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

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



Group Financial Report

Q3 2022

FINANCIAL REVIEW

Introduction

Dear Shareholder,

The consolidated financial statements as of September 30, 2022 of International Design Group S.p.A. (hereafter also "***IDG***" or "***IDG Group***") show a net profit of Euro 39 million.

Accounting standards

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

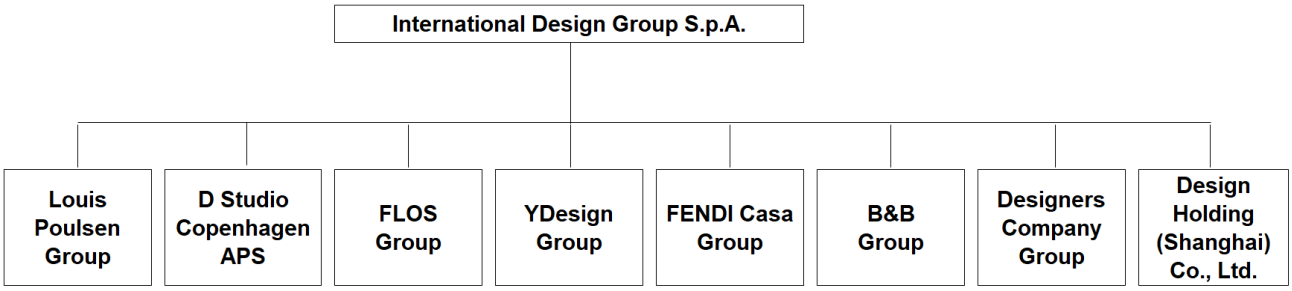
For more details on the accounting standards used to prepare this document, please refer to the Notes to the Consolidated Financial Statements.

Some "non-IFRS measures", explained in the next paragraph, are also used within the Financial Review in order to represent some economic and financial aspects of the period from a management perspective

Basis of Preparation

The Consolidated Financial statement should be read together with the Annual report 2021 and includes results of the following consolidated sub Groups:

GROUP STRUCTURE



Companies of each sub-Group are detailed in the section of "Notes to the Consolidated Financial Statements".

Compared to the Annual Report 2021 the Group structure changes are related to the:

- acquisition of the Designers Company Group (section 1.3 for more details) and part of the Group from May 24, 2022;
- set up of the new company in China: Design Holding (Shanghai) Co.,Ltd.

NON IFRS MEASURES AND RATIOS

The Group uses certain financial measures ("non-IFRS measures") to assess its business performance and to help readers understand and analyze the results of its operations and its financial position. Although they are used by the Group's management, such measures are not universally or legally defined and are not regulated by the IFRS adopted to prepare these Consolidated Financial Statements.

Other companies operating in the same business sector might use the same measures, but with different calculation criteria. For this reason, non-IFRS measures should always be read in conjunction with the related notes, and may not be directly comparable with those used by other companies.

The main non-IFRS measures used in this document are below reported:

ORGANIC: the term "organic" it refers to the Group of companies (FLOS, Louis Poulsen and B&B Italia) that contributed to the Consolidation results for 9 months both in the current period and in the comparison. YDesign Group, Fendi Casa and Designers Company are the groups' companies recently entered in the Groups' perimeter and whose results are impacting the comparison versus the previous period, where they were not present.

CORE BRANDS: are the historical brands of the Group and part of the Group's perimeter since the establishment of the Group in 2018: FLOS, Louis Poulsen and B&B Italia.

EMERGING BRANDS: these are the brands included in the scope of consolidation after the Group was established in 2018 and, at the date of this reporting, are YDesign Group (Lumens), Fendi Casa and Designers Company.

NON-RECURRING COSTS AND REVENUES: positive or negative components connected to transactions whose occurrence is non-recurring or from those transactions or events that do not occur frequently in the usual course of business.

OPERATING RESULT - EBIT: Earnings before Interests and Taxation, defined as the difference between revenues from sales and services and operating costs, including amortization, depreciation and impairment of tangible/Intangible assets and right of use assets.

OPERATING RESULT – ADJUSTED EBIT: Operating result (EBIT) as previously defined, adjusted to excludes the non-recurring costs and revenues.

EBITDA: Earnings before interests, taxation, depreciation and impairments. It can also be defined as the operating result (EBIT, as previously defined) excluding the effects of amortization, depreciation and impairment of tangible/Intangible assets and right of use assets.

Adjusted EBITDA: EBITDA as previously defined, adjusted to exclude the non-recurring costs and revenues.

Adjusted EBITDA, excluding the application of IFRS 16: Adjusted EBITDA as previously defined, but inclusive of lease charges, calculated as the sum of the depreciation of the right-of-use assets and interests on lease payables (IFRS16).

Net financial debt/(surplus): Short-term and long-term financial payables due to third parties and related parties, net of cash and cash equivalents and short-term and long-term financial receivables due from third parties and related parties.

Net Cash flows from Operating: cash generated by the Group in normal business operations. It is calculated through the indirect method that begins from the net profit/(loss) of the period, adding back non-cash items to obtain the change in cash of the period.

Key financials and ratios

The following are certain ratios for presenting the performance of the Group:

(amounts in thousands of Euro)	September 30 2022	September 30 2021	Change %
REVENUES	**615.917**	**487.398**	**26,4%**
Adjusted EBITDA	**149.733**	**132.937**	**12,6%**
OPERATING RESULT - adjusted EBIT	**116.941**	**105.865**	**10,5%**
PROFIT OF THE PERIOD, adjusted (*)	**39.048**	**11.825**	**230,2%**
AVERAGE EMPLOYEES (FTE's)	**2.270**	**1.999**	**13,6%**

	September 30 2022	December 31 2021	Change %
NET OPERATING WORKING CAPITAL	**59.510**	**3.348**	**1677,7%**
NET INVESTED CAPITAL	**2.319.364**	**2.044.154**	**13,5%**
NET FINANCIAL DEBT	**(980.595)**	**(786.915)**	**24,6%**
GROUP SHAREHOLDERS EQUITY	**1.126.822**	**1.059.293**	**6,4%**

(*) Net Income September 30, 2021: The net profit of the nine months of 2021, Euro 66.8 million, has been adjusted to Euro 11.8 million since it was positively impacted by the reversal of deferred taxes liabilities on the trademarks for Euro 55 million, but not confirmed for the year-end (decision of Q4 2021). This tax benefit was based on the Italian law (Law Decree n 104/2020) that gave the opportunity to align the tax basis of some assets to the accounting value paying a substitute tax. In Q4 2021 the Italian Government amended the aforementioned law, making the application for the Group no longer convenient on December 31, 2021 and consequently the reversal was not confirmed for the year-end.

Consolidated statement of Profit or Loss

The following table summarizes the reclassified Group's Income statement, compared with the same period of last year and with a separate indication of non-recurring costs and revenues.

(amounts in thousands of Euro)		
Reclassified Income Statement of the Group	**September 30 2022**	**September 30 2021**
Revenues from contracts with customers	613.421	483.052
Other revenues and income	2.496	4.345
Revenue	**615.917**	**487.398**
Purchases of raw material and variation in inventories	(164.359)	(134.335)
Personnel costs	(119.117)	(95.842)
Service costs	(170.333)	(116.062)
Provisions	(845)	(1.108)
Other costs and charges	(11.530)	(7.113)
Total Costs	**(466.184)**	**(354.460)**
Non-recurring costs and revenues	(15.349)	(21.660)
EBITDA	**134.384**	**111.277**
Depreciation, amortization and impairment on tangible and intangible fixed assets	(22.722)	(18.404)
Depreciation and write-downs of the Right of Use assets	(10.068)	(8.668)
Amortization depreciation and impairment	**(32.791)**	**(27.072)**
Operating result - EBIT	**101.592**	**84.205**
Financial income	6.518	4.903
Financial charges	(49.387)	(54.614)
Total Financial Expenses	**(42.869)**	**(49.711)**
Profit before taxes	**58.724**	**34.494**
Taxation	(19.676)	32.331
Profit of the period (*)	**39.048**	**66.825**
Profit/(Loss) for the period, attributable to minority interest	(340)	640
Profit/(Loss) for the period, attributable to the Group	39.387	66.185
Profit of the period, adjusted (*)	**39.048**	**11.825**

(*) Net Income September 30, 2021: The net profit of the nine months of 2021, Euro 66.8 million, has been adjusted to Euro 11.8 million since it was positively impacted by the reversal of deferred taxes liabilities on the trademarks for Euro 55 million, but not confirmed for the year-end (decision of Q4 2021). This tax benefit was based on the Italian law (Law Decree n 104/2020) that gave the opportunity to align the tax basis of some assets to the accounting value paying a substitute tax. In Q4 2021 the Italian Government amended the aforementioned law, making the application for the Group no longer convenient on December 31, 2021 and consequently the reversal was not confirmed for the year-end.

Below is reported the reconciliation between the EBITDA and the ADJUSTED EBITDA and between EBIT and the ADJUSTED EBIT:

(amounts in thousands of Euro)	**September 30 2022**	**September 30 2021**	**Change %**
EBITDA	**134.384**	**111.277**	**20,8%**
Non-recurring income and charges	**15.349**	**21.660**	**-29,1%**
Adjusted EBITDA	**149.733**	**132.937**	**12,6%**
IFRS16	**(13.579)**	**(11.768)**	**15,4%**
Depreciation of the Right of Use assets	(10.068)	(8.668)	16,1%
Interest Expense on lease Liabilities	(3.511)	(3.100)	13,3%
Adjusted EBITDA, excluding the application of IFRS 16	**136.154**	**121.169**	**12,4%**

	September 30 2022	**September 30 2021**	**Change %**
Operating result - EBIT	**101.592**	**84.205**	**20,6%**
Non-recurring income and charges	**15.349**	**21.660**	**-29,1%**
Operating result - ADJUSTED EBIT	**116.941**	**105.865**	**10,5%**
IFRS16 - Interest expense on lease Liabilities	**(3.511)**	**(3.100)**	**13,3%**
Adjusted EBIT, excluding the application of IFRS 16	**113.430**	**102.765**	**10,4%**

	September 30 2022	**September 30 2021**
Non-recurring income and charges	**15.349**	**21.660**
Management Fees to DH	7.257	6.606
HR and Legal one-off costs	2.734	836
Transaction Costs	2.005	8.401
Strategic Consultancies	745	280
Covid-19	102	500
Start up Costs	819	3.207
Others	1.687	1.829

HR and Legal one-off costs relate to some exceptional expenses, such as the payment of unexpected staff leaving indemnities and other legal costs, while transaction costs are referred to expenses of business acquisitions (Designers Company's acquisition of May 2022 this year, while in the comparable period were related to the YDesign Group acquisition).

Highlights, business outlook and events occurred after the reporting period

The Group results are benefitting from the implementation of the strategy and continues the good momentum of growth undertaken in previous years, despite the unfavorable macroeconomic condition following the conflict between Russia and Ukraine, countries to which the Group is not particularly exposed, both in terms of turnover and in terms of fixed costs.

Below is the table of the revenues from contracts with customers by group of companies, geographic area and sales channel:

(amounts in thousands of Euro)

	Sept 30 2022	Inc % on sales	Sep 30 2021	Inc % on sales	Change	Change %
Revenues by group of companies						
FLOS	200,821	32.7%	177,723	36.8%	23,098	13.0%
B&B Italia	203,188	33.1%	178,045	36.9%	25,143	14.1%
Louis Poulsen	110,939	18.1%	104,359	21.6%	6,580	6.3%
Emerging brands	98,474	16.1%	22,925	4.7%	75,549	329.5%
Total	**613,421**	**100%**	**483,052**	**100%**	**130,369**	**27.0%**
organic (FLOS, Louis Poulsen and B&B)	*514,947*		*460,127*		*54,821*	*11.9%*

	Sept 30 2022	Inc % on sales	Sep 30 2021	Inc % on sales	Change	Change %
Revenues by geographical area						
EMEA	369,540	60.2%	333,471	69.0%	36,069	10.8%
AMERICAS	159,633	26.0%	86,660	17.9%	72,973	84.2%
APAC	84,248	13.7%	62,921	13.0%	21,327	33.9%
Total	**613,421**	**100%**	**483,052**	**100%**	**130,369**	**27.0%**
organic AMERICA	*85,679*		*63,735*		*21,944*	*34.4%*

	Sept 30 2022	Inc % on sales	Sep 30 2021	Inc % on sales	Change	Change %
Revenues by channel						
Wholesale	343,404	56.0%	296,195	61.3%	47,209	15.9%
Contract	152,704	24.9%	131,478	27.2%	21,225	16.1%
DOS - Directed Operated Stores	40,008	6.5%	29,604	6.1%	10,404	35.1%
E-commerce	77,305	12.6%	25,775	5.3%	51,531	199.9%
Total	**613,421**	**100%**	**483,052**	**100%**	**130,369**	**27.0%**
organic E-commerce	*7,525*		*2,849*		*4,675*	*164.1%*

	Sept 30 2022	Inc % on sales	Sep 30 2021	Inc % on sales	Change	Change %
Revenues by Type of goods service						
Lighting	380,303	62.0%	305,007	63.1%	75,296	24.7%
Furniture	233,118	38.0%	178,045	36.9%	55,073	30.9%
Total	**613,421**	**100%**	**483,052**	**100%**	**130,369**	**27.0%**
organic Lighting	*311,760*		*282,082*		*29,678*	*10.5%*
organic Furniture	*203,188*		*178,045*		*25,143*	*14.1%*

Group net sales of the nine month period of 2022 amounted to Euro 613.4 million, reporting a growth of 27% towards the same period of 2021 (organic growth 11.9%), while the progress versus the pre-pandemic period (nine months of 2019) is higher (+59% reported, +33% organic excluding YDesign Group, Fendi Casa and Designers Company contribution).

The growth is solid on all Group's brands, that are reporting double-digit progress compared to 2021, except for Louis Poulsen that is reporting a mid single digit versus the same period of last year (+6.3%). In the emerging brands, Fendi Casa, whose license agreement was signed in 2021, has started reporting sales in the period (Euro 9.8 million in the nine months of 2022).

In terms of geographical area, the results are positive for EMEA, APAC and AMERICA. The latter shows a reported growth of 84.2% due to the consolidation of YDesign from June 2021, included only for four months in the corresponding period of 2021. The organic growth in AMERICA, therefore without considering the contribution of YDesign and the Designers Company US sales, would have been in any

case positive (+34.4%). The EMEA reports growth of 10.8%, with significant progress in Italy (+23%), while the Nordics are slightly contracted (-1.4%), especially Denmark that could face sales slowdown also in the last part of the year due to low consumer confidence in the county as a consequence of the economic outlook uncertainty. Also APAC performances are consistent, reporting a +33.9% vs the nine months of 2021, driven by the positive results in Greater China (+20%, China +26%), despite the difficulties related to the lockdowns that impacted in particular the first part of 2022.

From a channel point of view the wholesale, which represents the main channel of the Group (56% of total sales), is growing 15.9% vs 2021. As regards the analysis of wholesale channel we specify that the data of the previous period have been restated to take into account the new perimeter of the contract, which now it is tracked through the Groups' CRM.

Directly Operated Stores is up by 35.1% vs. the same period of 2021, confirming the good performance of 2022.

E-commerce is benefitting from the contribution of YDesign in the current period of nine months in 2022, reporting sales of Euro 77.3 million, when in the comparative period the contribution of this channel to the Group's sales was Euro 25.8 million: YDesign in the nine months of 2021 contributed to Groups' sales for only four months, reporting sales of the comparative period equal to Euro 22.9 million, since the acquisition have been performed on June 1, 2021. As of June 30, 2022, the incidence of the E-commerce channel represents 12.6% of total sales.

From the point of view of commercial initiatives, the Group from January 1, 2022 started the prestigious partnership with Fendi, marking the debut of the new Fendi Casa collection. In April 2022 the first Fendi Casa DOS was inaugurated in Milan, representing the starting point of a series of initiatives aimed at enhancing the already high level of Brands' recognition.

On May 24, 2022, the Group completed the acquisition of Designers Company ("DC"), a Danish group. DC has a strong presence in the Northern European and US design market, with a wide range of products including furniture, lighting and accessories. With an iconic portfolio of historic nordic designs, along with diversified contemporary products, Designers Company serves a broad customer base, including the younger generation. Designers Company was formed with the acquisition of Menu, a Copenhagen-based company founded in 1978, which produces a wide range of furniture, accessories and lighting products, before developing a historic collection through the acquisition of the design company by Lassen. In addition to these brands, the Company holds all rights to a unique product portfolio created by Danish designers Mogens Lassen and Flemming Lassen, as well as Ib Kofod-Larsen. The Group completed the acquisition through International Design Group S.p.A., by using for the main part resources already available at the Group level and for the rest the use of Revolving Credit Facilities.

As already reported in the 2021 Annual Report, the management continues to closely monitor the evolution of the macroeconomic scenario, in order to minimize potential losses for the Group, but at the same time continuing to invest in high-value initiatives capable of generating a solid growth in the medium-long term period. Furthermore, the Company, together with its controlling shareholders, is currently contemplating potential strategic alternatives to support its medium-term growth, including transactions in the capital market.

Net invested Capital

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

(amounts in thousands of Euro) **Net Invested Capital**	**Notes**	**September 30 2022**	**December 31 2021**
Goodwill		1.339.665	1.176.064
Other intangible fixed assets		683.434	647.783
Property, plant and machinery		116.232	114.645
Right of use assets		80.747	63.509
Net Technical Fixed Assets	**1)**	**2.220.078**	**2.002.000**
Deferred tax assets		24.124	20.594
Investments in parent company		39.226	39.226
Other non-current assets		13.196	8.768
Net Financial Fixed Assets	**2)**	**76.546**	**68.588**
Total non current assets	**3) = (1+2)**	**2.296.624**	**2.070.588**
Trade Receivable		85.732	68.298
Inventories		173.135	122.215
Trade Payables and advance from customers		(199.357)	(187.166)
Net operating working capital	**4)**	**59.510**	**3.348**
Other current assets (excluding items of financial position)		33.364	28.209
Other current liabilities (excluding items of financial position)		(70.134)	(57.990)
Total current assets / liabilites	**5)**	**(36.770)**	**(29.781)**
Operating Working Capital	**6) = (4+5)**	**22.740**	**(26.434)**
Net Invested Capital	**7) = (3+6)**	**2.319.364**	**2.044.154**
Total Shareholders equity	**8)**	**(1.130.797)**	**(1.063.418)**
Total non-current liabilities (excluding items of financial position)	**9)**	**(207.973)**	**(193.821)**
Cash and cash equivalents		81.627	144.524
Current and non-current financial liabilities		(972.936)	(861.809)
Current and non-current lease liabilities		(89.286)	(69.630)
Total Net Financial deficit	**10)**	**(980.595)**	**(786.915)**
Total Medium/Long Term Finance Sources	**11) = (8+9+10)**	**(2.319.364)**	**(2.044.154)**

The total non current assets mainly increase for the acquisition of Designers company and the allocation of the provisional goodwill resulting from the purchase price allocation (IFRS 3) at Group level for the higher consideration with respect to the net assets acquired (Euro 112 million). As a consequence the net financial debt increase, whose details are also reported in the specific section of this document.

Main Investments of the period

At September 30, 2022, investments amounted to approximately Euro 26 million. Below is a list of the main investments in the nine months of 2022:

- FLOS Group invested some Euro 8 million: the main part of the capex were related for Euro 3.4 million to the production and supply chain, mainly industrial molds and industrial equipments, and Euro 3.1 million to R&D.

- B&B Italia Group invested some Euro 5 million. The total tangible capex for the nine months is Euro 2.6 million of which Euro 2.1 for assets mainly dedicated to operations in the plant of Novedrate, Carugo, Misinto and Arclinea. The capex dedicated to the development of new products (molds) is Euro 0.3 million; The total intangible assets increase was Euro 2 million, mainly related to the relayout of the Durini showroom in Milan and the operation Planning & MES, as well as investments in the ERP of Arclinea (Euro 0.8 million).

- Louis Poulsen Group invested some Euro 4 million, mainly dedicated to development of new products (Euro 1.8 million) for research and development activities involving company's staff and international designers, for tooling for new products (Euro 0.5 million), for prototypes and equipment, and to the extension of shop-in-shop facilities (Euro 0.2 million) that support the sale of products in the most qualified distribution.

- Fendi Casa Group invested Euro 4.5 million continues the expansion of its activities and the main investment of the period are related to the retail network: leasehold improvements of the Milano DOS (Euro 1.4 million) and has been capitalized investments related to next DOS opening in Miami (Euro 1.1 million).

- YDesign Group invested some Euro 1.7 million, mainly dedicated to the development and major enhancement of websites, front end system and back end system.

- Designers company, since the acquisition invested 0.7 million as tangible assets.

- Investments in the Holdings were also related to the built up of e-commerce platforms for some Euro 2 million.

Net Financial Position

(amounts in thousands of Euro) **Net Financial deficit**	**September 30 2022**	**December 31 2021**
Cash and short term deposit	**(81.627)**	**(144.524)**
Short-Term bank loan	36.059	18
Other Current financial liabilities	40.574	3.151
Current financial liabilities	**76.633**	**3.169**
Long-Term Bond	870.000	870.000
Long-Term bank loan	1.158	2.090
Long-Term payables to other lenders	28.932	0
Interest on financial liabilities	12.458	5.840
Ammortized costs	(16.244)	(19.289)
Non-current financial liabilities	**896.303**	**858.640**
Net financial debt, excluding lease liabilities	**891.309**	**717.285**
Current lease liabilities	13.292	10.183
Non Current lease liabilities	75.993	59.447
Total lease liabilities	**89.286**	**69.630**
Net financial debt	**980.595**	**786.915**

Net financial debt at September 30, 2022 increased of some Euro 194 million compared to December 31, 2021, essentially for cash used in the acquisition of Designers Company of May 2022 (see sections of significant events of the period in the Notes of the Interim Consolidated financial statement). Short term loan increased for revolving credit facilities used in the mentioned transaction (Euro 36 million at September 30, 2022). In the Other current financial liabilities has been accrued the first deferred price of the DC acquisition, due by the end of the year (Euro 40.6 million). The second deferred price and the

earnout (subject to 2023 KPI's) of the DC acquisition has been included in the long term financial liabilities (some Euro 29 million).

During the period the Group paid interests on bonds for some Euro 28.2 million.

The increase in lease Liabilities compared to December 31, 2021 was related for Euro 5.5 million to Designers Company acquisition (company that entered in the Group's perimeter on May 24, 2022) and for renewal of lease contracts in the nine months of 2022, especially in AMERICA.

Main risks and uncertainties

Please refer to the section on risk management in the Notes to the Consolidated Financial Statements.

Human resources

As of September 30, 2022, the average Group's staff (Full time equivalent) amounted to 2,270 units, of which 655 in FLOS, 497 in Louis Poulsen, 707 in B&B Italia, 202 YDesign Group, 147 Designers Company, 57 Fendi Casa (DQM and FF Design) and 5 people in Design Studio Copenhagen.

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

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

Number and nominal value of treasury shares and shares or units of controlling companies owned by the company also through trade or interested person with indication of the correspondent capital part

At September 30, 2022, International Design Group purchased shares in parent Design Holding, representing 2.43% of the capital, for a value of some Euro 39.2 million. The shareholding investments are updated annually at fair value.

Number and nominal value of treasury shares and shares or units of parent companies purchased or sold by the company during the year, also through a trust or a third party indicating the corresponding part of capital

Please refer to the previous point.

Business outlook and events occurred after the reporting period

The Group's order backlog at the end of September 2022 remains important and allows the management to project a growth trend on the last part of the year similar to that recorded in the nine months period, despite the uncertainty of current market conditions.

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FLOS hub at Fabbrica Orobia during
the Milan Design Week



Arco K,
designed by Achille & Giacomo Castiglioni

Consolidated Financial Statements

September 30, 2022

Consolidated Statement of Financial Position

(amounts in thousands of Euro)			
Balance Sheet	**Notes**	**September 30 2022**	**December 31 2021**
Cash and Short-Term deposits	7	81.627	144.524
Trade Receivable	8	85.732	68.298
Inventories	9	173.135	122.215
Tax current asset	10	14.147	11.656
Other current assets	11	17.206	14.542
Current Assets		**371.847**	**361.234**
Goodwill	12	1.339.665	1.176.064
Brands and other intangible assets	13	683.434	647.783
Property, plant and equipment	14	116.232	114.645
Right-of-use assets	15	80.747	63.509
Investments in joint ventures and associates	16	39.226	39.226
Deferred tax assets	17	24.124	20.594
Other non-current assets	18	13.196	8.768
Non-Current Assets		**2.296.624**	**2.070.588**
Assets held for disposal	19	2.011	2.011
Total Assets		**2.670.483**	**2.433.834**
Share capital		5.102	5.102
Share premium reserve and other reserves		1.082.332	1.023.575
Profit/(loss) of the period		39.387	30.616
Group Shareholders' Equity		**1.126.822**	**1.059.293**
Minority shareholders' equity		4.315	3.821
Profit/(loss) of the period attributable to minority interests		(340)	304
Equity attributable to non-controlling interests		**3.976**	**4.125**
Total Equity	**20**	**1.130.797**	**1.063.418**
Current financial liabilities	21	76.633	3.169
Current lease liabilities	21	13.292	10.183
Trade payables	22	137.930	143.506
Advance from Customers	22	61.427	43.660
Current Tax liabilities	23	31.444	22.188
Other Current Liabilities	24	38.690	35.802
Current Liabilities		**359.417**	**258.508**
Non-current financial liabilities	21	896.303	858.640
Non-current lease liabilities	21	75.993	59.447
Defined benefit plans	25	8.011	7.601
Provisions for risks and charges	26	12.676	12.321
Deferred tax liabilities	27	181.853	173.734
Other non-current liabilities	28	5.434	166
Non-Current Liabilities		**1.180.269**	**1.111.908**
Total Liabilities		**1.539.685**	**1.370.416**
Liabilities and Shareholders' Equity		**2.670.483**	**2.433.834**
Net Current Assets		**12.430**	**102.727**
Total Assets less current Liabilities		**2.311.066**	**2.175.326**

Consolidated statement of profit or Loss of the period

(amounts in thousands of Euro)			
Profit & Loss	**Notes**	**September 30 2022**	**September 30 2021**
Revenues from contracts with customers		613.422	483.052
Other revenues and income		2.596	4.345
Total revenues	30	**616.018**	**487.398**
Purchases of raw materials and changes in inventories	31	(164.375)	(135.969)
Personnel costs	32	(119.545)	(97.463)
Service costs	33	(182.441)	(133.414)
Provisions	34	(867)	(1.926)
Other costs and charges	35	(14.406)	(7.349)
Total Cost		**(481.634)**	**(376.121)**
EBITDA		**134.384**	**111.277**
Amortization depreciation and impairment	36	**(32.791)**	**(27.072)**
Operating result - EBIT		**101.592**	**84.205**
Financial income		6.518	4.903
Financial charges		(49.387)	(54.614)
Total Financial Expenses	37	**(42.869)**	**(49.711)**
Profit/(loss) before taxes		**58.724**	**34.494**
Income Taxes	38	(19.676)	32.331
Profit/(loss) of the period		**39.048**	**66.825**
Profit/(Loss) for the period, attributable to the Group		39.387	66.185
Profit/(Loss) for the period, attributable to minority interest		(340)	640

Consolidated statement of other comprehensive income (OCI)

(amounts in thousands of Euro)	September 30 2022	September 30 2021
Profit/(Loss) of the period	**39.048**	**66.825**
A) Items recyclable to P&L:		
Exchange difference on translating foreign financial statements	28.317	870
Net gain/losses from cash flow hedge	-	148
Total recyclable items	**28.317**	**1.017**
B) Items not recyclable to P&L:		
(Gain/(Loss) from revaluation on defined benefit plans	(331)	-
Total not recyclable items	**(331)**	**-**
TOTAL COMPREHENSIVE INCOME/(EXPENSE), NET OF TAX	**67.034**	**67.842**
Profit/(loss) of the period, attributable to the Group	67.373	67.202
Profit/(loss) of the period, attributable to minority interest	(340)	640

The Exchange difference on translating foreign financial statements is related to the result from the translation into Euro of the foreign currency financial statements of the consolidated companies. The main impact of the period is related to the USD currency.

Statement of changes in consolidated shareholders' equity

(amounts in thousands of Euro)	**Share Capital**	**Share premium reserve and other reserve of parent company**	**Other reserves**	**Profit for the period**	**Total Group share= holders Equity**	**Minority share= holders equity**	**Minority Net profit attribut. to minority interests**	**Total Minority share= holders equity**	**Total share= holders' equity**
December 31 2020	**5.102**	**1.005.423**	**(24.629)**	**21.239**	**1.007.135**	**2.875**	**1.394**	**4.269**	**1.011.404**
Allocation of previous period result			21.239	(21.239)	-	1.394	(1.394)	-	-
Result for the period				66.185	66.185		640	640	66.826
Other income (expenses)			1.022		1.022	(5)		(5)	1.017
Total comprehensive profit for the period			**22.261**	**44.946**	**67.208**	**1.389**	**(754)**	**635**	**67.843**
Dividends					-	(2.313)		(2.313)	(2.313)
Stock option reserve			676		676			-	676
Other movements					-	10		10	10
Total variations for the period			**676**		**676**	**(2.303)**		**(2.303)**	**(1.627)**
September 30 2021	**5.102**	**1.005.423**	**(1.692)**	**66.185**	**1.075.018**	**1.961**	**640**	**2.601**	**1.077.620**
Result for the period				(35.569)	(35.569)		(336)	(336)	(35.906)
Fair value of investments in associates			8.324		8.324			-	8.324
Other income (expenses)			11.407		11.407	5		5	11.412
Total comprehensive profit for the period			**19.731**	**(35.569)**	**(15.838)**	**5**	**(336)**	**(331)**	**(16.169)**
Business combination					-	1.858		1.858	1.858
Stock option reserve			113		113			-	113
Other movements		(12)	12		-	(3)		(3)	(3)
Total variations for the period		**(12)**	**125**		**113**	**1.855**		**1.855**	**1.968**
December 31 2021	**5.102**	**1.005.411**	**18.164**	**30.616**	**1.059.293**	**3.821**	**304**	**4.125**	**1.063.418**
Allocation of previous period result			30.616	(30.616)	-	304	(304)	-	-
Result for the period				39.387	39.387		(340)	(340)	39.048
Other income (expenses)			27.943		27.943	43		43	27.986
Total comprehensive profit for the period					**67.330**			**(297)**	**67.033**
Dividends					-	(1.223)		(1.223)	(1.223)
Business combination					-	1.300		1.300	1.300
Other movements			198		198	71		71	269
Total variations for the period			**198**		**198**	**148**		**148**	**346**
September 30 2022	**5.102**	**1.005.411**	**76.921**	**39.387**	**1.126.822**	**4.315**	**(340)**	**3.976**	**1.130.797**

Consolidated Statement of Cash Flows

(amounts in thousands of Euro)	September 30 2022	September 30 2021
Profit/(Loss) of the period	**39.048**	**66.826**
Depreciation and impairment of property plant and equipment	11.675	9.902
Amortisation and impairment of intangible assets	11.048	7.969
Depreciation and impairment of right of use assets	10.068	8.667
Financial income	(6.518)	(4.903)
Financial charges	49.387	54.614
Income taxes	19.676	(32.331)
EBITDA	**134.384**	**110.744**
Financial interests paid	(33.018)	(26.036)
Income taxes paid	(9.958)	(9.480)
Net change in employee severance indemnities and pension funds	-	(69)
Net change in provisions for risks and other charges	283	818
Net foreign exchange differences and other non cash items	4.045	(3.398)
Change in other assets / liabilities current and non-current	**(15.014)**	**(11.340)**
(Increase)/decrease in other non-financial assets	(4.784)	(4.676)
Increase/(decrease) in tax payables	(10.727)	(5.452)
Increase/(decrease) in other non financial liabilities	497	(1.211)
Changes in net working capital:	**(39.519)**	**12.569**
(Increase)/decrease in inventories	(35.120)	(9.005)
(Increase)/decrease in trade receivables	(11.147)	(6.453)
Increase/(decrease) in trade payables	6.748	26.493
NET CASH FLOWS FROM OPERATIONS	**41.204**	**72.275**
Investing activities:		
Acquisition of tangible assets net of disposals	(9.339)	(14.230)
Net investments in intangible assets	(14.083)	(9.402)
Acquisition of non-current financial assets	-	(6.313)
Acquisition of a subsidiary, net of cash acquired	(74.927)	(135.657)
NET CASH FLOWS FROM INVESTING ACTIVITIES	**(98.349)**	**(165.602)**
Financing activities:		
(Increase)/decrease of financial receivables	-	6.140
Increase/(decrease) in financial payables	4.675	137.768
Payment of principal portion of lease liability	(9.204)	(8.360)
Share capital increase	-	10
Dividends paid to minority interests	(1.223)	(2.313)
CASH FLOW FROM FINANCING ACTIVITIES	**(5.752)**	**133.245**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(62.897)**	**39.918**
Net cash and cash equivalents at the beginning of the period	144.524	92.723
Net cash and cash equivalents at the end of the period	81.627	132.641

Notes to the Consolidated Financial Statements

1 CORPORATE INFORMATION

The Consolidated Financial Statements of International Design Group S.p.A. (hereafter also "IDG" or "IDG Group") for the period ended September 30, 2022 has been approved by the Board of Directors on August 5th, 2022.

IDG is a joint stock company, registered and headquartered in Italy, with its registered office in Milan, Via Manzoni 38.

IDG was established on September 10th, 2018 and it is controlled by Design Holding S.p.A. (100%) that exercises management and coordination activities.

1.1 COMPANY THAT EXERCISES MANAGEMENT AND COORDINATION ACTIVITIES

As provided by the article 2497-bis of Italian Civil Code, the Group is subject to management and coordination activities by its Ultimate Parent Company Design Holding S.p.A. (hereafter also "DH"), with its registered office in Milan, Via Manzoni 38, Taxpayer ID and registration n. 10446470964, Chamber of Commerce ID. MI-2532182, established on August 1st, 2018.

In the following table the essential figures of last approved financial statements, according to the national accounting principles, of DH are provided.

It should be noted that the Company whose data is reported prepares the consolidated financial statements.

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

(amounts in thousands of Euro)

Balance Sheet	**December 31 2021**	**December 31 2020**
B) Fixed assets	1.015.506	1.014.934
C) working capital	18.622	8.303
D) other assets	359	1.453
Total Assets	**1.034.487**	**1.024.690**
Share Capital	5.152	5.152
Reserves	1.012.299	1.013.636
Profit/(loss) of the period	(944)	(1.337)
Total Shareholders' equity	**1.016.507**	**1.017.452**
B) Provision for risk and charges	8.01	3.705
C) Defined benefit plans	54	26
D) Payables	9.915	3.507
E) Other liabilities	-	-
Total liabilities	**1.034.487**	**1.024.690**

Profit or Loss statement	**December 31 2021**	**December 31 2020**
A) Total revenues	17.752	5.181
B) Cost of good sold	18.854	6.407
C) Financial income/(charges)	0	(2)
Taxation	(157)	92
Profit/(loss) of the period	**(944)**	**(1.337)**

1.3 SIGNIFICANT EVENTS OCCURRED DURING THE PERIOD

On May 24, 2022, the Group completed the acquisition of Designers Company ("DC"), a Danish group. DC has a strong presence in the Northern European and US design market, with a wide range of products including furniture, lighting and accessories. With an iconic portfolio of historic designs, along with diversified contemporary products, Designers Company serves a broad customer base, including the younger generation. Designers Company was formed with the acquisition of Menu, a Copenhagen-based company founded in 1978, which produces a wide range of furniture, accessories and lighting products, before developing a historic collection through the acquisition of the design company by Lassen. In addition to these brands, the Company holds all rights to a unique product portfolio created by Danish designers Mogens Lassen and Flemming Lassen, as well as Ib Kofod-Larsen.

The purchase price, including the deferred price yet to be recognized, was Euro 142.1 million (net of transaction costs of Euro 2.3 million) and the difference between this amount and the net assets acquired (Euro 30.1 million) was Euro 112.1 Million, provisionally allocated to goodwill. The latter was booked in Danish kroner, therefore it will change based on the exchange rate changes with Euro.

The Group completed the acquisition through International Design Group S.p.A., by using resources available at the Group level, with a residual amount of Revolving Credit Facilities, whose outstanding amount at September 30, 2022 is some of Euro 29 million.

Here below details of Fair value of Designers Company recognized upon acquisition:

	(DKK/thousands)	(EUR/thousands)
Fair value of Designers Company recognised upon acquisition	***May 31, 2022***	***May 31, 2022***
Consideration (paid and deferred prices)	1,074,744	144,466
Transaction costs	(17,379)	(2,336)
Consideration, net of transaction costs	**1,057,364**	**142,130**
Assets		
Property, plant and equipment	26,249	3,528
Goodwill	235,689	31,681
Other intangible assets	163,270	21,947
Right of use assets	37,413	5,029
Cash and cash equivalents	26,922	3,619
Trade receivables and other receivables	25,935	3,486
Inventories	109,197	14,678
Other current assets	7,537	1,013
Total Assets	**632,213**	**84,982**
Liabilities		
Trade payables and other payables	(35,905)	(4,826)
Lease Liabilities	(37,324)	(5,017)
Non-current financial liabilities	(267,841)	(36,003)
Other current liabilities	(67,562)	(9,082)
Total Liabilities	**(408,632)**	**(54,928)**
Total net assets identifiable at fair value	**223,581**	**30,054**
Excess price deriving from the acquisition	**833,784**	**112,077**

Purchase price allocation (PPA)	(DKK/thousands)	(EUR/thousands)	(EUR/thousands)
	May 31, 2022	***May 31, 2022***	***Jun 30 2022***
provisional Goodwill	833,784	112,077	112,080
Total PPA	**833,784**	**112,077**	**112,080**
Conversion effect			3

The above column is shown for illustrative purposes only, and indicates the purchase price allocation converted into Euro using the period-end exchange rate (EUR-DKK = 7.44).

2 ACCOUNTING POLICIES

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) and endorsed by the European Union.

The Consolidated Financial Statements were prepared according to the historical cost convention, except for the recognition of derivative financial instruments and of other financial assets, which are recognized at fair value.

The carrying amount of the assets and liabilities subjected to fair value hedging and that would otherwise by recognized at the amortized cost, is adjusted to take into account variations in the fair value attributable to the hedged risks.

The Consolidated Financial Statements are presented in Euro currency and all values, if not differently indicated, are expressed in thousands of Euro.

The Group has prepared the financial statements on a going concern basis.

3 BASIS OF CONSOLIDATION

The Consolidated Financial Statements comprise the financial statements of International Design Group S.p.A. and of its subsidiaries as of September 30, 2022.

Control is obtained when the Group is exposed or is entitled to variable returns, deriving from its relations with the investee entity and, at the same time, can affect such returns by exercising its power over that entity.

Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

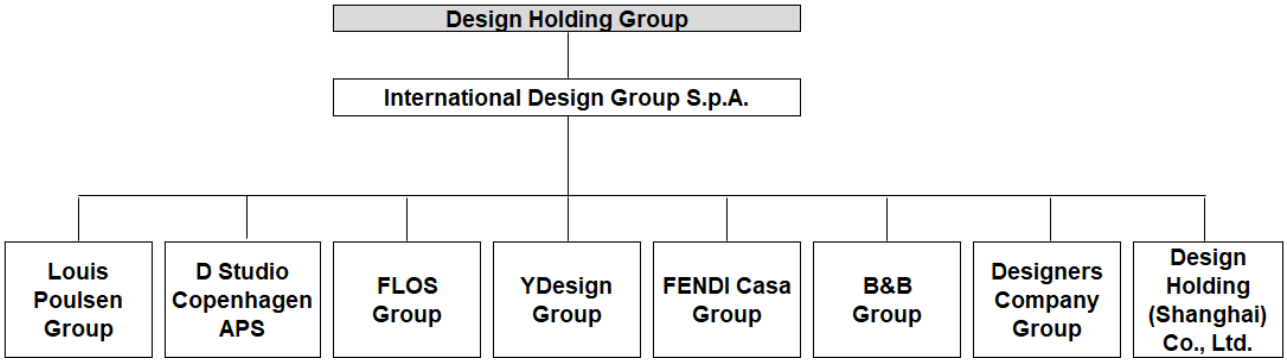
The Group reconsiders whether or not it has control of an investee if the facts and circumstances indicate that changes have occurred in one or more of the three elements with relevance for the purposes of the definition of control. The consolidation of a subsidiary starts when the Group obtains control thereof and ceases when the Group loses control. The assets, liabilities, revenues and costs of the subsidiary acquired or sold during the period 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 period 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 the Group’s 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.

GROUP STRUCTURE



Companies of the Group included in the scope of consolidation are as follows:

Group	Group's Company	Company Currency	Share capital September 30 2022 (local currency)	Shareholding September 30 2022
IDG	International Design Group S.p.A.	EUR	5,102,321	100.0%
D Studio Cop.	Design Holding Denmark	DKK	40,000	100.0%
Louis Poulsen Group	Luminous Design Investment ApS	DKK	1,260,101	100.0%
	Louis Poulsen Sweden AB	SEK	500,000	100.0%
	Louis Poulsen Norge AS	NOK	1,500,000	100.0%
	Louis Poulsen Finland OY	EUR	100,000	100.0%
	Louis Poulsen UK Ltd.	GBP	100,000	100.0%
	Louis Poulsen German GmbH	EUR	100,000	100.0%
	Louis Poulsen USA Inc.	USD	1,000	100.0%
	Louis Poulsen Holland BV	EUR	35,394	100.0%
	Louis Poulsen Japan Ltd.	JPY	38,500,000	100.0%
	Louis Poulsen Switzerland AG	CHF	500,000	100.0%
	Louis Poulsen Asia Ltd.	EUR	2,459	100.0%
	Louis Pou VS	DKK	10,000,000	100.0%
	Louis Poulsen Lighting LLC	CNY	149,870	100.0%
FLOS Group	FLOS S.p.A.	EUR	1,875,000	100.0%
	Antares Iluminacion S.A.U.	EUR	400,687	100.0%
	Flos Illuminacion Shanghai Co. Ltd	CNY	-61	100.0%
	Antares Iluminacion Pte Ltd	SGD	61	100.0%
	Ares S.r.l.	EUR	78,000	100.0%
	Flos Benelux NV	EUR	100,000	100.0%
	Flos BV	EUR	931,143	100.0%
	Flos GmbH	EUR	300,000	100.0%
	Flos Japan Co. Ltd	JPY	40,000,000	100.0%
	FLOS Bespoke S.r.l	EUR	13,000	100.0%
	Flos Norge AS	NOK	1,500,000	55.0%
	Flos France S.a.s	EUR	61,062	100.0%
	FLOS Scandinavia A/S	DKK	1,428,500	65.0%
	Flos Sverige AB	SEK	0	65.0%
	Flos Usa Inc.	USD	389,847	100.0%
	Flos UK Ltd	GBP	136,400	100.0%

Group	Group's Company	Company Currency	Share capital September 30 2022 (local currency)	Shareholding September 30 2022
B&B Italia Group	B&B Italia S.p.A.	EUR	1,000,000	100.0%
	B&B Italia Usa Inc.- New York	USD	10,000	100.0%
	B&B Italia Munchen Gmbh -Monaco	EUR	150,000	100.0%
	B&B London LTD	GBP	500,000	100.0%
	B&B Asia Pacific Limited	HKD	100	100.0%
	B&B Italia Paris Sarl	EUR	50,000	100.0%
	Arclinea Spa	EUR	240,000	100.0%
	B&B Furniture (Shanghai) Co., Ltd	CNY	999,631	100.0%
YDesing Group	IDG Apollo Parent Inc.	USD	11,524	98.1%
	Lumens LLC	USD	0	100.0%
	YDesign Group LLC	USD	6,815,547	100.0%
FENDI Casa Group	Design Quality Manufacturing S.p.A.	EUR	50,000	100.0%
	Fashion Forniture Design S.p.A.	EUR	50,000	80.0%
	FF Design USA Inc.	USD	2,000	100.0%
	Fashion Furniture Design UK Limited	GBP	20,000	100.0%
Designer Company Group	P-Menu 2018 A/S	DKK	1,836,756	100.0%
	Designers Company A/S	DKK	2,127,236	94.3%
	Brdr. Petersen	DKK	100,000	100.0%
	Menu	DKK	2,501,000	100.0%
	By Lassen	DKK	125,000	100.0%
	SpaceCo	DKK	50,000	100.0%
	DC Trading	CNY	299,090	100.0%
	Menu North America	USD	10,000	100.0%
DH China	Design Holding (Shanghai) Co.,Ltd.	CNY	0	100.0%
DH Korea	Design Holding Korea LLC	KRW	0	100.0%

4 SUMMARY OF THE MAIN ACCOUNTING POLICIES

4.1 BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted 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 period and classified among administrative expenses.

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

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

Any contingent consideration to be paid is recognized by the acquirer at fair value at the date of acquisition. The contingent consideration classified as equity is not subject to remeasurement and its subsequent payment

is recognized with the shareholders' equity. The change in the fair value of the contingent consideration 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 contingent consideration that is not included in the scope of IFRS 9 is measured at fair value at the date of the financial statements and fair value variations are recognised in the income statement.

Goodwill is initially measured at cost represented by the excess of the aggregate consideration consisting and 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 aggregate consideration, the Group verifies again whether it correctly identified all acquired assets and all assumed liabilities and it reviews the procedures used to determine the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of the net assets acquired than the aggregate consideration, 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 operation within this unit, the goodwill associated with the disposed operation is included in the carrying amount of the operation 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:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

  Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other assets as non-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 after the reporting period; or
- the entity does not have an unconditional right to defer payment of the liability for at least twelve months after the reporting period.

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 (September 30);
- 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;
- upon disposal of a foreign operation, the component of OCI (translation reserve) relating to that particular foreign operation is reclassified to profit or loss;
- upon disposal of a foreign operation, the part of the comprehensive income statement (conversion reserve) referring to this foreign operation is recorded in the income statement;
- 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 September 30, 2022 and the average rates of the period from January 1, 2022 - September 30, 2022 are as follows:

		September 30 2022	
		Average exchange rate	Exchange rate at the end of the month
SEK	Sweden	10.516	10.899
NOK	Norway	10.027	10.584
GBP	United Kingdom	0.847	0.883
USD	US Dollar	1.067	0.975
JPY	Japan	135.904	141.010
CHF	Switzerland	1.014	0.956
HKD	Hong Kong Dollar	8.357	7.652
CNY	Renminbi (Yuan)	7.036	6.937
DKK	Denmark	7.440	7.437
SGD	Singapore	1.466	1.400

4.4 FAIR VALUE MEASUREMENT

The Group measures certain 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 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 from the sale of goods is recognized at a point in time when the company has transferred the control of the goods and services, generally on the date of delivery of the goods. As regards the subsidiary YDesign, the main part of the activity is provided by operating with the dropshipping method and pursuant to IFRS15 this company operates as an agent, while for a small part of its services it is operated as a principal.

The revenue is measured 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 subsidiaries 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 period are measured for the amount expected to be recovered from or to be paid to the tax authorities. The rates and the tax regulations used to calculate the amount are those promulgated, or substantially in force, at the reporting date in the countries where the Group operates and generates its own taxable income.

Current taxes relating to items recognized directly in the shareholders' equity are also recognized in the shareholders' equity and not in the statement of the profit/(loss) for the period. The Management periodically assesses the position assumed in the income tax return in the cases in which the tax rules are subject to interpretation and, when appropriate, it allocates provisions. Please refers to note 39 “Taxation”

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 tax 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

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

- he 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 NON CURRENT ASSETS HELD FOR DISPOSAL

The Group classifies non-current assets as held for sale/disposal if their carrying amount will be recovered mainly with a sale transaction instead of through their continuous use. These non-current assets classified as held for sale are measured at the lower between the carrying amount and their fair value net of selling costs. Selling costs are additional costs directly attributable to the sale, excluding financial costs and taxes.

The condition for classification as held for sale is considered to be met only when the sale is highly probable and the asset for disposal is available for immediate sale in its current conditions. The actions required to complete the sale should indicate that it is improbable that there may be significant changes in the sale or that the sale may be cancelled. The Management must be committed to the sale, whose completion should be expected within one year from the date of classification.

The assets and the liabilities classified as held for sale are presented separately among the current items in the financial statements.

An asset for disposal qualifies as a discontinued operation if it is part of an entity that was disposed or is classified as held for sale, and:

- it represents an important autonomous business unit or geographic business area,
- it is part of a single coordinated plan for the disposal of an important business unit or geographic business area,

- it is a subsidiary acquired exclusively in view of a resale.

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

4.8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and machinery are measured at the cost of purchase or of production, net of the accumulated depreciation and of any accumulated impairment losses. The cost includes ever expense directly incurred to prepare the assets for their use, as well as any disposal and removal expenses that will be incurred consequently to contractual obligations that required bringing the asset back to the original conditions. Any interest expenses incurred for the acquisition, production or construction of the property, plant and machinery are capitalised on the value of the related asset until it is available for use.

The expenses incurred for ordinary and/or cyclical maintenance and repairs are charged directly to the income statement in the year incurred. The capitalisation of costs inherent to the expansion, modernization or improvement of the structural elements owned or used by third parties is made solely to the extent that they meet the conditions for being classified separately as an asset or part of an asset under the component approach method. Similarly, the replacement costs of the identifiable components of complex assets are recognised among the assets and amortised according to their estimated useful life; the residual carrying amount of the replaced component is recognised in the income statement.

The 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	
Moduls and equipement	25%
Furniture for stores and events	12%
Other assets:	
Furniture and fixtures for offices	12% - 20%
Eletronic office machines	20%
Vechicles and internal transport means	20%
Motor cars	20% - 25%

During the period no changes occurred in respect of the depreciation rates. The useful life of the tangible assets and the residual value are revised and updated, when applicable, at the closing of each year.

When the depreciable asset is composed of distinctly identifiable elements, the useful life of which differs significantly from that of the other parts which compose the asset, depreciation is taken separately for each of the parts which make up the asset under the “component approach” principle.

The profits and losses deriving from sales or disposals of assets are determined as the difference between the sale revenue and the net book value of the disposed or sold asset and are charged to the income statement of the year of accrual.

Improvements to third-party assets are classified in tangible assets, consistently with the nature of the cost incurred. The depreciation period corresponds to the lower between the residual useful life of the tangible asset and the residual duration of the lease agreement.

Land is not depreciated.

4.9 LEASING

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

Group as a lessee

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

Right-of-use assets

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

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

The item “Land and Buildings” mainly include the lease contracts for the showrooms directly managed by B&B Louis Poulsen, Fashion Design Furniture and FLOS.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

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

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

4.10 OTHER INTANGIBLE ASSETS

Other intangible assets acquired separately are initially recognised at cost, whereas those acquired through business combinations are recognised at fair value at the date of purchase. After the initial recognition, intangible assets are recognised at cost net of accumulated amortisation and of any accumulated impairment losses. Intangible assets produced internally, except for the development costs, are not capitalised and are recognised in the income statement of the year in which they were incurred.

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

Intangible assets with finite useful life are amortised throughout their useful life and they are subjected to impairment test every time there are indications of a possible impairment loss. The amortisation period and the amortisation method of an intangible asset with definite useful life is reconsidered at least at the end of each year. Changes in the expected useful life or in the ways with which future economic benefits tied to the asset will be realised are recognised through the change of the period or of the amortisation method, depending on the case, and they are considered changes in accounting estimates. The amortisation rates of intangible assets with definite useful life are recognised in the statement of profit/(loss) for the year in the cost category consistent with the function of the intangible asset.

Intangible assets with indefinite useful life are not amortised, but are annually subjected to impairment test, both at the individual level and at the level of cash generating unit. The assessment of the indefinite useful life is revised annually to determine whether this attribution continuous to be sustainable, otherwise, the change from indefinite useful life to defined useful life is applied prospectively.

The gains or losses deriving from the elimination of an intangible asset are measured from the difference between the net revenue of the disposal and the carrying amount of the intangible asset and are recognised in the profit/(loss) of the year in the year when the derecognition takes place.

4.10.1 RESEARCH AND DEVELOPMENT COSTS

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

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

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

During the development period the asset is subjected to annual impairment test.

4.10.2 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%

4.10.3 TRADEMARK

The brands included in the Consolidated Financial Statement, presented in the balance sheets of the Group through the extraordinary transactions since the Group was established on 2018, are represented mainly by the brands "FLOS", "B&B", Maxalto", "Arclinea", "Louis Poulsen" and “Lumens”.

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

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

As of September 30, 2022, it was considered appropriate to subject the brand to a separate impairment test in order to verify the consistency of the values entered in the budget, with the criteria described below.

4.11 FINANCIAL ASSETS

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

i) Financial assets

Initial recognition and measurement

At the time of initial recognition, financial assets are classified, according to the case, on the basis of the subsequent measurement procedures, i.e. at amortised cost, at fair value recognised in other comprehensive income OCI and at the fair value recognised in the income statement.

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

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

The Group's business model for the management of financial assets refers to the way in which it manages its own financial assets to generate cash flows. The corporate model determines whether the cash flows will derive from the collection of contractual cash flows, from the sale of financial assets or from both.

The purchase or the sale of a financial asset that requires its delivery within a time interval generally established by regulation or market convention (standardized or regular way trade) is recognised at the trade date, i.e. the date on which the Group committed to purchase or sell the asset.

Subsequent measurement

For the purposes of the subsequent measurement, financial assets are classified in four categories:

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

Financial assets at amortized cost (debt instruments)

The Group measures financial assets at amortized cost if both of the following requirements are met:

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

Financial assets at amortized cost are subsequently measured using the effective interest criterion and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or revalued.

Financial assets at fair value recognised in the OCI (debt instruments)

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

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

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

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

<u>Investments in equity instruments</u>

Upon initial recognition, the Group may irrevocably opt to classify its own equity related investments as equity instruments recognised at fair value recognised in OCI when they meet the definition of equity instruments in accordance with IAS 32 "Financial instruments: Presentation" and are not held for trading. The classification is determined for each individual instrument.

The gains and losses achieved on these financial assets are never recognised in the income statement. Dividends are recognised as other revenue in the income statement when the right to payment was resolved, except when the Group benefits from this income as a recovery of part of the cost of the financial asset, in

which case these gains are recognised in OCI. Equity investments recognised at fair value in OCI are not subjected to impairment testing.

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

Financial assets at fair value recognised in the income statement.

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

Financial instruments at fair value with changes recognised in the income statement are recorded in the statement of financial position at fair value and net changes in fair value recognised in the statement of profit/(loss) for the year.

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

An embedded derivative included in a hybrid contract that contains a financial asset is not separated from the host contract. The financial asset together with the embedded derivative is classified internally as a financial asset at fair value recognised in the income statement.

Write-off

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

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

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

When the residual involvement of the entity is a guarantee on the transferred asset, the involvement is measured on the basis of the lesser between the amount of the asset and the maximum amount of the consider received which the entity may have to repay.

Impairment of financial assets

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

The Group records an impairment for expected losses (expected credit loss, 'ECL') for all financial assets represented by debt instruments not held at fair value recognised in the income statement. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows the Group expects to receive, discounted at an approximation of the original effective interest rate. The cash flows will include the cash flows deriving from the enforcement of the collateral held or of other guarantees on the receivable which are integral parts of the contractual conditions.

The expected losses are recognised in two steps. In relation to the credit exposures for which there was not significant increase of the credit risk from the initial recognition, it is necessary to recognise the losses on receivables that derive from the estimation of default events that are possible within the subsequent 12 months (12-month ECL). For the credit exposures for which there was a significant increase of the credit risk from initial recognition, it is necessary to fully recognise the expected losses that refer to the residual duration of the exposure, regardless of the time when the default event is forecast to occur ("Lifetime ECL").

For trade receivables and assets deriving from contracts, the Group applies a simplified approach in the calculation of the expected losses. Therefore, the Group does not monitor changes to the credit risk, but it fully recognises the expected loss at each reference date. The Group defined a matrix system based on historical information, revised to consider prospective elements with reference to the specific types of debtors and their economic environment, as an instrument for determining the expected losses.

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

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

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

4.12 FINANCIAL LIABILITIES

Recognition and initial measurement

Financial liabilities are classified, at the time of the initial recognition, among financial liabilities at fair value recognised in the income statement, among mortgages and loans, or among derivatives designated as hedging instruments.

All financial liabilities are initially recognised at fair value to which are added, in the cases of mortgages, loans and payables, the transaction costs directly attributable thereto.

The financial liabilities of the Group comprise trade payables and other payables, mortgages and loans, including current account overdrafts and derivative financial instruments.

Subsequent measurement

The assessment of financial liabilities depends on their classification, as described above:

Financial liabilities at fair value recognised in the income statement

Financial liabilities recognised at fair value with changes recognised in the income statement comprise liabilities held for trading and financial liabilities initially recognised at fair value with changes recognised in the income statement.

Liabilities held for trading are all those assumed with the intention of extinguishing them or transferring them in the short term. This category also includes the derivative financial instruments entered into by the Group which are not designated as hedging instruments in a hedging relationship defined by IFRS 9. Embedded derivatives, separated from the main contract, are classified as financial instruments held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit/(loss) for the year.

Financial liabilities are designated at fair value with changes recognised in the income statement from the date of initial recognition, only if the criteria of IFRS 9 are met. At the time of the initial recognition, the Group did not designate financial liabilities at fair value with changes recognised in the income statement.

Loans and receivables

This category is the most significant for the Group. After the initial recognition, loans are measured with the amortized cost criterion using the effective interest rate method. Gains and losses are recognised in the income statement when the liability is extinguished, as well as through the amortization process.

The amortized cost is calculated noting the discount or the bonus on the acquisition and the fees or costs that are an integral part of the effective interest rate. Amortization at the effective interest rate is included among financial expenses in the statement of profit/(loss). This category generally includes interest-bearing receivables and loans.

Write-off

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

Offsetting of financial instruments

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

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as: forward foreign exchange contracts, interest rate swaps and forward commodity acquisition contracts to cover respectively, its own currency exchange rate risks, the interest rate risks and the commodity price risks. These derivative financial instruments are initially recognised at fair value at the date on which the derivative contract is entered into and, subsequently, they are again measured at fair value. Derivatives are recorded as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For hedge accounting purposes, there are three types of hedges:

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

4.13 INVENTORIES

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

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

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

The LP method does not generate significant differences with respect to the weighted average cost method.

For the part of inventory deemed no longer usable economically, or with an assumed realisation value that is lower than the cost recognised in the financial statements, a dedicated write-down provision is allocated.

4.14 IMPAIRMENT OF NON-FINANCIAL ASSETS

At September 30, 2022, the Group assessed 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 assessing 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 cover a period of 6 years, of which 5 characterized by an analytical development of the plan and the remaining "transactional period" year characterized by a synthetic construction based on the application of a year-on-year growth rate. The decision to adopt a plan period of more than 5 years is aimed at representing the development actions implemented by management and their recoverability.

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

Impairment losses of operating assets, including the impairment losses of inventories, are recognised in the statement of profit/(loss) for the year in the cost categories consistent with the destination of the asset that underwent the impairment loss. Fixed assets previously revalued are an exception, if the revaluation was recognised among the other comprehensive income. In these cases, the impairment loss is in turn recognised among the other comprehensive income up to the previous revaluation.

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

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

4.14.1 GOODWILL

Goodwill is subjected to impairment test at least annually. Last impairment test were made on December 31, 2021 and on June 30, 2022 and there are no trigger events in the last three months.

The impairment of goodwill is determined by evaluating the recoverable value of the cash-generating unit to which the goodwill is attributable. Where the recoverable value of the cash-generating unit is less than the book value of the cash-generating unit to which the goodwill has been allocated, an impairment loss is recognized. The reduction in the value of goodwill cannot be reinstated in future years.

4.14.2 TRADEMARKS

Intangible assets with an indefinite useful life (in this case, the brands "FLOS", "B&B", “Maxalto","Arclinea","Louis Poulsen"and "Lumens") were subjected to impairment testing on June 30, 2022 and there are no trigger events in the last three months.

4.15 CASH AND CASH EQUIVALENTS AND SHORT-TERM DEPOSITS

Cash and cash equivalents and short-term deposits comprise cash at hand and short-term deposits on demand with maturity within three months.

For the purposes of representing the consolidated statement of cash flows, cash and cash equivalents are represented by cash as defined above, net of bank overdrafts.

4.16 TREASURY SHARES

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

4.17 PROVISIONS FOR RISKS AND CHARGES

The Group recognises provisions for risks and charges when:

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

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

4.18 PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

The Group operates a defined benefit pension plan, which requires contributions to be made to a separately administered fund.

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

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

4.19 SHARE-BASED PAYMENTS

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

Equity-settled transactions

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

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

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

When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional

expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

5 CHANGES IN ACCOUNTING POLICIES AND DISCOSURES

5.1 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2022, but do not have an impact on the consolidated financial statements of the Group.

ONEROUS CONTRACTS – COSTS OF FULFILLING A CONTRACT – AMENDMENTS TO IAS 37

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group applied the amendments to the contracts for which it had not fulfilled all of its obligations at the beginning of the reporting period..

REFERENCE TO THE CONCEPTUAL FRAMEWORK – AMENDMENTS TO IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.**PROPERTY, PLANT AND EQUIPMENT: PROCEEDS BEFORE INTENDED USE – AMENDMENTS TO IAS 16**The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. These amendments had no impact on the consolidated financial statements of the Group as it is not a first-time adopter.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement. These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

6 DISCRETIONARY VALUTATIONS 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 SIGNIFICANT JUDGMENT IN DETERMINING THE DURATION OF THE LEASING OF CONTRACTS THAT CONTAIN AN EXTENSION OPTION

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group included the renewal period as part of the lease term for leases of plant and machinery with shorter non-cancellable period (i.e., three to five years). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of plant and machinery with longer non-cancellable periods (i.e., 10 to 15 years) are not included as part of the lease term as these are not reasonably certain to be exercised. In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Group typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

6.2 JUDGMENETS

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.

6.3 ESTIMATES AND ASSUMPTIONS

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 the 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.

6.3.1 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.

Given the uncertainties in place, it is important that entities provide detailed information on the assumptions made, the evidence on which they are based and the impact of changing key assumptions (sensitivity analysis). Given the level of intrinsic risk and the variability of judgments and estimates, the disclosure on the key assumptions used and the assessments made to estimate the recoverable value plays a fundamental role. The Covid-19 pandemic is likely to be a triggering event that requires an entity to carry out an impairment test in accordance with IAS 36. Entities will need to assess the key assumptions used to determine the recoverable amount for the different CGUs. The key inputs used in the models with reference to the determination of value in use and fair value less cost to sell will have to be reviewed to determine any impact.

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

6.3.2 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 Group calibrates the matrix to refine the historical data on credit losses with forecast elements.

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

6.3.3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND CRITERIA

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

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

6.3.4 INTEREST RATE RISK

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will be changed because of changes in market interest rates. The Group’s exposure to the risk of changes in market interest rates is related firstly to long-term debt with variable interest rate. The sensitivity analysis shows how a change in interest rates equal to +100bps and -100 bps on the portion of the variable interest rate of Shareholder Loan (Euro 470 million) would lead to a change in the pre-tax result not exceeding Euro 4.7 million.

6.3.5 EXCHANGE RATE RISK

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

Although the Group has a strong international connotation, use of the Euro as a transnational currency for most transactions almost eliminates the risk tied to exchange rate changes. The Group is mainly exposed for positions denominated Euro, Danish Krone, Yen and US Dollar; The sensitivity analysis on exchange rates did not lead to any effects deemed significant on the Group's economic and financial values.

6.3.6 CREDIT RISK

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

The credit risk correlated to commercial counterparties is managed by the individual subsidiaries and monitored by the relative Group Administrative Offices. The Group has no significant credit risk concentrations. However, procedures are in place to ensure that sales of products and services are carried out to customers with high reliability, taking into account their financial position, past experience and other factors. Credit limits on main customers are based on internal and external valuations on the basis of thresholds approved by the head offices of the individual countries. Use of credit limits is monitored periodically.

The currently existing customer list comprises the main market players, with maximum reliability credit ratings. Therefore, no actions to hedge this risk were planned beyond the normal procedures and checks used for credit risk management. The trade receivables overdue over 12 months is negligible.

6.3.7 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.

6.3.8 LIQUIDITY RISK

The Group monitors the risk of a lack of liquidity using a liquidity planning tool.

The tables below present the Group's financial commitments:

		maturity		
Septembe r 30, 2022	**Carrying amount**	**Within 1 year**	**From 1 to 2 years**	**From 3 to 5 years**
Bond payable (notional)	**870.000**	-	-	870.000
Interest bearing on bonds	**12.458**	45.975	45.975	74.637
Long-Term payables to other lenders	**28.932**	-	28.901	-
Other financial debts	**1.158**	-	1.158	-
Lease liability	**89.286**	13.292	13.292	39.877
Interest on lease liability	**-**	4.600	4.600	13.800
TOTAL	**1.001.833**	**63.867**	**93.926**	**998.314**

		maturity		
December 31, 2021	**Carrying amount**	**Within 1 year**	**From 1 to 2 years**	**From 3 to 5 years**
Bond payable (notional)	**870.000**	-	-	870.000
Interest bearing on bonds	**5.840**	45.975	45.975	102.633
Other financial debts	**2.090**	-	2.090	-
Lease liability	**69.630**	10.183	10.183	30.549
Interest on lease liability	**-**	4.600	4.600	13.800
TOTAL	**947.560**	**60.758**	**62.848**	**1.016.982**

6.4 COMMITMENTS AND RISKS

6.4.1 GUARANTEES AND COMMITMENTS

Following the subscription of the Bonds, the following real guarantees summarized below have been subscribed:

- Act of pledge on current accounts of International Design Group S.p.A., signed on November 22, 2018, as confirmed and extended pursuant to a confirmatory and extensive deed signed on May 19 2021, constituted by International Design Group S.p.A., as guarantee, inter alia, of the loan agreement of Euro 100 million signed on November 9, 2018 (as subsequently amended and / or integrated), of the bond loan of International Design Group S.p.A. of Euro 400 million issued on November 26, 2018 and of the bond loan of International Design Group S.p.A. of Euro 470 million issued on May 19, 2021, in favor of, inter alios, UniCredit S.p.A., as an agent representing the secured creditors provided for therein;

- Act of assignment as guarantee 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, signed on December 17, 2018, as confirmed and extended pursuant to a confirmatory and extensive deed signed on May 19, 2021, as guarantee, inter alia, of the loan agreement of Euro 100 million signed on November 9, 2018 (as subsequently amended and / or integrated), of the bond loan of International Design Group S.p.A. of Euro 400 million issued on November 26, 2018 and of the bond loan of International Design Group S.p.A. of Euro 470 million issued on May 19, 2021, in favor of, inter alios, UniCredit S.p.A., as an agent representing the secured creditors provided for therein;

- Act of pledge on FLOS S.p.A. shares signed on December 17, 2018, as confirmed and extended pursuant to a confirmatory and extensive deed signed on June 5, 2019 and a confirmatory and extensive deed signed on June 17, 2021, consisting of International Design Group S.p.A, as guarantee, inter alia, of the loan agreement of Euro 100 million signed on November 9, 2018 (as subsequently amended and / or integrated), of the bond loan of International Design Group S.p.A. of Euro 400 million issued on November 26, 2018 and of the bond loan of International Design Group S.p.A. of Euro 470 million issued on May 19, 2021, in favor of, inter alios, UniCredit S.p.A., as an agent representing the secured creditors provided for therein;

- Act of pledge on shares of B&B Italia S.p.A. signed on December 17, 2018, as confirmed and extended pursuant to a confirmatory and extensive deed signed on June 17, 2021, set up by International Design Group S.p.A., as guarantee, inter alia, of the Euro 100 million loan agreement signed on November 9, 2018 (as subsequently amended and / or integrated), of the bond loan of International Design Group S.p.A. of Euro 400 million issued on November 26, 2018 and of the bond loan of International Design Group S.p.A. of Euro 470 million issued on May 19, 2021, in favor of, inter alios, UniCredit S.p.A., as an agent representing the secured creditors provided for therein;

- Act of pledge on Luminous Designs Investments ApS shares signed on December 17, 2018, as amended pursuant to an amending deed signed on June 17, 2021, established by International Design Group S.p.A., as guarantee, inter alia, of the loan agreement Euro 100 million subscribed on November 9, 2018 (as subsequently amended and / or integrated), of the bond loan of International Design Group S.p.A. of Euro 400 million issued on November 26, 2018 and of the bond loan of International Design Group S.p.A. of Euro 470 million issued on May 19, 2021, in favor of, inter alios, UniCredit S.p.A., as an agent representing the secured creditors provided for therein;

- Act of pledge on the share capital of IDG Apollo Parent Inc., signed on August 5, 2021, consisting of, inter alios, International Design Group S.p.A., to guarantee the loan agreement of Euro 100 million signed on November 9, 2018 (as subsequently amended and / or integrated), of the bond loan of International Design Group S.p.A. of Euro 400 million issued on November 26, 2018 and of the bond loan of International Design Group S.p.A. of Euro 470 million issued on May 19, 2021, in favor of, inter alios, UniCredit S.p.A., as agent representing the secured creditors provided therein;

- Act of pledge on shares of the indirect investee Louis Poulsen A/S, signed on February 19, 2019, as amended and ratified on June 17, 2021, consisting of, inter alios, Luminous Designs Investments ApS (formerly Luminous Designs Denmark ApS), to guarantee the loan agreement of Euro 100 million signed on November 9, 2018 (as subsequently amended and / or integrated), of the bond loan of International Design Group S.p.A. of Euro 400 million issued on November 26, 2018 and of the bond loan of International Design Group S.p.A. of Euro 470 million issued on May 19, 2021, in favor of, inter alios, UniCredit S.p.A., as an agent representing the secured creditors provided for therein;

- Act of pledge on shares of the indirect investee Antares Iluminacion S.A.U., signed on February 19, 2019, as extended and ratified on June 17, 2021, consisting of, inter alios, FLOS S.p.A., to guarantee the loan

agreement of Euro 100 million signed on 9 November 2018 (as subsequently amended and / or integrated), of the bond loan of International Design Group S.p.A. of Euro 400 million issued on November 26, 2018 and of the bond loan of International Design Group S.p.A. of Euro 470 million issued on May 19, 2021, in favor of, inter alios, UniCredit S.p.A., as an agent representing the secured creditors provided for therein;

- Act of pledge on shares of the indirect subsidiary YDesign Group, LLC., Signed on June 5, 2021, consisting of, inter alios, IDG Apollo Parent Inc., guaranteeing the loan agreement of Euro 100 million signed on November 9, 2018 (as subsequently amended and / or integrated), of the bond loan of International Design Group S.p.A. of Euro 400 million issued on November 26, 2018 and of the bond loan of International Design Group S.p.A. of Euro 470 million issued on May 19, 2021, in favor of, inter alios, UniCredit S.p.A., as an agent representing the secured creditors provided for therein.

It should also be noted that the shares of International Design Group S.p.A. are also pledged, pursuant to a pledge signed on November 22, 2018, (as confirmed and extended by virtue of a confirmatory and extensive pledge on shares of International Design Group S.p.A., signed on December 17, 2018, and a confirmatory and extensive pledge on shares of International Design Group S.p.A., signed on May 19, 2021), consisting of the sole shareholder Design Holding S.p.A., as guarantee, inter alia, of the loan agreement of Euro 100 million signed on November 9, 2018 (as subsequently amended and / or integrated), of the bond loan of International Design Group S.p.A. of Euro 400 million issued on November 26, 2018 and of the bond loan of International Design Group S.p.A. of Euro 470 million issued on May 19, 2021, in favor of, inter alios, UniCredit S.p.A., as an agent representing the secured creditors provided for therein.

Furthermore, it should be noted that the bond issued by International Design Group S.p.A. of Euro 400 million issued on November 26, 2018 and the bond loan of International Design Group S.p.A. of Euro 470 million issued on May 19, 2021 are also guaranteed by certain corporate personal guarantees (guarantees) granted after the date of issue of the same, under the terms and conditions set out in the documents relating to the Bond Issues.

Licenses

The Group has entered into license agreement whit FENDI for the production, design and distribution of furniture. The term of this agreement is effective from January 1, 2022 and will last for thirteen years. Under this license agreement is required to pay a royalty of net sales of the related collection. The agreement also provides for the payment of minimum annual guaranteed and a mandatory marketing contribution. These agreements can typically be terminated early by either party for several reasons, including but not limited to non-payment of royalties, failure to reach minimum sales thresholds and unauthorized changes products.

6.5 CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued capital, convertible preference shares share premium and all other equity reserves attributable to the equity holders of the parent.

The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments due to changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 40% and 60%. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and short-term deposits, excluding discontinued operations.

	September 30 2022	December 31 2021
Cash and short term deposit	**(81.627)**	**(144.524)**
Current financial liabilities	**76.633**	**3.169**
Long-Term Bond	870.000	870.000
Long-Term bank loan	1.158	2.090
Long-Term payables to other lenders	28.932	0
Interest on financial liabilities	12.458	5.840
Ammortized costs	(16.244)	(19.289)
Non-current financial liabilities	**896.303**	**858.640**
Net Debt excluding lease liabilities	**891.309**	**717.285**
Total lease liabilities	**89.286**	**69.630**
Trade payables and other debts	**269.491**	**245.156**
Net Debt	**1.250.086**	**1.032.071**
Total Equity	1.130.797	1.063.418
Total equity and net debt	**2.380.883**	**2.095.489**
Gearing ratio	***53%***	***49%***

6.6 FAIR VALUE MEASUREMENT

The following table provides the hierarchy of fair value measurement for the Group's liability:

Carrying amount (based on measurement basis) September 30 2022	Total	Fair value level 1	Fair value level 2	Fair value level 3
Financial assets	**120.852**	**81.627**	**-**	**39.226**
Investments in joint ventures and associates	39.226	-	-	39.226
Cash and cash equivalents	81.627	81.627	-	-
Loans and receivables	**116.134**	**-**	**-**	**13.196**
Trade and other receivables	102.938	-	-	-
Non current financial assets and other non current assets	13.196	-	-	13.196
Asset held for sale	2.011	-	-	-
Assets held for sale	2.011	-	-	-
Financial liabilities	**1.267.012**	**896.303**	**-**	**89.286**
Trade payables and advance from customers	199.357	-	-	-
Short-term financial debt	76.633	-	-	-
Current lease financial liabilities	13.292	-	-	13.292
Non-current lease financial liabilities	75.993	-	-	75.993
Other non current liabilities	5.434	-	-	-
Non-current financial payables	896.303	896.303	-	-

Carrying amount (based on measurement basis) December 31 2021	Total	Fair value level 1	Fair value level 2	Fair value level 3
Financial assets	**183.749**	**144.524**	**-**	**39.226**
Investments in joint ventures and associates	39.226	-	-	39.226
Cash and cash equivalents	144.524	144.524	-	-
Loans and receivables	**91.608**	**-**	**-**	**8.768**
Trade and other receivables	82.840	-	-	-
Non current financial assets and other non current assets	8.768	-	-	8.768
Asset held for sale	2.011	-	-	-
Assets held for sale	2.011	-	-	-
Financial liabilities	**1.118.770**	**858.640**	**-**	**69.630**
Trade payables and advance from customers	187.166	-	-	-
Short-term financial debt	3.169	-	-	-
Current lease financial liabilities	10.183	-	-	10.183
Non-current lease financial liabilities	59.447	-	-	59.447
Other non current liabilities	166	-	-	-
Non-current financial payables	858.640	858.640	-	-

The Management verified that the fair value of cash and cash and cash equivalents and short-term deposits, of trade receivables and payables, of bank overdrafts and of other current liabilities approximates the book value because of the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is reported in the amount for which the instrument could be traded in a current transaction between willing parties, instead of in a forced sale or in a liquidation. To estimate fair value, the following methods and the following assumptions were used:

- Long-term receivables and loans, both fixed rate and floating rate, are measured by the Group on the basis of parameters such as interest rates, specific risk factors for each Country, the individual credit

rating of each customer and the characteristic risk of the financial project. Based on this measurement, the allocations for the expected losses on these receivables are recognised in the accounting records.

- The fair value of listed securities and bonds is based on the listed price at the date of the financial statements. The fair value of unlisted instruments, such as loans from banks or other financial liabilities, obligations deriving from financial leases or as other non-current financial liabilities, is estimated through discounted future cash flows applying the current rates available for payables with similar terms, such as the credit risk and the remaining maturities. In addition to being sensitive to reasonably possible changes of the expected cash flows or of the discount rate, the fair value of equity instruments is also sensitive to reasonably possible changes of the growth rates. The valuation requires the use, by the Management of non-observable input data, illustrated previously. The Management regularly defines a range of reasonably possible alternatives for these significant non observable input data and it determines their impact on total fair value.

6.7 SEGMENT INFORMATION

IFRS 8, “Operating Segments”, requires detailed information to be provided for each operating segment that makes up the business. An operating segment is defined as a business division whose operating results are regularly reviewed by top management in order to adopt decisions to allocate appropriate resources to the segment and assess its performance.

The Group has the following operating segments: B&B Italia, Maxalto, Arclinea, FLOS, Louis Poulsen, Fendi Casa, Lumens, Menu and bylassen which have similar characteristics and strategy, allow them to be aggregated, with medium-long term financial performance similar. In addition, the Group's strategy was more focused on seeking commercial synergies between brands (eg “shop-in-shop”) and on strengthening distribution based on single-channel, rather than on single-brand development.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

All the amounts in the tables reported in this section are in thousands of Euro.

CURRENT ASSETS

7 CASH AND SHORT-TERM DEPOSITS

Cash and Short-Term deposits are detailed as follow:

Cash and cash equivalents	September 30 2022	December 31 2021
Bank and postal accounts	80.821	143.694
Cheques	-	-
Cash and cash equivalents in hand	84	55
Restricted bank deposits	721	774
Total	**81.627**	**144.524**
Cash and cash equivalents by currency		
EUR	35.601	96.231
USD	30.620	29.951
DKK	4.304	6.988
CYN	5.434	472
JPY	2.564	3.128
SEK	549	2.551
NOK	791	3.163
GBP	1.295	1.137
other currency	468	903
Total	**81.627**	**144.524**

For a detailed breakdown of the Group's cash and cash equivalents, please refer to Consolidated Cash Flow statement.

8 TRADE RECEIVABLES

Trade receivables, net and the breakdown by geographic areas are reported below:

Trade Receivables:	**September 30 2022**	**December 31 2021**
Trade receivables - Third parties	90.552	73.476
Trade receivables - Related parties	696	107
Allowance for bad and doubtful debts	(5.515)	(5.284)
Total	**85.732**	**68.298**
Trade Receivables by currency		
EUR	58.269	56.297
USD	9.505	4.468
DKK	10.609	2.090
CYN	135	4
JPY	2.516	2.521
SEK	1.704	964
NOK	1.999	1.248
GBP	675	467
other currency	319	238
Total	**85.732**	**68.298**

Allowance for bad and doubtful debts	**September 30 2022**
Opening balance	**(5.284)**
Change in consolidation area	(73)
Utilized	2
Reversal	214
Increases	(309)
Exchange differences	(64)
Closing balance	**(5.515)**

Third parties trade receivables, amounting to Euro 90.6 million at September 30, 2022 are broken down by maturity (this amount does not consider the allowance for bad and doubtful debts):

Trade receivables broken down by maturity

	September 30 2022	Current	Overdue 0-30	Overdue 30-60	Overdue 60-90	Overdue 90-120	Past due more than 120 days
Italy	20.631	19.527	261	36	154	28	625
EEC	44.716	38.857	2.631	661	422	308	1.838
Non-EEC	25.204	16.926	3.708	1.075	923	13	2.559
Total	**90.552**	**75.310**	**6.600**	**1.771**	**1.500**	**349**	**5.022**

	December 31 2021	Current	Overdue 0-30	Overdue 30-60	Overdue 60-90	Overdue 90-120	Past due more than 120 days
Italy	26.819	23.370	636	340	98	26	2.349
EEC	25.457	18.819	3.265	317	465	587	2.004
Non-EEC	21.200	15.496	2.757	188	503	141	2.115
Total	**73.476**	**57.685**	**6.658**	**845**	**1.066**	**754**	**6.468**

At the date of this reporting, the trade receivables overdue more than 365 days are Euro 3.1 million, but fully covered by the allowance for bad and doubtful debts.

9 INVENTORIES

Inventories can be broken down as follows:

Inventories	September 30 2022	December 31 2021
Materials, auxiliaries and consumables	79.469	63.487
Work in progress and semi-finished goods	33.512	36.035
Finished products	82.972	43.387
Allowance for obsolete and slow-moving inventories	(22.819)	(20.694)
Total	**173.135**	**122.215**

Allowance for obsolete and slow-moving inventories	September 30 2022
Opening balance	**(20.694)**
Change in consolidation area	(784)
Utilization	1.791
Increase	(5.485)
Reversal	2.466
Exchange rate difference	(112)
Closing balance	**(22.819)**

Finished products increase compared to Dec 31, 2021 as well as the components related to the production volumes and costs inflation. In term of brands, Fendi Casa is starting up and is increasing stock for orders intake that will be delivered from Q2 onwards. The consolidation of the newly acquired Designers Company increased the inventory for some Euro 16 million in September 30, 2022. To a lesser extent it was related to a safety stock for keeping the production on going in a tough macroeconomic situation.

10 TAX CURRENT ASSETS

Tax current assets	September 30 2022	December 31 2021
Receivables for paid tax advances	2.514	2.060
VAT receivable	7.177	4.555
Receivables for withholding taxes	22	10
Tax receivables for fiscal consolidation and other	4.434	5.031
Total	**14.147**	**11.656**

11 OTHER CURRENT ASSETS

The other current assets amount to Euro 17.2 million (Euro 14.5 million at December 31, 2021) and are mainly related to advances payments to suppliers and other prepayments (maintenance fees, software's utilization, services for IP deposit).

NON-CURRENT ASSETS

12 GOODWILL

The breakdown of goodwill is shown below:

	Flos S.p.A. Group	B&B Group	Louis Poulsen Group	YDesign Group	Designers Company Group	**Total**
Opening Balance	**478.246**	**372.379**	**202.535**	**122.904**	**-**	**1.176.064**
Change in consolidation area	-	-	-	-	143.761	**143.761**
Increase	(0)	0	-	0	0	**0**
Decrease	-	-	-	-	-	**-**
Exchange differences	1	-	(3)	19.901	(59)	**19.840**
Closing Balance	**478.247**	**372.379**	**202.532**	**142.806**	**143.701**	**1.339.665**

During the first half of 2022, as described in the significant event of the period, the Group completed the acquisition of the Designers Company group. The net assets recognized at the acquisition were based on the valuations of their fair value. The purchase price, including the deferred price yet to be recognized, was Euro 142.1 million (net of transaction costs of Euro 2.3 million) and the difference between this amount and the net assets acquired (Euro 30.1 million) was Euro 112.1 Million, initially allocated to the provisional goodwill. The latter was allocated in Danish kroner, therefore it will change based on the exchange rate changes with Euro. In addition, in the change consolidation area is not only related to the above mentioned purchase price allocation, but includes the goodwill already in Designers Company books for some Euro 32 million and related to business combination of previous years (before the IDG acquisition).

A. 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. Last impairment test was made on June 30, 2022 and there are no trigger events in the last three months. Below all the indication of the last impairment test (June 30, 2022):

for *impairment* test purposes, Goodwill is allocated to the following Cash Generating Units (CGU):

- FLOS
- B&B
- Louis Poulsen
- YDesign Group

The recoverable amount of each CGU has been determined based on the calculation of the value in use, in which the projections of the cash flows were those approved by the management and of a period of 5 years, as approved by the management.

The calculation of the value in use is particularly sensitive to the following assumptions:

- revenue trend;
- marginality;

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

With regard to the goodwill allocated to the Designers Company, given that the acquisition was completed near the end of the half year, the Group determined the recoverable value based on the fair value of the assets and liabilities of the newly acquired company.

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

The European Securities and Markets Authority (ESMA - European Securities and Market Authority) draws attention to the need to represent the growing level of uncertainty by:

- the possible use of multi-scenario techniques in determining the plans;
- alternatively, adjustments to the rates used for discounting the flows;
- update of the assumptions underlying the impairment tests at 31.12.2021 compared to the previous tests.

On this basis, the management has defined a single plan for each CGU (approved by the Board of Directors) which represents the normal and expected scenario, with reference to the period 2022-2026, with a transition period in 2027, which was used for the development of impairment tests. The recoverable value of each CGU, determined on the basis of this plan, was subjected to stress tests and sensitivity analyzes which also took into consideration economic parameters and as a result of which positive results emerged.

The value in use of each CGU was calculated on the basis of opportunity of cost of capital (Ka) applied to the forecast operating cash flow projections (in the range of 8.8%-10.8%) and a perpetual growth rate (g) in the range 1.75%-2.25% (1.8% for December 31, 2021).

The recoverable value of the goodwill, determined on the basis of the aforementioned assumptions and valuation techniques, was estimated as the difference between the Enterprise Value deriving from the application of the DCF method and the value of the Capital Employed of each CGU.

In order to calculate the recoverable amount in relation to the goodwill the management estimated the Enterprise Value of each CGU's as at June 30, 2022 with the intrinsic approach (UDCF method). This approach is considered as a preferential method, since it makes it possible to factor in the specifics of the company with a medium term approach in defining the business plan, allowing a good level of accuracy in the future cash flow projections. This method consists in valuing a CGU based on its future cash flows. The management valuation was based on Budget 2022 and the business plan 2023-2026. However, as the future cash flows generated by a CGU's is based on a business plan over a definite period, whilst the lifetime of the company is in theory infinite, a Terminal Value for each CGU was determined at the end of the forecast period. The Terminal value was determined at the end of transitional period on the basis of normal cash flows growing at a constant rate (g rate – in the range 1.75%-2.25% at June 30, 2022). A Transitional Period for fiscal year 2027 was used to stabilize the main Business Plan drivers and define the normative period. To discount the free cash flows to the present value, we used the opportunity cost of capital (Ka) as reported above.

The management has prepared a sensitivity scenario reducing the growth rate for the transitional period of 2027 from 3% to 1.8% and reducing the marginality of 0.5% .
Following the results of the Impairment test, the estimated Recoverable amount of the Group's goodwill were higher than the related carrying values (high headroom), therefore no write-off were necessary.

13 BRANDS AND OTHER INTANGIBLE ASSETS

Brands and other intangible assets are breakdown as follows:

	TRADEMARK	DEVELOPMENT COSTS	PATENTS AND INTELLECTUAL PROPERTY RIGHTS	CONCESSIONS, LICENSES AND OTHER INTANGIBLE ASSETS	**TOTAL BRANDS AND OTHER INTANGIBLE ASSETS**
Historical costs	616.626	41.724	24.755	54.515	**737.619**
Accumulated depreciation	(52)	(31.218)	(21.537)	(37.029)	**(89.836)**
Net book value December 31 2021	**616.573**	**10.506**	**3.218**	**17.485**	**647.783**
Historical costs	633.395	47.919	33.603	70.848	**785.765**
Accumulated depreciation	(405)	(35.922)	(22.091)	(43.913)	**(102.331)**
Net book value September 30 2022	**632.990**	**11.997**	**11.512**	**26.935**	**683.434**

Changes in Net Book value for the year are as follows:

	TRADEMARK	DEVELOPMENT COSTS	PATENTS AND INTELLECTUAL PROPERTY RIGHTS	CONCESSIONS, LICENSES AND OTHER INTANGIBLE ASSETS	**TOTAL BRANDS AND OTHER INTANGIBLE ASSETS**
Opening balance	**616.573**	**10.506**	**3.218**	**17.485**	**647.783**
Change in consolidation area	8.852	782	8.371	3.899	**21.904**
Additions	231	4.915	1.406	8.927	**15.480**
Disposal	(1)	(67)	(10)	(1.384)	**(1.461)**
Depreciations	(341)	(4.699)	(1.617)	(4.199)	**(10.857)**
Exchange differences	7.675	0	9	1.326	**9.009**
Other movements	-	560	135	880	**1.576**
Closing Balance	**632.990**	**11.997**	**11.512**	**26.935**	**683.434**

The change in consolidation area, as described in the Goodwill section, during the year the Group acquired YDesign and the excess cost have been allocated to trademark (Lumens brand) and the other intangible assets; the latter is related to the customer relationships in the Trade and contract business segment of YDesign Group.

Trademark, amounting to Euro 633 million at September 30, 2022, refers to the following brands:

- “FLOS”, equal to some Euro 244 million;
- “B&B”, "Maxalto” and “Arclinea” equal to Euro 201 million;
- “Louis Poulsen”, equal to Euro 124 million;
- “Lumens” equal to Euro 55 million;
- “Designers Company” equal to Euro 9 million, as effect of the 2022 acquisition (included above in the “change in consolidation area).

Trademarks are considered with an indefinite useful life and therefore subject to annual (or less) impairment test, with the exception of the newly acquired companies (Designers Company in 2022), whose brand depreciation will be confirmed until the completion of the PPA (IFRS3).

The recoverable amount related to the Brands was estimated with the Relief from Royalty (RFR) method. According to this approach, the value of the brand is embodied in the present value of the royalties that the market would be willing to recognize to the owner of the brand and therefore the owner himself saves. Among

the main parameters to be defined for the application of such method is the royalty rate (as of revenues) that a third party would pay to a licensor for using its brand.

Last impairment test was made on June 30, 2022 and there are no trigger events in the last three months. Below all the indication of the last impairment test (June 30, 2022)

The main assumptions used in the RFR method were (June 30, 2022):

- Market royalty rate in the range of 2%-7%;
- Opportunity cost of capital (Discounted rate) of 8.8% for all brands except for (i) "Arclinea" brand and (ii) "Lumens" brand where 10.8% and 10.4% respectively were considered more appropriate;
- g-rate of 1.8% for all brands except for Lumens brand (2.25%);
- prospective revenues related to the brands business plan for the period 2022-2026;
- figurative tax rate in the range of 22-28% based on the corresponding Corporate tax rate of the region;
- for the application of the RFR method was considered a transitional period (2027), based on Year on Year growth rate of 3.0%.

The management has prepared a sensitivity scenario reducing the growth rate to +1.8% for the transitional period of 2027 and reducing the royalty rates in the range 5.7%-6.7%.

Following the results of the Impairment test, the estimated Recoverable amount of the Group's brands were higher than the related carrying values, therefore no write-off were necessary.

Development costs includes the costs for the personnel dedicated to product development work carried out within the Group. These costs are amortised in three years. In the six month period under discussion YDesign Group invested some Euro 1.7 million, mainly dedicated to the development and major enhancement of websites, front end system and back end system.

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 investments made by FLOS Group and B&B Italia Group (mainly Arclinea) for changing in their ERP systems.

Other movements of the period are related to reclassification between intangible assets and Property, plant and equipment.

14 PROPERTY, PLANT AND EQUIPMENT

Property, Plant and equipment are breakdown as follows:

	LAND AND BUILDINGS	PLANT AND MACHINERY	LEASEHOLD IMPROVEMENTS	INDUSTRIAL AND COMMERCIAL EQUIPMENT	OTHER ASSETS	WORK IN PROGRESS AND ADVANCES	**TOTAL PROPERTY, PLANT AND EQUIP.**
Historical costs	120.606	73.557	25.639	67.301	22.138	2.349	**311.591**
Accumulated depreciation	(43.169)	(59.895)	(15.179)	(59.253)	(19.450)	-	**(196.946)**
Net book value December 31 2021	**77.437**	**13.662**	**10.460**	**8.048**	**2.688**	**2.349**	**114.645**
Historical costs	123.150	76.330	29.870	69.834	28.107	1.791	**329.081**
Accumulated depreciation	(46.755)	(62.487)	(18.516)	(61.662)	(23.430)	-	**(212.849)**
Net book value September 30 2022	**76.394**	**13.843**	**11.355**	**8.172**	**4.677**	**1.791**	**116.232**

Changes in Net Book value for the year are as follows:

	LAND AND BUILDINGS	PLANT AND MACHINERY	LEASEHOLD IMPROVEMENTS	INDUSTRIAL AND COMMERCIAL EQUIPMENT	OTHER ASSETS	WORK IN PROGRESS AND ADVANCES	**TOTAL PROPERTY, PLANT AND EQUIP.**
Opening balance	**77.437**	**13.662**	**10.460**	**8.048**	**2.688**	**2.349**	**114.645**
Change in consolidation area	813	-	904	-	1.485	326	**3.529**
Additions	469	2.776	2.080	2.614	1.826		**9.764**
Disposal	(12)	(181)	(140)	(20)	(72)		**(425)**
Depreciations	(2.303)	(3.038)	(2.271)	(2.136)	(1.740)		**(11.487)**
Exchange differences	(6)	17	375	(10)	74	82	**532**
Other movements	(4)	607	(53)	(325)	416	(967)	**(325)**
Closing Balance	**76.394**	**13.843**	**11.355**	**8.172**	**4.677**	**1.791**	**116.232**

Change in consolidation area is related to the Designers Company acquisition.

The main investments of the period were related to the leasehold improvements: Fendi Casa is the main contributor as the new DOS in Milano was opened in April 2022..

Investments in the plant and machinery and for the industrial equipment were related to B&B Italia Group for the activities in the Novedrate, Carugo and Misinto plants, as well as to Arclinea.

Other movements of the period are related to reclassification between Property, plant and equipment and intangible assets.

15 RIGHT OF USE ASSETS AND LEASE LIABILITIES

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

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

The Group also has certain leases for machinery whose lifespan is 12 months or less and office equipment whose value is modest. The group has chosen for these contracts to apply the exemptions provided by IFRS16 for short-term or low value assets.

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

	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL & COMMERCIAL EQUIPEMENT	OTHER ASSETS	**TOTAL RIGHT OF USE ASSET**
Historical costs	90.779	2.474	69	3.569	**96.891**
Accumulated depreciation	(29.862)	(1.766)	(39)	(1.715)	**(33.382)**
Net book value December 31 2021	**60.917**	**708**	**30**	**1.854**	**63.509**
Historical costs	118.695	2.462	76	3.955	**125.188**
Accumulated depreciation	(40.086)	(2.038)	(56)	(2.261)	**(44.441)**
Net book value September 30 2022	**78.609**	**425**	**20**	**1.694**	**80.747**

Changes in Net Book value for the year are as follows:

	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL & COMMERCIAL EQUIPEMENT	OTHER ASSETS	**TOTAL RIGHT OF USE ASSET**
Opening balance	**60.917**	**708**	**30**	**1.854**	**63.509**
Change in consolidation area	5.028	-	-	-	**5.028**
Additions	20.790	7	3	425	**21.225**
Disposal	(625)	(19)	-	(36)	**(679)**
Depreciations	(9.185)	(272)	(15)	(547)	**(10.018)**
Exchange differences	1.684	(0)	2	(2)	**1.684**
Other movements	-	-	-	-	**-**
Closing Balance	**78.609**	**425**	**20**	**1.694**	**80.747**

Change in consolidation area is related to the Designers Company acquisition.

The item “Land and Buildings” mainly includes the lease contracts for the shops managed by B&B Italia, FLOS and the new DOS of Fendi Casa, opened in the period (Milan, April 2022). The main part of the increase of the period is related to DOS lease contracts renewals of FLOS and B&B Italia Groups’, especially in AMERICA.

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

Current and Non-current Lease Liability	September 30 2022
Opening balance	**69.630**
Change in consolidated area	5.029
Increase, net	24.543
Increases	35.722
Decreases	(11.179)
Interests	3.511
Payments	(15.378)
Exchange rate difference	1.951
Closing balance	**89.286**
Current Lease Liability	13.292
Non-current Lease Liability	75.993

The Change in consolidated area in 2022 refers to Designers Company, while in 2021 it was related to the acquisition of YDesign (Lumens).

16 INVESTMENTS IN PARENT COMPANY

At September 30, 2022, International Design Group purchased shares in parent Design Holding, representing 2.43% of the capital, for a value of some Euro 39.2 million. The shareholding investments are updated annually at fair value.

17 DEFERRED TAX ASSETS

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

	September 30 2022	Taxes to Income Statement	Exchange rates differences and other minor movements	December 31 2021
Reversal of related expenses for the purchase of equity investments	6.911	446	191	6.275
Inventory margin	3.488	991	-	2.497
Tax losses carried forward	192	10	(0)	182
Non-deductible financial charges	1.754	62	1	1.691
Depreciation of tangible assets and amortization of intangible assets	2.052	(175)	53	2.174
Provisions for stock obsolescence	3.488	270	(0)	3.218
Allowance for doubtful debts	945	(243)	3	1.186
Provisions for employee severance indemnities	1.348	116	1	1.231
Allocations to risk provision	1.393	(201)	0	1.594
Remuneration not yet paid	132	295	-	(163)
Other changes	2.420	1.485	225	710
Total	**24.124**	**3.057**	**472**	**20.595**

18 OTHER NON-CURRENT ASSETS

The other non-current assets amount to Euro 13.2 million at September 30, 2022 and includes Euro 4.5 million of deposits on rents paid by Group companies, Euro 3.7 million as non-current prepayments and Euro 4 million as other tax receivables.

19 ASSETS HELD FOR DISPOSAL

The caption “Assets held for disposal”, amounting to Euro 2 million, includes the buildings and land with the related generic facilities relevant to the Ascoli plant of the B&B Group, currently unused.

SHAREHOLDERS' EQUITY

20 TOTAL SHAREHOLDERS’ EQUITY

The equity attributable to the owners of the Group and to non-controlling interests is set forth below:

Equity	September 30 2022	December 31 2021
Share capital	**5.102**	**5.102**
Share premium reserve	978.848	978.848
Legal reserve IDG	1.020	1.020
Reserve for shares of the parent company	25.543	25.543
Share premium reserve and other reserve of parent company	**1.005.411**	**1.005.411**
Fair value reserve	13.618	13.618
Translation reserve	40.060	11.786
Cash Flow Hedge Reserve	-	-
Actuarial gain/(loss) reserve	(1.880)	(1.880)
Other reserves	25.123	(5.360)
Total Other reserves	**76.921**	**18.164**
Profit/(Loss) of the period	**39.387**	**30.616**
Group shareholders' equity	**1.126.822**	**1.059.293**
Equity reserves of non-controlling interests	4.315	3.821
Minority Interest Income	(340)	304
Equity attributable to non-controlling interests	**3.976**	**4.125**
Total Shareholders' equity	**1.130.797**	**1.063.418**

CURRENT AND NON CURRENT LIABILITIES

21 CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

Current and non-current financial liabilities are as follows:

	September 30 2022	December 31 2021
Current payables to other lenders	40.574	3.151
Current payables to banks	36.059	18
Current financial liabilities	**76.633**	**3.169**
Current lease liabilities	13.292	10.183
Total current financial liabilities	**89.925**	**13.352**
Non-current payables to other lenders	28.932	0
Long-term bonds and bank loans	867.371	858.640
Non-current financial liabilities	**896.303**	**858.640**
Non-current lease liabilities	75.993	59.447
Total non-current financial liabilities	**972.296**	**918.087**
Total financial liabilities	**1.062.222**	**931.439**

Long-term bonds and bank loans are here detailed:

	September 30 2022	December 31 2021
Long-Term Bond	870.000	870.000
Accrued interests	12.458	5.840
Ammortized costs	(16.244)	(19.289)
Long-Term bank loan	1.158	2.090
Long-term bonds and bank loans	**867.371**	**858.640**

During the period, as described in the significant event, the Group acquired the Designers Company group, using the cash on hand and the revolving credit facilities, outstanding for Euro 36 million at September 30, 2022. At the same time the Group has already accrued the financial debt of the transaction:

- Euro 40 million due within the next 12 months and included in the current payables to other lenders;
- Euro 29 million due over 12 months as deferred price and earnout and included in the non-current financial liabilities.

The composition of the Long term Bonds and their characteristics are summarized below:

	Nominal value	Maturity	Nominal rate
Bond 1	400.000	Bullet on November 2025	6,5%
Bond 2	470.000	Bullet on May 2026	3 months Euribor + 4.25%

22 TRADE PAYABLES AND ADVANCES FROM CUSTOMERS

Trade payables and advance from customers	September 30 2022	December 31 2021
Trade payables - third parties	127.918	135.760
Trade payables - related	10.011	7.746
Total Trade payables	**137.930**	**143.506**
Advances from customers	61.427	43.660
Total	**199.357**	**187.166**
Trade payables by currency		
EUR	92.166	104.798
USD	23.933	21.156
DKK	16.251	9.620
CYN	3.327	3.651
JPY	450	735
SEK	115	250
NOK	334	133
GBP	1.282	691
other currency	71	2.472
Total	**137.930**	**143.506**
Advances from customers by currency		
EUR	39.885	28.978
USD	16.319	12.345
DKK	1.044	214
CYN	2.069	-
JPY	-	12
SEK	-	-
NOK	81	-
GBP	2.013	2.100
other currency	17	11
Total	**61.429**	**43.660**

The item includes both trade payables to suppliers (including allocations for invoices to be received), advances from customers and trade payables toward the ultimate parent company. The increase of the period is related to the increase of the turnover of the period and for some Euro 6.7 million to the Designers Company Group acquisition (Euro 5.8 million as trade payables and 0.9 million as advances from customers).

The breakdown by maturity of trade payables is detailed as follows (these details below do not include advances from customers):

	September 30 2022	Current	Overdue 0-30	Overdue 30-60	Overdue 60-90	Overdue 90-120	Past due more than 120 days
Italy	62.565	60.468	1.185	55	202	136	519
EEC	46.242	42.326	2.183	433	532	324	445
Non-EEC	29.123	26.326	1.689	129	142	153	683
Total	**137.930**	**129.119**	**5.058**	**617**	**876**	**613**	**1.648**

	December 31 2021	Current	Overdue 0-30	Overdue 30-60	Overdue 60-90	Overdue 90-120	Past due more than 120 days
Italy	82.411	76.080	3.656	764	516	216	1.179
EEC	35.943	34.519	393	121	342	-	568
Non-EEC	25.152	23.463	990	196	48	10	445
Total	**143.506**	**134.062**	**5.039**	**1.081**	**906**	**226**	**2.192**

23 CURRENT TAX LIABILITIES

The current tax liabilities have the following composition:

Current Tax liabilities	September 30 2022	December 31 2021
Corporate Taxes Payables	14.499	8.387
VAT and indirect taxes	2.554	2.881
Withholding tax	87	307
Tax payables for fiscal consolidation	10.777	7.951
Other taxes	3.528	2.661
Total	**31.444**	**22.188**

24 OTHER CURRENT LIABILITIES

Other current liabilities are mainly related to payables to social security agency and other payables to personnel:

Other current liabilities	September 30 2022	December 31 2021
Payables to social security agency	5.023	5.684
Payables to Employees and Directors	20.977	20.554
Payables for royalties	2.069	1.616
Other payables	10.621	7.949
TOTAL	**38.690**	**35.802**

25 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

	Provisions for pension liabilities and the like
Opening balance	**7.601**
Allocations to Provision	2.940
Usage of Provision	(2.505)
Actuarial effect	(3)
Exchange rate difference	(21)
Closing balance	**8.011**

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 formalized 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.

26 PROVISIONS FOR RISKS AND CHARGES

The changes in the Provisions for risks and charges are detailed as follows:

	Provisions for pension liabilities and the like	Provision for products warranty	Other provision for risk and charges	Total provisions for risks and charges
Opening balance	**5.574**	**4.112**	**2.636**	**12.321**
Change in consolidation area	**-**	**-**	**-**	**-**
Usage	-	(125)	(30)	(155)
Allocations	451	191	948	1.590
Reversal	(116)	(130)	(906)	(1.151)
Exchange rate difference	-	71	0	71
Closing balance	**5.909**	**4.119**	**2.647**	**12.676**

The provisions for pension liabilities is subject to actuarial calculation and amounted to Euro 5.9 million (updated last time on June 30, 2022). It includes 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 other provisions for risks reflect the potential charges for litigation risks and related legal fees.

27 DEFERRED TAX LIABILITIES

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

	September 30 2022	Change in consolidation area	Taxes to Income Statement	Exchange rate	December 31 2021
Deferred Taxes due to acquisition	86.592	-	-	38	86.554
Trademark	82.102	3.429	(885)	2.218	77.340
R&D	2.650	-	(1)	1	2.651
Other	10.508	(2)	3.332	(11)	7.189
Total	**181.853**	**3.427**	**2.446**	**2.245**	**173.734**

The change in consolidation area refers to the contribution of the deferred liabilities from the financial statement of Designers Company Group.

28 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities are equal to Euro 5.4 million at September 30, 2022 (Euro 0.2 million at December 31, 2021). This amount is for some Euro 5m. related to the signing of a license agreement to develop the FENDI Casa business.

29 RELATED PARTY DISCOUSURE

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

Receivables and payables, revenues and expenses between the groups entities and the parent company have been recognized in individual line items in the financial statements schemes.

Jun 2022	Current Assets	Non-current Assets	**TOTAL ASSETS**	Trade payables	Current Tax liabilities	Non-current liabilities	**TOTAL LIABILITIES**	**Revenues**	**Other costs and charges**	**Taxation**
Design Holding	2,031	41,435	**43,465**	7,630	15,944	-	**23,574**	**23**	**(6,420)**	**(1,333)**
Fendi	472	-	**472**	160	-	6,299	**6,459**	**61**	**(323)**	**-**
Related Parties	2,503	41,435	**43,937**	7,790	15,944	5,816	**30,033**	**84**	**(6,743)**	**(1,333)**

Dec 2021	Current Assets	Non-current Assets	**TOTAL ASSETS**	Trade payables	Current Tax liabilities	Non-current liabilities	**TOTAL LIABILITIES**	**Revenues**	**Other costs and charges**	**Taxation**
Design Holding	2,390	41,258	**43,648**	7,822	8,059	-	**15,881**	**141**	**(14,013)**	**(8,953)**
Fendi	337	-	**337**	-	-	-	**-**	**571**	**-**	**-**
Related Parties	2,727	41,258	**43,985**	7,822	8,059	-	**15,881**	**713**	**(14,013)**	**(8,953)**

Consolidated Profit or Loss statement

30 REVENUES

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

	September 30 2022	September 30 2021
Revenues from contracts with customers	613.422	483.052
Other revenues	2.596	4.345
Total revenues	**616.018**	**487.398**

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

The Financial Review describes the Net revenues by group of companies, geographical area, distribution channel.

31 PURCHASES OF RAW MATERIALS AND CHANGES IN INVENTORIES

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

Cost of Sales	September 30 2022	September 30 2021
Purchases of raw materials, semifinished goods, finished products	(176.247)	(142.882)
Purchases of promotion and advertising materials	(695)	(922)
Purchase of various other materials	(1.575)	(1.021)
Variation in stocks	14.143	8.857
Total	**(164.375)**	**(135.969)**

32 PERSONNEL COSTS

Details about Personnel costs and the average number of Group employees (FTE – full time equivalent) are broken down as follows

	September 30 2022	September 30 2021
Salaries and wages	(97.564)	(74.425)
Stock options plans	-	(6.309)
Social security contributions	(12.572)	(8.420)
Employee severance indemnities and pension charges	(4.697)	(5.760)
Other personnel costs	(4.712)	(2.549)
Total	**(119.545)**	**(97.463)**

	September 30 2022	September 30 2021
Executives	60	55
White-collar	1.497	1.228
Blue-collar	713	716
Total	**2.270**	**1.999**

The Group granted a stock grant plan to some employee.

In accordance with IFRS 2 “Share-based payments”, the Group recognized in its Interim Consolidated Financial statement the stock grant plan, composed only by “equity settled” plan, among the personnel costs together with a corresponding increase in equity. This amount in six months of 2022 is zero

The item “Other personnel costs” include also the remuneration to directors and other minor cost for employee.

33 SERVICE COSTS

The details of Service costs are as follows:

	September 30 2022	September 30 2021
Contractor work and outsourced production work	(44.298)	(36.871)
Fees, royalties, expenses for advertiving and communication	(63.553)	(39.604)
Transport and customs expenses	(25.687)	(15.577)
Utilities, accessory services, EDP fees, maintenance and repairs	(13.547)	(5.675)
Technical, artistic, tax, legal and other advisory services	(6.555)	(7.214)
Emoluments to statutory auditors and independent auditors	(1.029)	(2.817)
Travel and lodging expenses	(5.244)	(1.456)
Exp. for training, 3rd party personnel, banking and sundry admin. services	(8.767)	(4.904)
Insurances, patents and trademark, telephone and mail expenses	(2.760)	(4.288)
Consultant costs related to business combination	(4.991)	(8.401)
Management Fees	(6.009)	(6.606)
Total	**(182.441)**	**(133.414)**

The increase in Fees, royalties, expenses for advertising and communication, equal to Euro 24 million, is mainly related to the Advertising and marketing costs of the new companies enter into the Group starting from June 2021 (YDesign, Fendi Casa and Designers Company in 2022).

34 PROVISIONS

Allocations to provisions refer to:

	September 30 2022	September 30 2021
Provisions for pension liabilities and the like	(361)	(264)
Provisions for other risks	(121)	(685)
Provisions for other charges	(79)	-
Allowance for bad and doubtful debt	(306)	(977)
Total	**(867)**	**(1.926)**

35 OTHER COSTS AND CHARGES

The Other costs and charges comprise the following:

	September 30 2022	September 30 2021
Property services	(3.498)	(1.559)
Short term and low value leases	-	
Other services and EDP licence fees	(831)	(1.578)
Other taxes and duties	(1.462)	(799)
Membership and subscriptions included internet	(564)	(184)
Gifts and charitable donations	(964)	(212)
Purchase of office supplies and consumables	(797)	(409)
Sundry and general expenses	(767)	(249)
Other operating costs	(5.525)	(2.361)
Total	**(14.406)**	**(7.350)**

36 AMORTIZATION, DEPRECIATION AND IMPAIRMENT

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

	September 30 2022	September 30 2021
Amortization of intangible assets	(11.048)	(8.206)
Depreciation of tangible assets	(11.479)	(10.197)
Write-down of fixed assets	(197)	
Depreciation of right of use (IFRS 16)	(10.068)	(8.668)
Total	**(32.791)**	**(27.072)**

37 FINANCIAL INCOME AND CHARGES

Financial income amounting to Euro 6.5 million, includes mainly exchange gains (Euro 6.2 million) relating to foreign exchange transactions (main impact is EUR-USD exchange rate).

Financial charges of Euro 49.4 million mainly relate to:

- interest expense on bonds for Euro 34.6 million;
- the release of amortized costs on bonds for Euro 3 million;
- realized and unrealized exchange rate differences of Euro 4.6 million;
- interest expenses on lease liabilities (application of IFRS 16) of Euro 3.5 million.
- other interest expense for Euro 3.7 million (revolving credit facilities and other loans).

The Financial charges in the period are lower compared to the same nine months of 2021 (Euro 54.6 million), but the previous period was impacted by the reversal of the amortized costs on the bond loan of Euro 320 million repaid in the first half 2021.

38 TAXATION

The taxation of the nine months of 2022 amounted to Euro 19.7 million, 33.7% of profit before tax. In the same period of 2021 taxation was positive for Euro 32,3 million due to the reversal of deferred taxes liabilities on the trademarks for Euro 55 million, based on the Italian law (Law Decree n 104/2020) that gave the opportunity to align the tax basis of some assets to the accounting value paying a substitute tax. In the second part of 2021 the Italian Government amended the aforementioned law, making the application for the Group no longer convenient on December 31, 2021, and consequently the reversal was not confirmed for the year end.

Under the Italian fiscal jurisdiction, IDG SpA and its subsidiaries for the three-year period 2020-2022 have joined to the national tax consolidation regime, with a specific contract signed that aim to transferr tax items towards to ultimate parent company, Design Holding SpA .

The national tax consolidation regime, pursuant the articles 117-129 of Presidential Decree 917/86, provide a single calculation of a group taxable base for the consolidated companies;

Consequently:

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

39 EARNINGS PER SHARE (EPS)

Basic EPS is calculated by dividing the profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

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

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

	September 30 2022	September 30 2021
Profit attributable to ordinary equity holders of the parent:	**39.387**	**66.185**
Weighted average number of ordinary shares for basic EPS*	**5.102**	**5.102**
Ordinary shares	5.102	5.102
Weighted average number of ordinary shares adjusted for the effect of dilution	**5.102**	**5.102**
Ordinary shares	5.102	5.102
EPS Base	7,7	13,0
EPS Diluited	7,7	13,0

40 EVENTS AFTER THE REPORTING PERIOD

Please refer to Financial review, section “BUSINESS OUTLOOK AND EVENTS OCCURRED AFTER THE REPORTING PERIOD”.

These Financial Statements, consisting of the Statement of Financial Position, Statement of Profit/Loss for the period, 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 period and match the results of the accounting records.

Milan, November 25, 2022

On behalf of the Board of Directors

The Chairman
Piero Canzani