provisions for other risks	(116)
Provisions for other charges	(115)
TOTAL ALLOCATIONS TO PROVISIONS	**(318)**

33 OTHER COSTS AND CHARGES

The Other costs and charges comprise the following:

	December 2018
Property rental	(1,135)
Rent, lease and EDP licence fees	(155)
Other taxes and duties	(103)
Gifts and charitable donations	(80)
Purchase of office supplies and consumables	(63)
Sundry and general expenses	(488)
Other operating costs	(930)
TOTAL OTHER COSTS AND CHARGES	**(2,953)**

34 AMORTIZATION, DEPRECIATION AND IMPAIRMENT

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

	December 2018
Amortization of intangible assets	(738)
Depreciation of tangible assets	(1,171)
Write-down of fixed assets	(230)
Impairment of receivables	(487)
TOTAL AMORTIZATION, DEPRECIATION AND IMPAIRMENT	**(2,626)**

35 BUSINESS COMBINATION COSTS

The item, amounting to Euro 15,452, includes the costs incurred by the parent company in relation to the business combination that took place in the year. These are mainly costs for legal and due diligence advisory services.

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 6,190.

37 INCOME TAXES

The details of taxes is as follows:

	December 2018
Current income taxes	(431)
Deferred tax assets/liabilities	3,197
TOTAL INCOME TAXES	**2,766**

The tax burden of 2018 totals Euro 2,766 distinguishing current income taxes amounting to Euro 431 thousand from the deferred taxation that generates a positive effect amounting to Euro 3,197 thousand.
For current taxes, the tax burden is determined on the basis of the taxable income deriving from the profit for the year, taking into account the use of any previous tax losses and applying the nominal tax rates in force in each Country.

38 SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE YEAR

There are no significant events to report.

39 FAIR VALUE MEASUREMENT

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

	Fair value measurement through			
2018	**level 1**	**level 2**	**level 3**	**TOTAL**
Assets measured at fair value:				**76,261**
Cash and cash equivalents		73,102		73,102
Current financial receivables		21		21
Other receivables and other non-current assets		3,139		3,139
Liabilities measured at fair value:				**701,444**
Short-term financial debt		6,879		6,879
Non-current financial payables	697,363			697,363

During the year, there were no transfers between Level 1 and Level 2.

40 FAIR VALUE

The following table shows the comparison, by individual class, between the book value and the fair value of the financial instruments held by the Group.

	BOOK VALUE	FAIR VALUE
	2018	
Financial assets		
Assets measured at Fair Value		
Cash and cash equivalents	73,102	73,102
Loans and receivables		
Trade receivables	67,563	67,563
Receivables and other non-current assets	3,139	3,139
Available-for-sale assets		
Available-for-sale assets	4,000	4,000
Total	**147,804**	**147,804**
Financial liabilities		
Trade Payables	121,330	121,330
Current financial payables	6,879	6,879
Non-current financial payables	697,363	697,363
Total	**825,572**	**825,572**

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

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

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

City and date

On behalf of the Board of Directors
The Chairman
xxxxx