Consolidated financial statements as of and for the years ended 31 December 2021 and 2020

ITALCER GROUP

DESIGN SURFACES

ITALCER GROUP

CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

Index

Consolidated statement of financial position

In thousands of euro	Note	31 December 2021	31 December 2020	1 January 2020
Property, plant and equipment	*16*	99.242	65.919	64.934
Intangible assets and goodwill	*17*	250.747	102.088	99.113
Right of use of assets	*26*	19.336	15.072	17.573
Other investments, including derivatives	*18*	2.967	1.814	908
Deferred tax assets	*12*	8.218	5.858	5.141
Other non current assets	*14*	168	194	436
Non-current assets		380.678	190.945	188.105
Inventories	*13*	69.622	49.381	54.315
Trade receivables	*14*	60.128	36.584	33.946
Other investments, including derivatives	*18*	7.180	64	22
Current tax assets		1.771	2.392	3.721
Other current assets	*14*	8.994	5.797	6.294
Cash and cash equivalents	*15*	20.454	23.199	12.364
Current assets		168.149	117.417	110.662
Total assets		548.827	308.362	298.767
Share capital		14.831	6.328	6.328
Share premium		119.516	-	-
Reserves		60.662	64.104	63.921
Profit/(loss) for the period		7.325	(5.753)	-
Total equity	*19*	202.334	64.679	70.249
Loans and borrowings, including derivatives	*20*	170.462	13.992	128.786
Lease liabilities	*20*	16.425	11.648	12.596
Provisions	*22*	10.221	9.428	8.479
Other non current liabilities	*21*	2.109	723	651
Employee benefits	*11*	9.178	6.357	4.712
Deferred tax liabilities	*12*	23.189	5.006	4.902
Non-current liabilities		231.584	47.154	160.126
Loans and borrowings, including derivatives	*20*	15.557	141.155	10.821
Lease liabilities	*20*	2.821	1.666	3.457
Trade payables	*21*	70.570	43.362	44.762
Current tax liabilities		266	314	202
Other current liabilities	*21*	20.485	6.037	5.718
Employee benefits	*12*	5.210	3.995	3.432
Current liabilities		114.909	196.529	68.392
Total liabilities		346.493	243.683	228.518
Total equity and liabilities		548.827	308.362	298.767

Consolidated statement of profit or loss

In thousands of euro	Note	2021	2020
Revenue	*6*	250.744	151.191
Other income	*7*	10.257	5.981
Raw material and consumables used		(90.374)	(51.951)
Changes in inventories of finished goods and work in progress		11.974	(5.768)
Employee benefits expense	*11*	(52.975)	(33.496)
Depreciation and amortisation expense	*16-17-26*	(20.949)	(11.244)
Other expenses	*7*	(83.903)	(46.293)
Impairment loss on trade receivables	*23*	(1.020)	(507)
Operating profit		23.754	7.913
Finance income		2.527	535
Finance costs		(14.474)	(13.409)
Net finance costs	*8*	(11.947)	(12.874)
Profit/(loss) before tax		11.807	(4.961)
Income tax expense	*12*	(4.482)	(792)
Profit/(loss) for the period		7.325	(5.753)

Earnings per share			
Basic earnings per share (euro)	*9*	0,33	(0,53)
Diluted earnings per share (euro)	*9*	0,33	(0,53)

Consolidated statement of profit or loss and other comprehensive income

In thousands of euro	Note	2021	2020
Profit/(loss) for the period		7.325	(5.753)
Items that will not be reclassified to profit or loss:			
- Remeasurements of defined benefit liability	*11*	(169)	53
- Related tax	*11*	47	(15)
		(122)	38
Items that are or may be reclassified subsequently to profit or loss:			
- Foreign operations – foreign currency translation differences	*19*	(190)	139
- Cash flow hedges – effective portion of changes in fair value	*19*	3.162	-
- Related tax	*19*	(758)	-
		2.214	139
Other comprehensive income for the period, net of tax		2.092	177
Total comprehensive income/(expenses) for the period		9.417	(5.576)

Consolidated statement of changes in equity

In thousands of euro	Note	Share capital	Share premium	Legal reserve	Translation reserve	Hedging reserve	Retained earnings	Profit/(loss) for the period	Total equity
Balance at 1 January 2020		**6.328**	**-**	**1.266**	**(12)**	**-**	**62.667**	**-**	**70.249**
Loss for the year		-	-	-	-	-	-	(5.753)	(5.753)
Other comprehensive income for the year	*19*	-	-	-	139	-	38	-	177
Other changes		-	-	-	-	-	6	-	6
Balance at 31 December 2020		**6.328**	**-**	**1.266**	**127**	**-**	**62.711**	**(5.753)**	**64.679**
Balance at 1 January 2021		**6.328**	**-**	**1.266**	**127**	**-**	**62.711**	**(5.753)**	**64.679**
Allocation of profit for the previous year		-	-	-	-	-	(5.753)	5.753	-
Profit for the year		-	-	-	-	-	-	7.325	7.325
Purchase and elimination of own shares	*19*	-	(36.981)	-	-	-	-	-	(36.981)
Ordinary shares issued and paid	*19*	1.273	15.727	-	-	-	-	-	17.000
Ordinary shares issued in a business combination	*19*	7.230	140.770	-	-	-	-	-	148.000
Other comprehensive income for the year	*19*	-	-	-	(190)	2.404	(122)	-	2.092
Other changes		-	-	-	-	-	219	-	219
Balance at 31 December 2021		14.831	119.516	1.266	(63)	2.404	57.055	7.325	202.334

Consolidated statement of cash flows

In thousands of euro	Note	2021	2020
Profit/(loss) for the period		7.325	(5.753)
Adjustments for:			
Tax expense	*12*	4.482	792
Net finance costs	*8*	11.947	12.874
(Gain)/ loss on sale of property, plant and equipment	*16*	847	(184)
Provisions	*22*	170	951
Depreciation	*16-26*	11.744	8.333
Amortisation	*17*	9.205	2.911
		38.395	25.677
Changes in:			
Inventories		(14.762)	4.923
Trade receivables		(12.054)	(2.865)
Trade payables		23.633	(434)
Other assets and other liabilities		1.777	2.164
		(1.406)	3.788
(Interest paid)		(12.782)	(10.167)
(Income taxes paid)		(6.256)	(133)
(Provisions used)		(863)	(91)
A) Net cash from operating activities		24.413	13.321
(Acquisition of intangible assets)		(5.519)	(4.073)
Proceeds from sale of intangible assets		16	25
(Acquisition of property, plant and equipment)		(12.101)	(4.855)
Proceeds from sale of property, plant and equipment		358	623
(Acquisition of other investments)		(1.825)	(1.584)
Proceed from other investments		-	205
Acquisition of subsidiary, net of cash acquired	*25*	15.798	-
Interest received		32	25
B) Net cash from in investing activities		(3.241)	(9.634)
Proceeds from loans and borrowings	*20*	1.273	12.000
(Repayment of borrowings)	*20*	(22.982)	-
(Payment of lease liabilities)	*20*	(3.130)	(2.738)
Increase/(decrease) of other financial liabilities	*20*	(4.388)	(1.568)
Proceeds from issue of non-convertible notes	*20*	25.000	-
Proceeds from issue of share capital	*20*	17.000	-
(Repurchase of treasury shares)	*20*	(36.981)	-
C) Net cash from financing activities		(24.208)	7.694
Cash and cash equivalents at 1 January		23.199	12.364
Net increase/(decrease) in cash and cash equivalents (A+/-B+/-C)		(3.036)	11.381
Effect of movements in exchange rates on cash held		291	(546)
Cash and cash equivalents at 31 December		20.454	23.199

Notes to the consolidated financial statements

1. Reporting entity

Italcer S.p.A. (the Company) is domiciled in Italy. The Company's registered office is at Rubiera (RE), Via Emilia Ovest, 53/A. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group is primarily involved in manufacturing ceramic tiles and bathroom furnitures (see Note 5 – Operating segments).

2. Basis of accounting

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards.

These consolidated financial statements of the Italcer Group as at and for the years ended 31 December 2021 and 2020 have been prepared in accordance with the IFRS on a voluntary basis and in connection with potential listing of the Italcer S.p.A. shares on the Euronext Milan stock exchange.

These financial statements are the Group's first consolidated financial statements prepared in accordance with IFRSs and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Group is provided in Note 31.

They were authorised for issue by the Company's board of directors on 4 April 2023.

Details of the Group's accounting policies are included in Note 33.
These consolidated financial statements have been prepared on a going concern basis and using the accrual basis of accounting except for cash flow information. Each material class of similar items has been presented separately, as well as items of a dissimilar nature or function unless they are immaterial. Assets and liabilities or income and expenses have not been offset, unless required or permitted by an IFRS.
The life of the Company is limited by statute to the period ending 31 December 2050. The term can be extended without any limitation.

3. Functional and presentation currency

These consolidated financial statements are presented in euro, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

4. Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

A. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

• Note 26: lease term: whether the Group is reasonably certain to exercise extension options.

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is included in the following notes:

• Note 17: impairment test of intangible assets and goodwill: key assumptions underlying recoverable amounts, including the recoverability of development costs;
• Note 22: recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources; and
• Note 10: measurement of the liability related to share-based payments: key assumptions about the likelihood and magnitude of an outflow of resources.

i. Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.
When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.
• Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
• Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
• Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.
The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.
Further information about the assumptions made in measuring fair values is included in the following notes:

• Note 10: share-based payment arrangements;
• Note 23: financial instruments; and
• Note 25: acquisition of subsidiary.

5. Operating segments

A. Basis for segmentation

The Group has the following two strategic divisions, which are its reportable segments. These divisions offer different products and services, and are managed separately because they require different technology and marketing strategies.

The following summary describes the operations of each reportable segment.

Reportable segments	*Operations*
Ceramic Tiles	Buying, manufacturing and distributing ceramics products
Bathroom Furniture	Buying, manufacturing and distributing bathroom furniture

The Group's chief executive officer reviews the internal management reports of each division at least quarterly. There are varying levels of integration between the Ceramic Tiles and Bathroom Furniture segments. This integration includes transfers of goods and services. Inter-segment pricing is determined on an arm's length basis.

B. Information about reportable segments

Information related to each reportable segment is set out below. Segment profit (loss) before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

2021	Reportable segments		
In thousands of euro	Ceramic tiles	Bathroom furniture	Total
External revenues	237.472	13.241	250.713
Inter-segment revenue	31	-	31
Segment revenue	**237.503**	**13.241**	**250.744**
Segment profit (loss) before tax	11.505	302	11.807
Interest income	2.355	172	2.527
Interest expense	(14.306)	(168)	(14.474)
Depreciation and amortisation	(19.507)	(1.442)	(20.949)
Net result of the period	7.138	187	7.325
Segment assets	530.106	18.721	548.827
Segment liabilities	(331.735)	(14.758)	(346.493)

2020	Reportable segments		
In thousands of euro	Ceramic tiles	Bathroom furniture	Total
External revenues	139.636	11.528	151.164
Inter-segment revenue	27	-	27
Segment revenue	**139.663**	**11.528**	**151.191**
Segment profit (loss) before tax	(4.111)	(850)	(4.961)
Interest income	499	36	535
Interest expense	(13.158)	(251)	(13.409)
Depreciation and amortisation	(9.722)	(1.522)	(11.244)
Net result of the period	(5.020)	(733)	(5.753)
Segment assets	294.440	13.922	308.362
Segment liabilities	(234.113)	(9.570)	(243.683)

C. Geographic information

The ceramic tiles and bathroom furniture activities are managed on a worldwide basis, but operate manufacturing facilities and sales offices primarily in Italy, Spain and the US.

The geographic information analyses the Group's revenue and non-current assets by the Company's country of domicile and other countries. In presenting the geographic information, segment revenue has been based on the geographic location of customers and segment assets were based on the geographic location of the assets.

i. Revenue

In thousands of euro	2021	2020
Italy	67.630	44.065
All foreign countries		
United States	38.305	21.524
France	29.144	21.892
Germany	17.679	14.724
United Kingdom	12.934	8.930
Benelux	8.247	4.263
Canada	7.362	2.996
Middle East	7.659	5.180
Spain	6.366	445
Other countries	55.418	27.172
	250.744	151.191

ii. Non-current assets

In thousands of euro	2021	2020
Italy	305.278	182.294
All foreign countries		
Spain	63.468	-
United States	405	532
Other countries	342	447
	369.493	183.273

Non-current assets exclude financial investments and deferred tax assets.

D. Major customer

There are no major customers as revenues from major customers of the Group represent less than 10% of the Group's total revenues.

6. Revenue

A. Revenue streams

The Group generates revenue primarily from the sale of ceramic tiles and provision of bathroom furnitures to its customers.

B. Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market and major products.

	For the year ended 31 December	
In thousands of euro	2021	2020
Primary geographical markets		
Europe	181.625	118.050
North America	45.666	24.520
Other countries	23.453	8.621
	250.744	**151.191**
Major products/service lines		
Ceramic tiles	237.503	139.663
Bathroom furniture	13.241	11.528
	250.744	**151.191**

C. Contract balances

The Group has only trade receivables (see note 14) and contract liabilities primarily related to the advance consideration received from customers, for which revenue is recognised at point in time upon goods delivery. The amount of advances received from customers is €1.393 thousand (2020: €1.135 thousand). This will be recognised as revenue when the performance obligation is satisfied and the Group issues the invoice to the customer.

The amount of €1.135 thousand included in Other current liabilities at 31 December 2020 has been recognised as revenue in 2021 (2020: €904 thousand).

D. Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies. For the accounting policy for onerous contracts, see Note 33(N).

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Ceramic tiles	Customers obtain control of ceramics products depending on the relevant "Incoterm" applied, when the goods are picked up for shipment in case of "Ex-Works" sales, and when are delivered to customers' premises in case of "Delivered Duty Paid" sales. Invoices are generated at that point in time. Invoices are usually payable within 60 days. Discounts are assigned to each customer, based on fixed percentages, which are applied to the price list and authorized by the commercial department. The right of the customer to return an item is limited to items delivered with damages. Returned goods are exchanged only for new goods – i.e. no cash refunds are offered.	Revenue is recognised when the goods are picked up for shipment or when are delivered to customers' premises, depending on the relevant "Incoterm" applied.
Bathroom furniture	Customers obtain control of bathroom furniture when the goods are dispatched from the Group's warehouse according to the relevant "Incoterm" usually applied, "Ex-Works". Invoices are generated and revenue is recognised at that point in time. Invoices are usually payable within 60 days. Discounts are assigned to each customer, based on fixed percentages, which are applied to the price list and authorized by the commercial department. The right of the customer to return an item is limited to items delivered with damages. Returned goods are exchanged only for new goods – i.e. no cash refunds are offered.	Revenue is recognised when the goods are dispatched from the Group's warehouse.

7. Income and expenses

A. Other income

In thousands of euro	2021	2020
Work performed by the entity and capitalised	4.145	2.675
Government grants	799	595
Gain on sale of property, plant and equipment	184	184
Other income	5.129	2.527
	10.257	5.981

B. Other expenses

In thousands of euro	2021	2020
Utilities	27.163	11.068
Agents fees and sales commissions	13.706	7.726
Administrative expenses	1.457	1.479
Consultancy expenses	2.944	1.559
Maintenance expenses	8.570	5.105
Freight and duties expenses	9.344	7.119
External work	5.137	4.111
Promotional expenses	4.018	1.362
Rent expenses	781	1.066
Other expenses	10.783	5.698
	83.903	46.293

8. Net finance costs

See accounting policies in Note 33(F).

In thousands of euro	2021	2020
Interest income	130	67
Foreign exchange gain	2.397	468
Total interest income	**2.527**	**535**
Interest expense and other bank charges	(13.356)	(12.012)
Foreign exchange loss	(1.118)	(1.397)
Total finance costs	**(14.474)**	**(13.409)**
Net finance costs recognised in profit or loss	**(11.947)**	**(12.874)**

9. Earnings per share

A. Basic earnings per share

The calculation of basic EPS has been based on the profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

The profit attributable to ordinary shareholders (basic) is equal to €7.325 thousand (2020: loss equal to €5.753 thousand).
The weighted-average number of ordinary shares (basic) is equal to 22.300 thousand (2020: 10.903 thousand).

B. Diluted earnings per share

There are no dilutive potential ordinary shares, so diluted earnings per share is equal to basic earnings per share.

10. Share-based payment arrangements

See accounting policy in Note 33(D).

A. Description of share-based payment arrangements

At 31 December 2021, the Group had the following share-based payment arrangements.

i. "Strumenti finanziari partecipativi" (cash-settled)

On 24 April 2018 the Group granted a financial instrument named "Strumenti finanziari partecipativi" ("SFP") to the group chief executive officer, that entitle him to a cash payment in case of sale of the whole investment in Italcer S.p.A. owned by the shareholder Italfloor S.p.A. ("Exit event"). Such instrument was subsequently updated on 19 February 2021. The amount of the cash payment is determined with a calculation based on the ratio between net consideration received by the shareholder Italfloor S.p.A. for the sale of Italcer S.p.A. and the invested capital of the shareholder Italfloor S.p.A. in Italcer S.p.A..

ii. "Piano di incentivazione sulla crescita del valore" (cash-settled)

Starting from 2019 the Group granted a bonus to certain employees named "Piano di incentivazione sulla crescita del valore", that entitle them to a cash payment in case of sale of the investment in Italcer S.p.A. owned by the shareholder Italfloor S.p.A. ("Exit event"). The amount of the cash payment is determined with a calculation based on the ratio between net consideration received by the indirect shareholder Investintile S.p.A. for the sale of Italcer S.p.A. and the invested capital of the indirect shareholder Investintile S.p.A. in Italcer S.p.A..

Details of the liabilities arising from the share-based payment arrangements were as follows.

	31 December 2021	31 December 2020	1 January 2020
Total expense recognised for the period arising from share-based payment transactions	3.026	1.449	-
Total carrying amount of liabilities for share-based payment transactions	5.036	2.009	560
Total intrinsic value of liabilities for vested benefits	-	-	-

B. Measurement of fair values

The fair value of the two instruments described above have been measured using an approach based on the Black-Scholes framework.
The volatility of the relevant inputs below has been estimated based on a set of comparable companies.
The inputs used in the measurement of the fair values at grant date and measurement date of the two arrangements were as follows.

	Grant date	Measurement date	
	1 January 2020	31 December 2020	31 December 2021
Assumed multiple realized on invested capital	1,2	1,9	2,3
Probability of the Exit event occurring in 2023	40%	40%	40%
Probability of the Exit event occurring in 2024	100%	100%	100%
Cost of Equity	11,3%	11,5%	11,5%

C. Expense recognised in profit or loss

For details of the related employee benefit expenses, see Note 11(D).

11. Employee benefits

See accounting policies in Note 33(D).

In thousands of euro	31 December 2021	31 December 2020	1 January 2020
Net defined benefit liability	4.142	4.348	4.152
Liabilities for wages, salaries, social security contributions and long-service leave	5.210	3.995	3.432
Cash-settled share-based payment liability	5.036	2.009	560
Total employee benefit liabilities	**14.388**	**10.352**	**8.144**
Non-current	9.178	6.357	4.712
Current	5.210	3.995	3.432

For details on the related employee benefit expenses, see 11(D).

The Group contributes to post-employment benefits through defined contribution plans or defined benefit plans.

The defined benefit plans refer to the post-employment benefits “Trattamento di Fine Rapporto” (“TFR”) accrued up to 31 December 2006 for employees of the Italian companies of the Group. TFR accrued subsequently to 1 January 2007 is allocated to supplementary pension funds as per Legislative decree no. 252/2005 and is considered a defined contribution plan.

In the case of defined contribution plans, the Group companies pay contributions to public or private insurance institutes based on legal or contractual obligations or on a voluntary basis. Once such contributions have been paid, the companies have no further payment obligations.
Unfunded defined benefit plans are related to the “Employees’ leaving indemnity” (TFR) provided by the Group’s Italian companies, in accordance with current applicable regulations. These defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk and interest rate risk.

A. Funding

The post-employment plans of the Group are unfunded.
The Group expects to pay €101 thousand in contributions to its defined benefit plans in 2022.

B. Movement in net defined benefit liability

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit liability and its components.

	Defined benefit obligation	
In thousand of euro	2021	2020
Balance at 1 January	4.348	4.152
Included in profit or loss		
Current service cost	102	245
Interest cost (income)	(2)	27
	100	**272**
Included in OCI		
Remeasurement loss (gain):		
- Actuarial loss (gain) arising from:		
- demographic assumptions	-	-
- financial assumptions	43	53
- experience adjustment	126	(106)
	169	**(53)**
Other		
Contributions paid by the employer		
Transfers in/(out)	-	772
Benefits paid	(475)	(795)
	(475)	**(23)**
Balance at 31 December	**4.142**	**4.348**

C. Defined benefit obligation
i. Actuarial assumptions
The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	2021	2020	1 January 2020
Discount rate	0,44%	-0,02%	0,37%
Inflation rate	1,75%	0,80%	1,20%
Future TFR growth	2,81%	2,10%	2,40%
Future salary growth	0,50%	0,50%	0,50%
Yearly advances rate	5,00%	5,00%	5,00%
Yearly turnover rate	5,00%	5,00%	5,00%

Assumptions regarding future longevity have been based on published statistics and mortality tables. The current longevities underlying the values of the defined benefit obligation at the reporting date were as follows.

	Longevity hypothesis
Mortality	Mortality table RG48 published by Italian "Ragioneria Generale dello Stato"
Inability	Italian "INPS" tables by ages and gender
Retirement	100% when "AGO" requirements are met

ii. Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	31 December 2021		31 December 2020	
Effect in thousands of euro	Increase	Decrease	Increase	Decrease
Turnover rate (1% movement)	(45)	16	(43)	14
Inflation rate (0,25% movement)	29	(61)	30	(61)
Discount rate (0,25% movement)	(84)	54	(86)	55

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

D. Employee benefit expenses

In thousands of euro	2021	2020
Wages and salaries	38.417	22.555
Social security contributions	8.552	6.978
Contributions to defined contribution plans	1.580	1.340
Termination benefits	482	126
Expenses related to post-employment defined benefit plan	100	272
Other employee benefit expenses	818	776
Cash-settled share-based payments	3.026	1.449
	52.975	**33.496**

12. Income taxes

See accounting policy in Note 33(G).

A. Amounts recognised in profit or loss

in thousands of euro	2021	2020
Current tax expense		
Current year	6.856	1.052
Changes in estimates related to prior years	(24)	383
	6.832	**1.435**
Deferred tax expense		
Origination and reversal of temporary differences	(2.350)	(643)
	(2.350)	**(643)**
Tax expense	**4.482**	**792**

B. Amounts recognised in OCI

	2021			2020		
in thousands of euro	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Items that will not be reclassified to profit or loss						
Remeasurements of defined benefit liability (asset)	(169)	47	(122)	53	(15)	38
	(169)	**47**	**(122)**	**53**	**(15)**	**38**
Items that are or may be reclassified subsequently to profit or loss						
Foreign operations - foreign currency translation differences	(190)	-	(190)	139	-	139
Cash flow hedges reserve:						
- Effective portion of changes in fair value	3.162	(758)	2.404	-	-	-
	2.972	**(758)**	**2.214**	**139**	**-**	**139**
	2.803	**(711)**	**2.092**	**192**	**(15)**	**177**

C. Reconciliation of effective tax rate

	2021		2020	
in thousands of euro				
Profit before tax		11.807		(4.961)
Tax using the Company's domestic tax rate	24%	2.834	24%	(1.191)
Italian IRAP	6%	767	(14%)	697
Effect of tax in foreign jurisdictions	13%	1.535	0%	-
Tax effect of:				
- Non-deductible expenses	22%	2.562	(61%)	3.014
- Tax-exempt income	(18%)	(2.140)	22%	(1.082)
- Tax incentives	(9%)	(1.051)	21%	(1.030)
Changes in estimates related to prior years	(0%)	(25)	(8%)	384
	38%	**4.482**	**(16%)**	**792**

IRAP refers to the Italian Regional Income Tax on Value Added.

D. Movement in deferred tax balances

2021	Net balance at 1 January	Recognised in profit or loss	Recognised in OCI	Acquired in business combinations	Balance at 31 December Net	Balance at 31 December Deferred tax assets	Balance at 31 December Deferred tax liabilities
in thousands of euro							
Property, plant and equipment	(2.307)	407	-	-	**(1.900)**	367	(2.267)
Leases	42	83	-	-	**125**	815	(690)
Intangible assets	(599)	1.724	-	(17.619)	**(16.494)**	1.126	(17.620)
Trade and other receivables	475	14	-	-	**489**	489	-
Derivatives	13	-	(758)	-	**(745)**	874	(1.619)
Inventories	2.467	(379)	-	-	**2.088**	2.088	-
Loans and borrowings	344	(160)	-	-	**184**	353	(169)
Employee benefits	670	802	47	-	**1.519**	1.519	-
Provisions	255	(12)	-	-	**243**	243	-
Deferred income	(12)	-	-	-	**(12)**	-	(12)
Other items	(496)	(140)	-	157	**(479)**	333	(812)
Tax losses carried forward	-	11	-	-	**11**	11	-
Net deferred tax assets (liabilities)	**852**	**2.350**	**(711)**	**(17.462)**	**(14.971)**	**8.218**	**(23.189)**

2020	Net balance at 1 January	Recognised in profit or loss	Recognised in OCI	Acquired in business combinations	Balance at 31 December		
					Net	Deferred tax assets	Deferred tax liabilities
in thousands of euro							
Property, plant and equipment	(2.179)	(128)	-	-	**(2.307)**	549	(2.856)
Leases	-	42	-	-	**42**	42	-
Intangible assets	(772)	173	-	-	**(599)**	886	(1.485)
Trade and other receivables	533	(58)	-	-	**475**	475	-
Derivatives	13	-	-	-	**13**	23	(10)
Inventories	2.292	175	-	-	**2.467**	2.467	-
Loans and borrowings	342	2	-	-	**344**	353	(9)
Employee benefits	299	386	(15)	-	**670**	685	(15)
Provisions	146	109	-	-	**255**	255	-
Deferred income	(18)	6	-	-	**(12)**	-	(12)
Other items	(418)	(64)	-	(14)	**(496)**	123	(619)
Tax losses carried forward	-	-	-	-	**-**	-	-
Net deferred tax assets (liabilities)	**238**	**643**	**(15)**	**(14)**	**852**	**5.858**	**(5.006)**

E. Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of tax losses for an amount of €1.070 thousand (2020: €904 thousand), because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom. The amount of tax losses can be carried forward with no expiry date.

F. Uncertainty over income tax treatments

There are no uncertain tax treatments.

13. Inventories

See accounting policy in Note 33(H).

in thousands of euro	31 December 2021	31 December 2020	1 January 2020
Raw materials and consumables	9.051	5.280	4.665
Semi-finished goods	149	31	86
Finished goods	60.422	44.070	49.564
Inventories	**69.622**	**49.381**	**54.315**

Inventories are mainly represented by finished goods of ceramic tiles produced and raw materials such as atomized powder used in production.
In addition, inventories have been reduced by €5.337 thousand (2020: €8.376 thousand) as a result of the write-down to net realisable value and obsolescence provision. The table below shows the reconciliation of movements occurred in the provision during the year.

	2021				2020			
in thousands of euro	Raw materials and consumables	Semi-finished goods	Finished goods	Total	Raw materials and consumables	Semi-finished goods	Finished goods	Total
Inventories provision as of 1 January	237	39	8.100	8.376	-	-	6.062	6.062
Accruals	-	-	-	-	237	39	2.565	2.841
Provisions used	(215)	(39)	(2.785)	(3.039)	-	-	(527)	(527)
Inventories provision as of 31 December	**22**	**-**	**5.315**	**5.337**	**237**	**39**	**8.100**	**8.376**

14. Trade and other receivables

See accounting policies in Notes 33(K) – 33(M).

in thousands of euro	31 December 2021	31 December 2020	1 January 2020
Trade receivables	60.128	36.584	33.946
Indirect tax receivables	7.076	4.669	4.929
Other current receivables	1.919	1.128	1.365
Other non current receivables	168	194	436
	69.291	**42.575**	**40.676**
Non-current	168	194	436
Current	69.123	42.381	40.240

A. Transfer of trade receivables

The Group sold both with and without recourse trade receivables to various financial institutions for cash proceeds. When the Group do not retain any of the risks and rewards – primarily credit risk, these trade receivables have been derecognised from the statement of financial position. The amount of trade receivables transferred without recourse during the year is €7.738 thousand (2020: €8.593 thousand).

When the Group retains substantially all of the risks and rewards – primarily credit risk, these trade receivables have not been derecognised from the statement of financial position. The amount received on transfer has been recognised as a financial liability (see Note 20). The arrangement with the financial institution is such that the customers remit cash directly to the Group and the Group transfers the collected amounts to the financial institution. The receivables are considered to be held within a held-to-collect business model consistent with the Group's continuing recognition of the receivables.
The following information shows the carrying amount of trade receivables at the reporting date that have been transferred but have not been derecognised and the associated liabilities.

In thousands of euro	31 December 2021	31 December 2020	1 January 2020
Carrying amount of trade receivables transferred to a bank	2.163	7.503	-
Carrying amount of associated liabilities	(2.163)	(7.503)	-

B. Credit and market risks and impairment losses

Information about the Group's exposure to credit and market risks and impairment losses for trade receivables is included in Note 23.

15. Cash and cash equivalents

See accounting policies in Notes 33(K) – 33(M).

In thousand of euro	31 December 2021	31 December 2020	1 January 2020
Bank balances	20.414	23.166	12.238
Cash on hand	40	33	126
Cash and cash equivalents in the statement of cash flows	**20.454**	**23.199**	**12.364**

Cash and cash equivalents do not include any deposits subject to restrictions.

16. Property, plant and equipment

See accounting policies in Notes 33(I) – 33(M).

A. Reconciliation of carrying amount

In thousands of euro	Land and buildings	Plant and equipment	Fixtures and fittings	Other PPE	Under construction	Total
Cost						
Balance at 1 January 2020	59.106	78.906	8.112	7.528	338	153.990
Acquisitions through business combinations	-	2.783	127	125	-	3.035
Additions	145	2.883	709	449	58	4.244
Reclassification	70	252	-	-	(322)	-
Disposals	-	(4.335)	(632)	(497)	-	(5.464)
Effect of movements in exchange rates	-	-	-	(36)	-	(36)
Balance at 31 December 2020	59.321	80.489	8.316	7.569	74	155.769
Balance at 1 January 2021	59.321	80.489	8.316	7.569	74	155.769
Acquisitions through business combinations	11.153	12.835	-	-	722	24.710
Additions	3.140	7.595	591	756	7.053	19.135
Disposals	-	(5.039)	(380)	(598)	(16)	(6.033)
Effect of movements in exchange rates	-	-	14	34	-	48
Balance at 31 December 2021	73.614	95.880	8.541	7.761	7.833	193.629
Accumulated depreciation and impairment losses						
Balance at 1 January 2020	(17.488)	(59.131)	(6.634)	(5.803)	-	(89.056)
Depreciation	(728)	(3.583)	(916)	(605)	-	(5.832)
Disposals	-	3.937	603	481	-	5.021
Effect of movements in exchange rates	-	-	-	17	-	17
Balance at 31 December 2020	(18.216)	(58.777)	(6.947)	(5.910)	-	(89.850)
Balance at 1 January 2021	(18.216)	(58.777)	(6.947)	(5.910)	-	(89.850)
Depreciation	(836)	(6.541)	(819)	(628)	-	(8.824)
Disposals	-	3.862	302	145	-	4.309
Effect of movements in exchange rates	-	-	(5)	(17)	-	(22)
Balance at 31 December 2021	(19.052)	(61.456)	(7.469)	(6.410)	-	(94.387)
Carrying amounts						
At 1 January 2020	41.618	19.775	1.478	1.725	338	64.934
At 31 December 2020	41.105	21.712	1.369	1.659	74	65.919
At 31 December 2021	54.562	34.424	1.072	1.351	7.833	99.242

B. Impairment loss and subsequent reversal

No impairment loss or reversal have been recognized during the years 2021 and 2020.

C. Security

At 31 December 2021 elements of property, plant and equipment with a carrying amount of €34.818 thousand (2020: €36.910 thousand) were subject to a registered debenture that forms security for the non-convertible notes (see Note 20).

D. Property, plant and equipment under construction

At 31 December 2021, Property, plant and equipment under construction amounting to €7.832 thousand (2020: €74 thousand) mainly refer to the new milling plants and co-generators of Spray Dry not yet in function at the end of 2021.

17. Intangible assets and goodwill

See accounting policies in Note 33(J) – 33(M).

A. Reconciliation of carrying amount

In thousands of euro	Goodwill	Development costs	Patents and trademarks	Customer relationships	Other intangibles	Total
Cost						
Balance at 1 January 2020	115.893	3.743	1.871	-	4.411	125.918
Acquisitions						
Business combinations	1.913	-	-	-	-	1.913
Internally developed	-	2.700	-	-	-	2.700
Purchases	-	1.100	406	-	1.055	2.561
Disposals	-	(897)	-	-	(366)	(1.263)
Effect of movements in exchange rates	-	-	-	-	(30)	(30)
Balance at 31 December 2020	117.806	6.646	2.277	-	5.070	131.799
Balance at 1 January 2021	117.806	6.646	2.277	-	5.070	131.799
Acquisitions						
Business combinations	88.475	1.066	4.047	58.981	-	152.569
Internally developed	-	2.908	-	-	-	2.908
Purchases	-	911	826	-	638	2.375
Disposals	-	-	-	-	(4)	(4)
Effect of movements in exchange rates	-	-	-	-	21	21
Balance at 31 December 2021	206.281	11.531	7.150	58.981	5.725	289.668
Accumulated amortisation and impairment losses						
Balance at 1 January 2020	(24.056)	(152)	(768)	-	(1.829)	(26.805)
Amortisation	-	(1.491)	(574)	-	(846)	(2.911)
Effect of movements in exchange rates	-	-	-	-	5	5
Balance at 31 December 2020	(24.056)	(1.643)	(1.342)	-	(2.670)	(29.711)
Balance at 1 January 2021	(24.056)	(1.643)	(1.342)	-	(2.670)	(29.711)
Amortisation	-	(2.141)	(1.184)	(4.915)	(965)	(9.205)
Effect of movements in exchange rates	-	-	-	-	(5)	(5)
Balance at 31 December 2021	(24.056)	(3.784)	(2.526)	(4.915)	(3.640)	(38.921)
Carrying amounts						-
At 1 January 2020	91.837	3.591	1.103	-	2.582	99.113
At 31 December 2020	93.750	5.003	935	-	2.400	102.088
At 31 December 2021	182.225	7.747	4.624	54.066	2.085	250.747

B. Impairment test

No impairment loss or reversal have been recognized during the years 2021 and 2020.

For the purposes of impairment testing, goodwill has been allocated to the Group's CGUs as follows.

	Goodwill		
In thousands of euro	31 December 2021	31 December 2020	1 January 2020
Spanish Ceramic Tiles	88.475	-	-
Italian Ceramic Tiles	87.339	87.339	85.454
Bathroom Furniture	6.411	6.411	6.383
	182.225	**93.750**	**91.837**

The recoverable amount of the CGUs was based on their value in use, determined by discounting the future cash flows to be generated from the continuing use of each CGU.

The estimated recoverable amount of the CGUs exceeded their carrying amounts of approximately the following amounts:

	Headroom/(impairment)		
In thousands of euro	31 December 2021	31 December 2020	1 January 2020
Spanish Ceramic Tiles	98.000	n.a.	n.a.
Italian Ceramic Tiles	65.000	31.000	4.000
Bathroom Furniture	13.000	10.000	17.000

The key assumptions used in the estimation of value in use were as follows.

In percent	31 December 2021	31 December 2020	1 January 2020
Spanish Ceramic Tiles			
Discount rate	14,3%	n.a.	n.a.
Terminal value growth rate	2,2%	n.a.	n.a.
Italian Ceramic Tiles			
Discount rate	13,7%	13,9%	13,1%
Terminal value growth rate	1,8%	1,7%	1,7%
Bathroom Furniture			
Discount rate	14,2%	14,5%	13,7%
Terminal value growth rate	2,0%	2,0%	2,0%

The discount rate was a pre-tax measure based on the rate of 10-year government bonds issued by the government in the relevant market and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of the specific CGU.
Five years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity has been determined as the expected long-term compound inflation rates for the countries in which the CGU operates.
Future cash flows were based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated sales volume and price growth for the next five years. It was assumed that sales prices would grow at a constant margin above forecast inflation over the next five years, in line with information obtained from external brokers who publish a statistical analysis of long-term market trends.

Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to be individually for the estimated recoverable amount to be equal to the carrying amount.

	Amount required for carrying amount to equal recoverable amount		
In percent	31 December 2021	31 December 2020	1 January 2020
Spanish Ceramic Tiles			
Discount rate	18,9%	n.a.	n.a.
Terminal value growth rate	negative	n.a.	n.a.
Italian Ceramic Tiles			
Discount rate	16,4%	15,2%	13,2%
Terminal value growth rate	negative	negative	1,6%
Bathroom Furniture			
Discount rate	27,4%	23,3%	25,9%
Terminal value growth rate	negative	negative	negative

18. Other investments, including derivatives

See accounting policies in Note 33(K).

In thousands of euro	31 December 2021	31 December 2020	1 January 2020
Non-current investments			
Security deposits	2.826	1.735	151
Other financial assets	141	79	757
	2.967	**1.814**	**908**
Current investments			
Forward exchange contracts used for hedging	7.162	46	4
Other current financial assets	18	18	18
	7.180	64	22

Information about the Group’s exposure to credit and market risks, and fair value measurement, is included in Note 23.

19. Capital and reserves

See accounting policies in Note 33(L).

A. Share capital

	Ordinary shares	
In thousands of shares	2021	2020
In issue at 1 January	10.904	10.904
Issued for cash	2.193	-
Issued in business combination	12.458	-
Treasury shares acquired and eliminated	(3.113)	-
In issue at 31 December - fully paid	22.442	10.904
No par value		

All ordinary shares rank equally with regard to the Company's residual assets.

Ordinary shares
Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All rights attached to the Company's shares held by the Group are suspended until those shares are reissued.

Issue of ordinary shares
On 23 December 2020, the general meeting of shareholders approved the issue of 2.193.340 ordinary shares at a price of nominal €1.273 thousand, with a premium of €15.727 thousand. The increase was fully paid on 29 January 2021 by the shareholder Italfloor S.p.A..

B. Nature and purpose of reserves

i. Translation reserve
The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

ii. Hedging reserve
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss or directly included in the initial cost or other carrying amount of a non-financial asset or non- financial liability.

C. Dividends
There were no dividends declared and paid by the Company for the years 2021 and 2020.

D. OCI accumulated in reserves, net of tax

In thousands of euro	Translation reserve	Hedging reserve	Retained earnings	Total OCI
2021				
Remeasurements of defined benefit liabilities/asset	-	-	(84)	**(84)**
Foreing operations - foreign currency translation differences	(63)	-	-	**(63)**
Cash flow hedges - effective portion of change in fair value	-	2.404	-	**2.404**
Total	**(63)**	**2.404**	**(84)**	**2.257**
2020				
Remeasurements of defined benefit liabilities/asset	-	-	38	**38**
Foreing operations - foreign currency translation differences	127	-	-	**127**
Cash flow hedges - effective portion of change in fair value	-	-	-	**-**
Total	**127**	**-**	**38**	**165**

E. Capital management

The Group’s policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends to ordinary shareholders.

The board of directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position.

20. Loans and borrowings, including derivatives

See accounting policies in Note 33(K).

In thousands of euro	31 December 2021	31 December 2020	1 January 2020
Non-current liabilities			
Bank loans	17.451	13.992	2.486
Non-convertible notes	153.011	-	126.300
Lease liabilities	16.425	11.648	12.596
	186.887	**25.640**	**141.382**
Current liabilities			
Current portion of bank loans	3.960	650	2
Bank overdrafts	2.310	661	3.574
Non-convertible notes - current	25	127.546	36
Other current financial liabilities	5.638	12.225	7.149
Current portion of lease liabilities	2.821	1.666	3.457
Forward exchange contracts used for hedging	3.624	73	60
	18.378	**142.821**	**14.278**

Information about the Group's exposure to interest rate, foreign currency and liquidity risks is included in Note 23.

A. Terms and repayment schedule

The terms and conditions of outstanding loans are as follows.

				31 December 2021		31 December 2020		1 January 2020	
In thousands of euro	Curr.	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount	Face value	Carrying amount
Unsecured bank loans	EUR	Euribor 3 m + 1,10%	2025	2.193	2.193	2.500	2.500	-	-
Unsecured bank loans	EUR	0,65%	2025	45	45	-	-	-	-
Unsecured bank loans	EUR	0,65%	2026	365	233	-	-	-	-
Unsecured bank loans	EUR	Euribor 3 m + 1,10%	2025	1.316	1.316	1.500	1.500	-	-
Unsecured bank loans	EUR	0,80%	2029	2.357	2.357	2.486	2.486	2.486	2.486
Unsecured bank loans	EUR	Euribor 3 m + 1,15%	2026	1.935	1.935	2.000	2.000	-	-
Unsecured bank loans	EUR	Euribor 3 m + 1,40%	2025	1.000	1.000	1.000	1.000	-	-
Unsecured bank loans	EUR	Euribor 3 m + 1,40%	2025	1.753	1.753	2.000	2.000	-	-
Unsecured bank loans	EUR	Euribor 3 m + 1,25%	2026	2.000	2.000	2.000	2.000	-	-
Unsecured bank loans	EUR	Euribor 3 m + 1,10%	2025	459	459	500	500	-	-
Unsecured bank loans	EUR	Euribor 3 m + 1,40%	2025	469	469	500	500	-	-
Unsecured bank loans	EUR	Euribor 12 m + 1,50%	2025	2.500	2.500	-	-	-	-
Unsecured bank loans	EUR	Euribor 6 m + 1,90%	2026	5.125	5.125	-	-	-	-
Non-convertible notes	EUR	Euribor 3 m + 6,75%	2024	158.000	153.036	133.000	127.546	133.000	126.336
Bank overdrafts	EUR	Euribor 3 m + 0,7%	2021 - 2022	2.310	2.310	661	661	3.574	3.574
Lease liabilities	EUR	0,98% - 1,46%	2022 - 2032	19.917	19.246	14.846	13.314	16.613	16.053
Total interest-bearing liabilities				201.744	195.977	162.993	156.007	155.673	148.449

The non-convertible notes are secured over:

- Pledge over the shares of Italcer S.p.A., Devon & Devon S.p.A., Spray Dry S.p.A., Equipe SL and La Fabbrica S.p.A.;
- Pledge over property, plant and equipment of Italcer S.p.A. and other Group companies with a carrying amount of €34.818 thousand (2020: €36.910 thousand);
- Pledge over the cash current accounts of Italcer S.p.A. and other Group companies with a carrying amount of €19.412 thousand (2020: €6.653 thousand);
- Any potential receivable granted by the share purchase agreement towards the seller deriving from the acquisition of Rondine S.p.A., then incorporated in Italcer S.p.A., and the Intercompany Loans undersigned between Group companies;

B. Breach of loan covenant

The Group has issued a bond with a carrying amount of €153.036 thousand at 31 December 2021 (2020: €127.546 thousand). This bond is repayable on 15 October 2024, and contained a financial covenant stating that at the end of each quarter the Group's pro-forma debt cannot exceed 3.3 times the Group's last twelve months pro-forma EBITDA from continuing operations, otherwise the bond will be repayable on demand.
The Group exceeded its maximum leverage threshold in the fourth quarter of 2020. Even if management obtained a "covenant holiday" from the bond holder in January 2021 for the period September 2020 – March 2021, the loan was payable on demand at 31 December 2020, hence it was reclassified as a current liability.
Subsequently in March 2021 the bond holder revised the covenant ratio from 3.3 to 5 times. On the basis of the new covenant and its forecasts, management believes that the risk of the new covenant being breached is low and as of 31 December 2021 the covenant was met.

C. Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities				Derivates	Equity			
In thousands of euro	Bank overdrafts	Other loans and borrowings	Non-convertible notes	Lease liabilities	IRS and forward exchange contracts used fot hedging-liabilities	Share capital/ premium	Reserves	Profit/ (loss) for the period	Total
Balance at 1 January 2020	3.574	9.637	126.336	16.053	60	6.328	63.921	-	225.909
Proceeds from loans and borrowings		13.345							13.345
Payment of lease liabilities				(2.739)					(2.739)
Change in bank overdraft	(2.913)								(2.913)
Total changes from financing cash flows	(2.913)	13.345	-	(2.739)	-	-	-	-	7.693
Changes from obtaining control of subsidiaries		3.885							3.885
Changes in fair value					13				13
Other changes									

Liability-related									
Interest expense		697	10.348	100					11.145
Interest paid		(697)	(9.138)	(100)					(9.935)
Total liability-related other changes	-	-	1.210	-	-	-	-	-	1.210
Total equity-related other changes							183	(5.753)	(5.570)
Balance at 31 December 2020	661	26.867	127.546	13.314	73	6.328	64.104	(5.753)	233.140
Balance at 1 January 2021	661	26.867	127.546	13.314	73	6.328	64.104	(5.753)	233.140
Proceeds from issue of share capitale						17.000			17.000
Proceeds from issue of non-convertible notes			25.000						25.000
Proceeds from loans and borrowings		1.273							1.273
Repurchase of treasury shares						(36.981)			(36.981)
Repayment of borrowings		(29.019)							(29.019)
Payment of lease liabilities				(3.130)					(3.130)
Change in bank overdraft	1.649								1.649
Total changes from financing cash flows	1.649	(27.746)	25.000	(3.130)	-	(19.981)	-	-	(24.208)
Changes from obtaining control of subsidiaries		27.928							27.928
Changes in fair value					3.551				3.551
Other changes									
Liability-related									
New leases				9.062					9.062
Interest expense		1.465	11.344	189					12.998
Interest paid		(1.465)	(10.854)	(189)					(12.508)
Total liability-related other changes	-	-	490	9.062	-	-	-	-	9.552
Total equity-related other changes						148.000	(3.442)	7.325	151.883
Balance at 31 December 2021	2.310	27.049	153.036	19.246	3.624	134.347	60.662	7.325	407.599

21. Trade and other payables

See accounting policies in Note 33(K).

In thousands of euro	31 December 2021	31 December 2020	1 January 2020
Trade payables	56.946	36.221	37.837
Accrued expenses	13.624	7.141	6.925
Trade payables	**70.570**	**43.362**	**44.762**
Reverse factoring	13.037	-	-
Social security payables	2.681	1.823	2.206
Other tax payables	1.953	1.688	1.781
Deferred income	785	856	113
Long-term payables	2.109	723	651
Other payables	2.029	1.670	1.618
Other liabilities	**22.594**	**6.760**	**6.369**
	93.164	**50.122**	**51.131**
Non-current	2.109	723	651
Current	91.055	49.399	50.480

Information about the Group's exposure to currency and liquidity risks is included in Note 23.

Non-current other liabilities relate to long-term payables for suppliers of property, plant and equipment with a contractually agreed payment term greater than 1 year.
The Group participates in a reverse factor arrangement in Spain under which its suppliers may elect to receive early payment of their invoice from a bank by factoring their receivable from the Group. Under the arrangement, a bank agrees to pay amounts to a participating supplier in respect of invoices owed by the Group and receives settlement from the Group at a later date. The principal purpose of this arrangement is to facilitate efficient payment processing and enable the willing suppliers to sell their receivables due from the Group to a bank before their due date.

The Group has not derecognised the original liabilities to which the arrangement applies because neither a legal release was obtained nor the original liability was substantially modified on entering into the arrangement. From the Group's perspective, the arrangement does not extend payment terms beyond the normal terms agreed with other suppliers. The Group does not incur any additional interest towards the bank on the amounts due to the suppliers. The Group discloses the amounts factored by suppliers within other payables to disclose the related disaggregated amounts. All payables under the reverse factor agreement are classified as current as at 31 December 2021 and 2020. In the statement of cash flows the payments to the bank are included within operating cash flows because they continue to be part of the normal operating cycle of the Group and their principal nature remains operating – i.e. payments for the purchase of goods and services.

22.Provisions

See accounting policies in Note 33(N).

In thousands of euro	Agents' indemnity provision	Site restoration	Sundry risks	Total
Balance at 1 January 2020	1.708	6.391	380	8.479
Provisions made during the year	166		794	960
Provisions used during the year			(11)	(11)
Provisions reversed during the year				-
Balance at 31 December 2020	1.874	6.391	1.163	9.428
Balance at 1 January 2021	1.874	6.391	1.163	9.428
Assumed in a business combinations		1.530		1.530
Provisions made during the year	118		8	126
Provisions used during the year	(91)		(772)	(863)
Provisions reversed during the year				-
Balance at 31 December 2021	1.901	7.921	399	10.221
Non-Current	1.901	7.921	399	10.221
Current	-	-	-	-
	1.901	7.921	399	10.221

A. Agents' indemnity provision

This caption refers to agents' indemnity calculated in accordance with ruling legislation and discounted as per IAS 37. The liability was measured using a set number of agents, i.e., without considering new agents that begin working with the group during the plan term (the period of time over which the agents will retire or leave the group). The measurement was made by quantifying future payments by projecting indemnities accrued at the measurement date by the agents operating for the group up to when their contract with the group will presumably end. All possible events that could end the agent's relationship were taken into consideration, including death, disability, retirement and termination of the relationship by the group or by the agent/manager (in the event of the latter, the group does not pay the indemnity).

The main economic and financial assumptions used in the estimates at 31 December 2021, applying the same methods as those used in previous years, are as follows:

- probability of death: the group used the RG 48 mortality table developed by the State General Accounting Office to measure the longevity of the Italian population;
- retirement age for active general agents: agents were assumed to reach the requirements currently set by Enasarco regulations;
- estimate of disabilities arising among agents: the group used INPS tables broken down by age and gender;
- termination of the relationship: the group assumed a 5.00% annual rate of terminations initiated by the group and a 2.00% rate of terminations decided by the agents themselves (quantified on the basis of recent group history);
- discount rate: set using the IBoxx Eurozone Corporate AA index in relation to the duration of agents' relationships.

B. Site restoration

This caption refers to the accrual made for future dismantling and restoring the sites on which are located the plants of the Group.

C. Provision for sundry risks

This caption mainly comprises the accrual made in past years for legal claims.

23. Financial instruments – Fair values and risk management

A. Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount				Fair value			
31 December 2021 *In thousands of euro*	Fair value - hedging instruments	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured in fair value								
Forward exchange contracts used for hedging	7.162	-	-	7.162	-	7.162	-	7.162
	7.162	-	-	7.162	-	7.162	-	7.162
Financial assets not measured in fair value								
Trade receivables	-	60.128	-	60.128				
Cash and cash equivalents	-	20.454	-	20.454				
	-	80.582	-	80.582				
Financial liabilities measured at fair value								
Forward exchange contracts used for hedging	(3.624)	-	-	(3.624)	-	(3.624)	-	(3.624)
	(3.624)	-	-	(3.624)	-	(3.624)	-	(3.624)
Financial liabilities not measured in fair value								
Bank overdrafts	-	-	(2.310)	(2.310)				
Unsecured bank loans	-	-	(21.411)	(21.411)				
Other financial liabilities	-	-	(5.638)	(5.638)				
Non-convertible notes	-	-	(153.036)	(153.036)				
Trade payables	-	-	(70.570)	(70.570)				
	-	-	(252.965)	(252.965)				

	Carrying amount				Fair value			
31 December 2020 *In thousands of euro*	Fair value - hedging instruments	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured in fair value								
Forward exchange contracts used for hedging	46	-	-	46	-	46	-	46
	46	-	-	46	-	46	-	46
Financial assets not measured in fair value								
Trade receivables	-	36.584	-	36.584				
Cash and cash equivalents	-	23.199	-	23.199				
	-	59.783	-	59.783				
Financial liabilities measured at fair value								
Forward exchange contracts used for hedging	(73)	-	-	(73)	-	(73)	-	(73)
	(73)	-	-	(73)	-	(73)	-	(73)
Financial liabilities not measured in fair value								
Bank overdrafts	-	-	(661)	(661)				
Unsecured bank loans	-	-	(14.642)	(14.642)				
Other financial liabilities	-	-	(12.225)	(12.225)				
Non-convertible notes	-	-	(127.546)	(127.546)				
Trade payables	-	-	(43.362)	(43.362)				
	-	-	(198.436)	(198.436)				

B. Measurement of fair values

i. Valuation techniques and significant unobservable inputs

Financial instruments measured at fair value

Forward exchange contracts: the valuation technique used is the *discounted cash flows model,* the fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies.
Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate (Euribor 6m) used by market participants for this purpose.

Commodity swaps: the valuation technique used is the *discounted cash flows model*, the fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating cash flows are based on future prices.
Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate (Euribor 6m) used by market participants for this purpose. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty; this is calculated based on credit spreads derived from current credit default swap.

Interest rate swaps: the valuation technique used is the *discounted cash flows model*, the fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates.
Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate (Euribor 6m) used by market participants for this purpose. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty; this is calculated based on credit spreads derived from current credit default swap.

Financial instruments not measured at fair value
Other financial liabilities: the valuation technique used is the *Discounted cash flows,* the valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate.
There were no transfers between the different fair value levels during 2021 and 2020.

C. Financial risk management

The Group has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

The group constantly maps and manages its risk in order to identify the probability and magnitude of factors that could prevent it reaching its objectives.

i. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables. The carrying amounts of financial assets represent the Group's maximum credit exposure.

There were no impairment losses on financial assets other than those on trade receivables.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.
In monitoring customer credit risk, customers are grouped according to their credit characteristics, their geographical location, trading history with the Group and existence of previous financial difficulties.
At 31 December 2021 and 2020 the exposure to credit risk for trade receivables by geographical region was as follows:

	Carrying amount		
In thousands of euro	31 December 2021	31 December 2020	1 January 2020
Italy	24.858	15.819	14.695
United States	14.354	10.240	10.346
France	4.269	2.998	2.892
United Kingdom	3.564	2.834	2.519
Middle East	2.767	1.809	1.495
Canada	2.368	582	576
Germany	1.875	990	687
Spain	1.442	79	182
Other countries	4.631	1.233	554
	60.128	36.584	33.946

Measurement of ECLs

The Group uses a provision matrix to measure the ECLs of trade receivables. Loss rates are calculated based on the credit risk characteristics and geographical region.

The following table provides information about the exposure to credit risk and ECLs for trade receivables:

31 December 2021 *In thousands of euro*	Weighted-average loss rate	Gross carrying amount	Impairment loss allowance	Credit impaired
Current (not past due)	1%	52.185	(495)	No
1–30 days past due	2%	5.026	(83)	No
31–90 days past due	17%	2.626	(444)	No
91–120 days past due	32%	1.464	(464)	No
More than 120 days past due	91%	3.389	(3.076)	Yes
		64.690	(4.562)	

31 December 2020 *In thousands of euro*	Weighted-average loss rate	Gross carrying amount	Impairment loss allowance	Credit impaired
Current (not past due)	1%	31.815	(239)	No
1–30 days past due	2%	2.125	(32)	No
31–90 days past due	11%	1.031	(111)	No
91–120 days past due	22%	143	(31)	No
More than 120 days past due	52%	3.923	(2.040)	Yes
		39.037	(2.453)	

1 January 2020 *In thousands of euro*	Weighted-average loss rate	Gross carrying amount	Impairment loss allowance	Credit impaired
Current (not past due)	1%	25.171	(151)	No
1–30 days past due	1%	4.392	(61)	No
31–90 days past due	11%	2.127	(226)	No
91–120 days past due	21%	927	(194)	No
More than 120 days past due	51%	3.985	(2.024)	Yes
		36.602	(2.656)	

The movement in the loss allowance in respect of trade receivables during each year was as follows:

	2021	2020
Balance at 1 January	2.453	2.656
Amounts written off	(312)	(650)
Amounts acquired in a business combination	1.667	-
Net remeasurement of loss allowance	754	447
Balance at 31 December	4.562	2.453

Cash and cash equivalents

The group held cash and cash equivalents of €20.454 thousand at 31 December 2021 (31 December 2020: €23.199 thousand), held with leading banks and financial institutions.

Impairment losses on cash and cash equivalents were measured on a 12-month expected credit loss basis and reflect the short maturities of the exposures. The group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and did not recognize any loss allowance for cash and cash equivalents.

ii. Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The group's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

Cash flows from ordinary operating activities cover a large part of the group's cash flows used in investing activities. The group also holds freely available cash and cash equivalents and in Italy has lines of credit granted by banks that have not yet been drawn down amounting to €40.900 thousand.

The following are the remaining contractual maturities of financial liabilities at each year end. The amounts do not include contractual interest payments:

		Contractual cash flows					
31 December 2021 *In thousands of euro*	Carrying amount	Total	3 months or less	3-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Bank overdrafts	2.310	(2.310)	(2.310)	-	-	-	-
Bank loans	21.411	(21.411)	(743)	(3.217)	(7.686)	(8.772)	(993)
Non-convertible notes	153.036	(153.036)	(25)	-	-	(153.011)	-
Lease liabilities	19.246	(19.246)	(737)	(2.084)	(2.761)	(6.676)	(6.988)
Trade payables	70.570	(70.570)	(68.461)	(2.109)	-	-	-
	266.573	(266.573)	(72.276)	(7.410)	(10.447)	(168.459)	(7.981)

		Contractual cash flows					
31 December 2020 *In thousands of euro*	Carrying amount	Total	3 months or less	3-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Bank overdrafts	661	(661)	(661)	-	-	-	-
Bank loans	14.642	(14.642)	(64)	(586)	(3.355)	(9.009)	(1.628)
Non-convertible notes	127.546	(127.546)	(127.546)	-	-	-	-
Lease liabilities	13.314	(13.314)	(746)	(920)	(2.877)	(4.638)	(4.133)
Trade payables	43.362	(43.362)	(42.639)	(723)	-	-	-
	199.525	(199.525)	(171.656)	(2.229)	(6.232)	(13.647)	(5.761)

		Contractual cash flows					
1 January 2020 *In thousands of euro*	Carrying amount	Total	3 months or less	3-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Bank overdrafts	3.574	(3.574)	(3.574)	-	-	-	-
Bank loans	2.488	(2.488)	(2)	-	-	(964)	(1.522)
Non-convertible notes	126.336	(126.336)	(36)	-	-	(126.300)	-
Lease liabilities	16.053	(16.053)	(726)	(2.731)	(1.809)	(3.526)	(7.261)
Trade payables	44.762	(44.762)	(44.111)	(651)	-	-	-
	193.213	(193.213)	(48.449)	(3.382)	(1.809)	(130.790)	(8.783)

iii. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, due to changes in exchange rates, interest rates and equity prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

a. Currency risk

The group is exposed to currency risk where sales, purchases, trade receivables and borrowings are denominated in currencies other than the respective functional currencies of group companies, which are primarily euro. The Group uses forward exchange contracts to hedge a part of its currency risk, most with a maturity of less than one year from the reporting date.

The Group designated the existing forward exchange contracts as financial assets and financial liabilities as at FVTPL, so hedge accounting is not applied.

The summary quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows.

	31 December 2021			31 December 2020			1 January 2020		
In thousands of	EUR	USD	GBP	EUR	USD	GBP	EUR	USD	GBP
Trade receivables	46.070	15.857	48	25.271	13.879	2	22.598	12.700	36
Trade payables	(70.408)	(40)	(107)	(43.229)	(91)	(52)	(44.503)	(178)	(85)
Net statement of financial position exposure	(24.338)	15.817	(59)	(17.958)	13.788	(50)	(21.905)	12.522	(49)

The following significant exchange rates have been applied.

	Average rate		Year-end sport rate		
Euro	2021	2020	31 December 2021	31 December 2020	1 January 2020
USD	1,18	1,14	1,13	1,23	1,12
GBP	0,86	0,89	0,84	0,90	0,85
DKK	7,44	7,45	7,44	7,44	7,47

b. Interest rate risk

To date, interest rate risk is linked to bank loans, non-convertible loans and borrowings regulated at variable rates based on trends in the reference parameter (usually the Euribor).

The Group designated the existing interest rate swaps contracts as financial assets and financial liabilities as at FVTPL, so hedge accounting is not applied.

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows.

	Nominal amount		
In thousands of euro	2021	2020	1-Jan-2020
Fixed-rate instruments			
Financial liabilities	22.684	17.332	19.099
Effect of interest rate swaps	1.500	1.500	1.500
	24.184	18.832	20.599
Variable-rate instruments			
Financial liabilities	178.935	145.661	136.574
Effect of interest rate swaps	(1.500)	(1.500)	(1.500)
	177.435	144.161	135.074

The Group does not account for any fixed-rate financial assets or financial liabilities at FVTPL, and designates interest rate swaps derivatives as financial assets and financial liabilities as at FVTPL. Therefore, a change in interest rates at the reporting date would affect profit or loss.

Cash flow sensitivity analysis for variable-rate instruments
A change of 0.5% in interest rates at the reporting date would have increased or decreased profit or loss and equity by the amounts shown below. This analysis assumes that all other variables remain constant.

Effect in thousands of euro	50 bp increase	50 bp decrease
31 December 2021	(870)	861
31 December 2020	(701)	699
1 January 2020	(649)	642

24. List of subsidiaries

See accounting policy in Note 33(A).

Below is a list of subsidiaries at each year end:

31 December 2021

Name	Principal place of business	Currency	Ownership interest	Shareholder
Italcer S.p.A.	Italy	Euro		Parent company
Equipe Ceramica SLU	Spain	Euro	100,00%	Italcer S.p.A.
Nais Trading SLU	Spain	Euro	100,00%	Equipe Ceramica SLU
Spray Dry S.p.A.	Italy	Euro	100,00%	Italcer S.p.A.
La Fabbrica S.p.A.	Italy	Euro	100,00%	Italcer S.p.A.
Devon & Devon S.p.A.	Italy	Euro	100,00%	Italcer S.p.A.
Devon & Devon USA Inc	USA	USD	100,00%	Devon & Devon S.p.A.
Devon & Devon France Sarl	France	Euro	100,00%	Devon & Devon S.p.A.
Devon & Devon Austria Gmbh	Austria	Euro	100,00%	Devon & Devon S.p.A.
Devon & Devon London Ltd	UK	GBP	100,00%	Devon & Devon S.p.A.
Devon & Devon Deutch. Gmbh	Germany	Euro	100,00%	Devon & Devon S.p.A.
Devon & Devon Denmark Ltd	Denmark	DKK	100,00%	Devon & Devon S.p.A.
Italcer USA Inc	USA	USD	100,00%	La Fabbrica S.p.A.

31 December 2020

Name	Principal place of business	Currency	Ownership interest	Shareholder
Italcer S.p.A.	Italy	Euro		Parent company
Spray Dry S.p.A.	Italy	Euro	100,00%	Italcer S.p.A.
La Fabbrica S.p.A.	Italy	Euro	100,00%	Italcer S.p.A.
Devon & Devon S.p.A.	Italy	Euro	100,00%	Italcer S.p.A.
Devon & Devon USA Inc	USA	USD	100,00%	Devon & Devon S.p.A.
Devon & Devon France Sarl	France	Euro	100,00%	Devon & Devon S.p.A.
Devon & Devon Austria Gmbh	Austria	Euro	100,00%	Devon & Devon S.p.A.
Devon & Devon London Ltd	UK	GBP	100,00%	Devon & Devon S.p.A.
Devon & Devon Deutch. Gmbh	Germany	Euro	100,00%	Devon & Devon S.p.A.
Devon & Devon Denmark Ltd	Denmark	DKK	100,00%	Devon & Devon S.p.A.
Italcer USA Inc	USA	USD	100,00%	La Fabbrica S.p.A.

1 January 2020

Name	Principal place of business	Currency	Ownership interest	Shareholder
Italcer S.p.A.	Italy	Euro		Parent company
Spray Dry S.p.A.	Italy	Euro	100,00%	Italcer S.p.A.
CEDIR Ceramiche di Romagna S.p.A.	Italy	Euro	20,00%	Spray Dry S.p.A.
La Fabbrica S.p.A.	Italy	Euro	100,00%	Italcer S.p.A.
La Bottega S.p.A.	Italy	Euro	40,00%	Italcer S.p.A.
Devon & Devon S.p.A.	Italy	Euro	100,00%	Italcer S.p.A.
Devon & Devon USA Inc	USA	USD	100,00%	Devon & Devon S.p.A.
Devon & Devon France Sarl	France	Euro	100,00%	Devon & Devon S.p.A.
Devon & Devon Austria Gmbh	Austria	Euro	100,00%	Devon & Devon S.p.A.
Devon & Devon London Ltd	UK	GBP	100,00%	Devon & Devon S.p.A.
Devon & Devon Deutch. Gmbh	Germany	Euro	100,00%	Devon & Devon S.p.A.
Devon & Devon Denmark Ltd	Denmark	DKK	100,00%	Devon & Devon S.p.A.
Italcer USA Inc	USA	USD	100,00%	La Fabbrica S.p.A.

25. Acquisition of subsidiary

See accounting policy in Note 33(A).

Acquisition of CEDIR

On 1 December 2020, the Group acquired a business from CEDIR Ceramiche di Romagna S.p.A..
Included in the identifiable assets and liabilities acquired at the date of acquisition of CEDIR are inputs (property, plant and equipment), production processes and an organised workforce. The Group has determined that together the acquired inputs and processes significantly contribute to the ability to create revenue. The Group has concluded that the acquired set is a business.

A. Consideration transferred

The consideration transferred is represented only by cash paid by Italcer S.p.A., amounting to €3.885 thousand.

A. Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

In thousands of euro	
Property, plant and equipment	3.035
Trade and other payables	(1.035)
Total identifiable net assets acquired	2.000

There are no fair values measured on a provisional basis.

A. Goodwill

Goodwill arising from the acquisition has been recognised as follows.

In thousands of euro	
Consideration transferred	3.885
Fair value of identifiable net assets	(2.000)
Goodwill	1.885

The goodwill is attributable mainly to the skills and technical talent of CEDIR's work force and the synergies expected to be achieved from integrating the company into the Group's existing ceramics business. None of the goodwill recognised is expected to be deductible for tax purposes.

Acquisition of Equipe

On 1 March 2021, the Group acquired Equipe. Equipe operates in the sector of small format floor and wall tiles and extra small format tiles, with a strong emphasis on decorative tiles.
The acquisition was realized through of the acquisition by Italcer of the entire capital of Dender, the parent company of Equipe, from Decotile and V-2 (the "Dender Shareholders") and the contribution in kind by Dender Shareholders into Italcer of their vendor credit resulting from the sale of Dender in the context of the execution of a capital increase of Italcer. On June 30, 2021 Dender has been merged into Equipe, with Equipe being the surviving entity.
Included in the identifiable assets and liabilities acquired at the date of acquisition of Equipe are inputs (a head office based in Spain, several factories, patented technology, inventories and customer relationships), production processes and an organised workforce. The Group has determined that together the acquired inputs and processes significantly contribute to the ability to create revenue. The Group has concluded that the acquired set is a business.

Taking control of Equipe will enable the Group to complement and strengthen product portfolio and consolidate its leadership in key markets through access to Equipe's customer base. The Group also expects to reduce costs through economies of scale.
For the ten months ended 31 December 2021, Equipe contributed revenue of €59 million and profit of €12 million to the Group's results. If the acquisition had occurred on 1 January 2021, management estimates that its contribution would have been €70 million to consolidated revenue and €15 million to consolidated profit. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2021.

B. Consideration transferred

The consideration transferred is represented only by equity instruments issued by Italcer S.p.A..
The fair value of the ordinary shares issued was based on the valuation of Italcer Group value in use at 1 March 2021, amounting to a total of €161.019 thousand.

C. Acquisition-related costs

The Group incurred acquisition-related costs of €1.740 thousand on legal fees and due diligence costs. These costs have been included in 'Other expenses'.

D. Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

In thousands of euro	
Property, plant and equipment	23.361
Intangible assets	64.094
Inventories	5.433
Trade receivables	29.542
Net financial position	(2.206)
Deferred tax liabilities	(17.531)
Trade and other payables	(30.150)
Total identifiable net assets acquired	72.544

i. Measurement of fair values

The valuation techniques used for measuring the fair value of intangible assets acquired were as follows:
The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents being owned (fair value estimated in €3.900 thousand). The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets (fair value estimated in €58.981).

The trade receivables comprise gross contractual amounts due of €31.209 thousand, of which €1.667 thousand was expected to be uncollectable at the date of acquisition.

There are no fair values measured on a provisional basis.

E. Goodwill

Goodwill arising from the acquisition has been recognised as follows.

In thousands of euro	
Consideration transferred	161.019
Fair value of identifiable net assets	(72.544)
Goodwill	88.475

The goodwill is attributable mainly to the skills and technical talent of Equipe's work force and the synergies expected to be achieved from integrating the company into the Group's existing ceramics business. None of the goodwill recognised is expected to be deductible for tax purposes.

26. Leases

See accounting policy in Note 33(O).

Information about leases for which the group is a lessee is presented below.

i. Right-of-use assets

The table below shows movements in right-of-use assets in 2021 and 2020.

In thousands of euro	Land and buildings	Plant and equipment	Production equipment	Other assets	Total
2021					
Balance at 1 January	11.690	2.625	305	452	15.072
Depreciation charge for the year	(1.985)	(96)	(551)	(288)	(2.920)
Additions to right-of-use assets	6.262	-	2.548	538	9.348
Derecognition of right-of-use assets	-	(2.164)	-	-	(2.164)
Balance at 31 December	15.967	365	2.302	702	19.336
2020					
Balance at 1 January	13.281	3.229	411	652	17.573
Depreciation charge for the year	(1.591)	(604)	(106)	(200)	(2.501)
Balance at 31 December	11.690	2.625	305	452	15.072

ii. Amounts recognised in profit or loss

Amounts recognised in profit or loss are related to interest on lease liabilities for €109 thousand (2020: €192 thousand) and to rent instalments related to low value and short term leases for €781 thousand (2020: €1.066 thousand).

iii. Amounts recognised in statement of cash flows

In thousands of euro	2021	2020
Total cash flow for leases	(3.130)	(2.738)

iv. Extension options

Some property leases contain extension options exercisable by the group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The Group assesses whether it is reasonably certain to exercise the extension options at the lease commencement date if there is a significant event or significant changes in circumstances within its control.

27. Commitments

During 2021, the Group entered into certain contracts with various advisors to support the shareholders in the sale of Italcer S.p.A., granting a success fee determined on the basis of the Enterprise Value or Equity Value of the Group valued as of the sale date.

28. Contingencies

There are no possible contingent liabilities other than those disclosed in Note 22.

29. Related parties

A. Parent and ultimate controlling party

The Company's shares are owned by Italfloor S.p.A.. The ultimate controlling party of the Group is Mandarin Capital Partners II SCA SICAR (now called Mindful Capital Partner).

B. Transactions with key management personnel

i. Key management personnel compensation

Key management personnel compensation comprised the following.

In thousands of euro	2021	2020
Short-term employee benefits	3.376	2.460
Post-employment benefits	120	105
Share-based payments	3.026	1.449
	6.522	4.014

Compensation of the Group's key management personnel includes salaries, contributions to a post-employment defined benefit plan and the cash settled share-based payments named "SFP" and "Piano di incentivazione sulla crescita del valore" (see Note 10).

C. Other related party transactions

	Transaction value for the year ended 31 December		Balance outstanding as at 31 December	
In thousands of euro	2021	2020	2021	2020
Sales of goods and services				
Mandarin Advisors Ltd.	27	27	14	14
Others				
Parent companies:				
- Loans issued to Italfloor S.p.A.	-	-	30	-
- Loans issued to Investintile S.p.A.	-	-	140	80

30. Subsequent events

On 24 February 2022 the Russian Federation started a war in Ukraine causing victims, damages and interrupted to the economic activities in the country.
As a consequence of the war, many countries adopted the imposition of economic sanctions towards Russia and in some cases Belarus.
There are no risks of business interruption for the Group, as the sales realized in Russia, Belarus and Ukraine are the 1% of total sales of the Group.

On 5 October 2022 the Group finalized the acquisition of Ceramica Fondovalle S.p.A., a leading manufacturer in the sector of large slabs for flooring, coverings, and furniture applications, for a cash consideration paid of €16.679 thousand.
Fondovalle owns seventeen registered trademarks worldwide and four registered designs in Italy, Europe and United Kingdom, and its acquisition will strengthen the product portfolio of the Group.
The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

In thousands of euro	
Property, plant and equipment	32.360
Intangible assets	53
Right of use assets	1.094
Inventories	12.138
Trade and other receivables	14.087
Deferred tax assets	827
Net financial position	(19.956)
Provisions	(2.403)
Deferred tax liabilities	(102)
Trade and other payables	(21.419)
Total identifiable net assets acquired	16.679

The trade receivables comprise gross contractual amounts due of €13.459 thousand, of which €470 thousand was expected to be uncollectable at the date of acquisition.
There are no fair values measured on a provisional basis.

On 17 March 2023 the Board of Directors of the Company approved the plan to merge Italfloor S.p.A. and Investintile S.p.A., the holding companies of Italcer S.p.A., into the Company, with Italcer S.p.A. being the surviving entity.
Italfloor and Investintile are pure holding companies with no operating activities, so the effects deriving from the merger are not significant.

31. Explanation of transition to IFRSs

As stated in Note 2, these are the Group's first consolidated financial statements prepared in accordance with IFRSs. The accounting policies set out in Note 33 have been applied in preparing the financial statements for the year ended 31 December 2021, the comparative information presented in these financial statements for the year ended 31 December 2020 and in the preparation of an opening IFRS statement of financial position at 1 January 2020 (the Group's date of transition).
In preparing its opening IFRS statement of financial position, the Group has adjusted amounts reported previously in financial statements prepared in accordance with Italian GAAP (previous GAAP). An explanation of how the transition from previous GAAP to IFRSs has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of equity

		1 January 2020			31 December 2020		
In thousands of euro	Note	Previous GAAP	Effect of transition to IFRSs	IFRSs	Previous GAAP	Effect of transition to IFRSs	IFRSs
Assets							
Property, plant and equipment	N	59.193	5.741	64.934	60.181	5.738	65.919
Intangible assets and goodwill	C; D; E	101.019	(1.906)	99.113	92.856	9.232	102.088
Right of use assets	F	3.123	14.450	17.573	2.553	12.519	15.072
Other investments, including derivatives	G	908	-	908	322	1.492	1.814
Deferred tax assets	S	2.642	2.499	5.141	2.932	2.926	5.858
Other non current assets		436	-	436	194	-	194
Total non-current assets		167.321	20.784	188.105	159.038	31.907	190.945
Inventories	H	59.678	(5.363)	54.315	54.744	(5.363)	49.381
Trade receivables	I; J	34.238	(292)	33.946	29.373	7.211	36.584
Other investments, including derivatives		22	-	22	64	-	64
Current tax assets		3.721	-	3.721	2.392	-	2.392
Other current assets		6.294	-	6.294	5.797	-	5.797
Cash and cash equivalents	G	12.364	-	12.364	24.691	(1.492)	23.199
Total current assets		116.317	(5.655)	110.662	117.061	356	117.417
Total assets		283.638	15.129	298.767	276.099	32.263	308.362
Equity							
Share capital		6.328	-	6.328	6.328	-	6.328
Share premium		-	-	-	-	-	-
Reserves		69.965	(6.044)	63.921	70.197	(6.093)	64.104
Profit/(loss) for the period		-	-	-	(15.800)	10.047	(5.753)
Total equity		76.293	(6.044)	70.249	60.725	3.954	64.679
Liabilities							
Loans and borrowings, including derivatives	K; L	128.991	(205)	128.786	141.665	(127.673)	13.992
Lease liabilities	F	1.537	11.059	12.596	589	11.059	11.648
Provisions	N; O	3.137	5.342	8.479	3.997	5.431	9.428
Other non current liabilities	P	-	651	651	-	723	723
Employee benefits	M; Q	3.640	1.072	4.712	3.895	2.462	6.357
Deferred tax liabilities	S	4.780	122	4.902	4.911	95	5.006
Total non-current liabilities		142.085	18.041	160.126	155.057	(107.903)	47.154
Loans and borrowings, including derivatives	J; L	10.821	-	10.821	6.153	135.002	141.155
Lease liabilities	F	66	3.391	3.457	66	1.600	1.666
Trade payables	K; P	45.354	(592)	44.762	44.085	(723)	43.362
Current tax liabilities		202	-	202	314	-	314
Other current liabilities	K	5.385	333	5.718	5.704	333	6.037
Employee benefits		3.432	-	3.432	3.995	-	3.995
Total current liabilities		65.260	3.132	68.392	60.317	136.212	196.529
Total liabilities		207.345	21.173	228.518	215.374	28.309	243.683
Total liabilities and equity		283.638	15.129	298.767	276.099	32.263	308.362

Reconciliation of comprehensive income for the year ended 31 December 2020

		31 December 2020		
In thousands of euro	Note	Previous GAAP	Effect of transition to IFRSs	IFRSs
Revenue	R	151.227	(36)	151.191
Other income		5.981	-	5.981
Raw material and consumables used		(51.951)	-	(51.951)
Changes in inventories of finished goods and work in progress		(5.768)	-	(5.768)
Employee benefits expense	M; Q	(32.161)	(1.335)	(33.496)
Depreciation and amortisation expense	C; D; E; F	(21.603)	10.359	(11.244)
Other expenses	F	(48.230)	1.937	(46.293)
Impairment loss on trade receivables		(507)	-	(507)
Operating profit		(3.012)	10.925	7.913
Finance income		535	-	535
Finance costs	F; K; M; O	(13.153)	(256)	(13.409)
Net finance cost		(12.618)	(256)	(12.874)
Profit before tax		(15.630)	10.669	(4.961)
Income tax expense	S	(1.248)	456	(792)
Profit for the period		(16.878)	11.125	(5.753)

Other comprehensive income

Profit for the period		(16.878)	11.125	(5.753)
Items that will not be reclassified to profit or loss:				
- Remeasurements of defined benefit liability	M	-	53	53
- Related tax	M	-	(15)	(15)
Items that are or may be reclassified subsequently to profit or loss:				
- Foreign operations – foreign currency translation differences		-	139	139
- Cash flow hedges – effective portion of changes in fair value		-		-
Other comprehensive income for the period, net of tax		-	177	177
Total comprehensive income for the period		(16.878)	11.302	(5.576)
Earning per share				
Basic earnings per share (euro)		(1,5)	1,0	(0,5)
Diluted earnings per share (euro)		(1,5)	1,0	(0,5)

Material adjustments to the statement of cash flows for 2020

Cash account secured deposits of €1.492 thousand (2019: zero) that are subject to restrictions were classified as cash and cash equivalents under previous GAAP. These secured deposits were reclassified as other non current financial assets under IFRSs. There are no other material presentation differences between the statement of cash flows presented under IFRSs and the statement of cash flows presented under previous GAAP.

Notes to the reconciliations

Set out below is an index to the notes to the reconciliations:

A. Business combination exemption
B. Deemed cost exemption
C. Goodwill amortisation
D. Capitalised start-up expenses
E. Capitalised development costs
F. Leases reclassification
G. Secured deposit reclassification
H. Inventory obsolescence provision
I. Bad debt provision
J. Derecognition
K. Amortised cost
L. Reclassification of financial liabilities
M. Defined benefit obligation
N. Site restoration provision
O. Provisions discounting
P. Long term debt reclassification
Q. Share-based payments
R. Discounts and promotions reclassification
S. Income tax
T. Retained earnings

A. Business combination exemption

The Group elected not to apply IFRS 3 retrospectively to past business combinations that occurred on or before 1 January 2020.

B. Deemed cost exemption

At 31 December 2019 the Group revalued land and buildings under previous GAAP. On transition to IFRSs the Group elected to apply the optional exemption to use that previous revaluation as deemed cost under IFRSs. The revaluation reserve of €10.600 thousand at 1 January 2020 and 31 December 2020 was reclassified to retained earnings. Except for the reclassification this had no impact on the financial statements.

C. Goodwill amortisation

Goodwill under previous GAAP was amortised in a period of 10 years, while under IFRSs is not amortised but verified for impairment at least annually.

The Group has adopted the exemption in IFRS 1 for business combination occurred before the FTA date, hence there is no impact on the consolidated statement of financial position and comprehensive income as of 1 January 2020.

The impact arising from the change is summarised as follows:

In thousands of euro	1 January 2020	31 December 2020
Consolidated statement of comprehensive income		
Amortisation	-	(11.460)
Adjustment before income tax	-	(11.460)
Consolidated statement of financial position		
Intangible assets:		
Goodwill	-	11.460
Adjustment to retained earnings	-	11.460

D. Capitalised start-up expenses

Start-up expenses of €114 thousand at the date of transition that do not qualify for recognition as an intangible asset under IFRSs were capitalised under previous GAAP. These amounts are expensed under IFRSs at the date of transition.

This also leads to an adjustment to the amortisation of intangible assets of €37 thousand for the year ended 31 December 2020.

The impact arising from the change is summarised as follows:

In thousands of euro	1 January 2020	31 December 2020
Consolidated statement of comprehensive income		
Amortisation	-	37
Adjustment before income tax	-	37
Consolidated statement of financial position		
Intangible assets:		
Start-up expenses	(114)	(69)
Related tax effect	32	19
Adjustment to retained earnings	(82)	(50)

E. Capitalised development costs

Development costs of €1.793 thousand at the date of transition and €1.125 thousand relating to the year ended 31 December 2020 that do not qualify for recognition as an intangible asset under IFRSs were capitalised under previous GAAP. These amounts are expensed under IFRSs at the date of transition and in 2020 profit and loss statement, respectively.

This also leads to an adjustment to the amortisation of development cost of €759 thousand for the year ended 31 December 2020.

The impact arising from the change is summarised as follows:

In thousands of euro	1 January 2020	31 December 2020
Consolidated statement of comprehensive income		
Employee benefits expense	-	1.125
Amortisation	-	(759)
Adjustment before income tax	-	366
Consolidated statement of financial position		
Intangible assets:		
Development costs	(1.793)	(2.158)
Related tax effect	500	602
Adjustment to retained earnings	(1.293)	(1.556)

F. Leases reclassification

Under previous GAAP certain leases were accounted as operating leases, with rent instalments expensed as incurred. Under IFRSs those leases led to the recognition of a right of use asset and a lease liability in the statement of financial position of the Group. The effects are to increase Right of use assets, Lease liabilities and the related depreciation charge and finance costs, and to decrease lease expense.

The impact arising from the change is summarised as follows:

In thousands of euro	1 January 2020	31 December 2020
Consolidated statement of comprehensive income		
Other expenses:		
Lease expenses	-	1.891
Depreciation and amortisation expense	-	(1.931)
Finance costs	-	(100)
Adjustment before income tax	-	(140)
Consolidated statement of financial position		
Right of use assets	14.450	12.519
Lease liabilities	(14.450)	(12.659)
Related tax effect	-	39
Adjustment to retained earnings	-	(101)

Furthermore, under previous GAAP the Group accounted for finance leases as investments in property, plant and equipment amounting to €2.553 thousand (2020: €3.123 thousand). Under IFRSs, those amounts were reclassified from property, plant and equipment to right-of-use assets.

G. *Secured deposit reclassification*

Under previous GAAP cash account secured deposits of €1.492 thousand (2020: €1.492 thousand) that are subject to restrictions were classified as cash and cash equivalents. These secured deposits were reclassified as other non current financial assets under IFRSs.

H. *Inventory obsolescence provision*

Under IFRS conversion the group revised its inventory provision calculation policies and applied it consistently for every group company. The new policy is based on an analysis of slow-moving items and is supported by an analysis of specific items from the commercial department.

The impact arising from the change is summarised as follows:

In thousands of euro	1 January 2020	31 December 2020
Consolidated statement of financial position		
Inventories	(5.363)	(5.363)
Related tax effect	1.496	1.496
Adjustment to retained earnings	(3.867)	(3.867)

I. *Bad debt provision*

Under previous GAAP the Group's bad debt provision for trade receivables was not calculated based on the receivables expected lifetime credit losses. Under IFRSs the provision was redetermined in order to reflect the ECL.

The impact arising from the change is summarised as follows:

In thousands of euro	1 January 2020	31 December 2020
Consolidated statement of financial position		
Trade receivables	(292)	(292)
Related tax effect	81	81
Adjustment to retained earnings	(211)	(211)

J. *Derecognition*

In 2020 the Group entered into a securitisation arrangement in respect of €7.503 thousand of receivables. Under previous GAAP this transaction was considered a sale of the receivables to the third party and the receivables were derecognised. Under IFRSs, due to the Group retaining a significant portion of the credit risk relating to the receivables, the derecognition criteria in IFRS 9 are not met and the receivables are not derecognised.

The impact arising from the change is summarised as follows:

In thousands of euro	1 January 2020	31 December 2020
Consolidated statement of financial position		
Trade receivables		7.503
Loans and borrowings		(7.503)
Adjustment to retained earnings	-	-

K. Amortised cost

Under previous GAAP the calculation of amortised cost for financial liabilities did not include transaction costs, which were expensed to profit and loss. Under IFRSs, the calculation has been revised to include such costs directly attributable to obtaining the related financial liabilities.

The impact arising from the change is summarised as follows:

In thousands of euro	1 January 2020	31 December 2020
Consolidated statement of comprehensive income		
Other expenses		59
Financial expenses		(29)
Adjustment before income tax	-	28
Consolidated statement of financial position		
Loans and borrowings, including derivatives	205	173
Trade payables	(59)	-
Other current liabilities	(333)	(333)
Adjustment to retained earnings	(187)	(158)

L. Reclassification of financial liabilities

Under previous GAAP the breach of a covenant on the non-convertible notes of €127.499 thousand as of 31 December 2020 did not lead to the debt being reclassified as short term, because the Group obtained a covenant holiday before the approval of the 2020 financial statements.

Under IFRSs, the covenant breach as of 31 December 2020 led to the reclassification of the whole debt as a current financial liability.

M. Defined benefit obligation

Under previous GAAP the Group's obligation in respect of employees' post-employment defined benefits plan was calculated based on the Group's best estimate of the amount payable at each year end. Under IFRSs the obligation is determined using the projected unit credit method, and actuarial valuations are obtained at each year end.

The impact arising from the change is summarised as follows:

In thousands of euro	1 January 2020	31 December 2020
Consolidated statement of comprehensive income		
Employee benefit expenses		(34)
Financial expenses		27
Adjustment before income tax	-	(7)
Consolidated statement of financial position		
Employee benefits	(511)	(453)
Related tax effect	144	124
Adjustment to retained earnings	(369)	(329)

N. Site restoration provision

As described in Note 22, an obligation exists to restore certain sites for the effect of the Group's operations. Under previous GAAP the cost of rectification was expensed as incurred. In accordance with IFRSs, the Group's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, and the related cost, is recognised when the land is contaminated.

The impact arising from the change is summarised as follows:

In thousands of euro	1 January 2020	31 December 2020
Consolidated statement of comprehensive income		
Depreciation		(3)
Adjustment before income tax	-	(3)
Consolidated statement of financial position		
Property, plant and equipment	5.741	5.738
Provisions	(5.741)	(5.741)
Adjustment to retained earnings	-	(3)

O. Provisions discounting

Under previous GAAP the estimation of provisions did not consider the effects of discounting to reflect the time value of money and the risks specific to the liability.

Under IFRSs, the provisions have been discounted at a pre-tax rate that reflects the time value of money and the risks specific to the liability.

The impact arising from the change is summarised as follows:

In thousands of euro	1 January 2020	31 December 2020
Consolidated statement of comprehensive income		
Financial expenses	-	(89)
Adjustment before income tax	-	(89)
Consolidated statement of financial position		
Provisions	399	310
Related tax	(111)	(87)
Adjustment to retained earnings	288	223

P. Long term debt reclassification

Under IFRSs, the long term debt towards Property, Plant and Equipment suppliers amounting to €651 thousand at the date of transition and €723 thousand relating to the year ended 31 December 2020, previously classified as trade payables, have been reclassified as Other non current liabilities to reflect the distinction between current and non current liabilities.

Q. Share-based payments

The Group granted cash-settled share-based payments to certain employees. The Group accounted for these share-based payment arrangements by reference to their intrinsic value under previous GAAP. Under IFRSs the related liability has been adjusted to reflect the fair value of the outstanding cash-settled shared-based payments.

The impact arising from the change is summarised as follows:

In thousands of euro	1 January 2020	31 December 2020
Consolidated statement of comprehensive income		
Employee benefits expenses	-	(1.449)
Adjustment before income tax	-	(1.449)
Consolidated statement of financial position		
Employee benefits	(560)	(2.009)
Related tax effect	156	562
Adjustment to retained earnings	(404)	(1.449)

R. Discounts and promotions reclassification

Under previous GAAP discounts and promotions amounting to €36 thousand for the year ended 31 December 2020 were classified as other expenses.

Under IFRSs, the amount was reclassified as a reduction in revenues.

S. Income tax

The above changes decreased (increased) the deferred tax asset and deferred tax liability as follows based on a tax rate of 27,9 percent:

In thousands of euro	1 January 2020	31 December 2020
Intangible assets	32	19
Development costs	500	602
Leases	-	42
Inventories	1.500	1.496
Trade receivables	168	82
Employee benefits	299	685
Financial liabilities	(11)	(9)
Provisions	(111)	(86)
Increase/(decrease) in deferred tax assets/(liabilities)	**2.377**	**2.831**

T. Retained earnings

The above changes decreased (increased) retained earnings as follows:

In thousands of euro	1 January 2020	31 December 2020
Intangible assets	82	(11.410)
Development costs	1.293	1.556
Leases	-	101
Inventories	3.867	3.867
Trade receivables	211	211
Employee benefits	773	1.778
Financial liabilities	187	158
Provisions	(288)	(223)
Deferred tax	(81)	8
(Increase)/decrease in retained earnings	**6.044**	**(3.954)**

32.Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

Item	Basis of measurement
Derivatives financial instruments	Fair value
Net defined benefit assets	Present value of the obligation
Liabilities for shared-based payment arrangements	Fair value

33. Significant accounting policies

The Group has consistently applied the following accounting policies to all years presented in these consolidated financial statements, except if mentioned otherwise.

Set out below is an index of the significant accounting policies:

A. Basis of consolidation
B. Foreign currency
C. Revenue from contracts with customers
D. Employee benefits
E. Government grants
F. Financial income and expense
G. Income tax
H. Inventories
I. Property, plant and equipment
J. Intangible assets and goodwill
K. Financial instruments
L. Share capital
M. Impairment
N. Provisions
O. Leases
P. Operating profit
Q. Fair value measurement

A. *Basis of consolidation*

i. Business combinations

The group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the group (see (A)(ii)). In determining whether a particular set of activities and assets is a business, the group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see (M)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Such business combinations are outside the scope of IFRS 3 and the other standards. As there is no standard of reference, prudence is applied in choosing an accounting policy for these business combinations, for which there is no significant influence over future cash flows. Accordingly, the group applies the same amounts as the net assets acquired. The assets are recognised at the carrying amounts as per the financial statements of the transferred entity before the business combination or, if available, at the carrying amounts as per the consolidated financial statements of the common parent. If the transfer amounts are higher than the historical amounts, the excess is eliminated by reducing the equity of the receiving entity.

ii. Subsidiaries

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

iii. Non-controlling interests

Non-controlling interests (NCI) are initially measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the group's interest in a subsidiary that do not result in a loss of control are accounted for as owner transactions, i.e., transactions with owners in their capacity as owners.

iv. Loss of control

When the group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

v. Interests in equity-accounted investees

The Group's interests in equity-accounted investees relate to interests in associates. Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.
Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence ceases.

vi. Transactions eliminated on consolidation

In preparing the consolidated financial statements, intragroup balances and transactions, and any unrealised income and expenses (except for exchange differences) arising from intragroup transactions, were eliminated.

B. Foreign currency

i. Foreign currency transactions

Transactions in foreign currencies are translated into the group companies' respective functional currencies at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency ruling at that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Exchange differences are generally recognised in profit or loss and presented within financial expense.

ii. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euro at the closing rates. The income and expenses of foreign operations are translated into euro at the exchange rates at the transaction dates.

Exchange differences are recognised in OCI and accumulated in the translation reserve, except to the extent that exchange differences are allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

C. Revenue from contracts with customers

Information about the group's accounting policies relating to contracts with customers is provided in Note 6.

D. Employee benefits

i. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii. Share-based payment arrangements

The fair value of the amount payable to employees in respect of share-based payments settled in cash is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share-based payment arrangements. Any changes in the liability are recognised in profit or loss.

iii. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

iv. Defined benefit plans

The defined benefit plans refer to the post-employment benefits (TFR) accrued up to 31 December 2006 for employees of the Italian companies of the Group. TFR accrued subsequently to 1 January 2007 is allocated to supplementary pension funds as per Legislative decree no. 252/2005 and is considered a defined contribution plan.

The group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior years, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the group due to the fair value of any plan assets, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on any plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The group determines the net interest expense (income) on the net defined benefit liability (asset) for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the year as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss.

E. Government grants

Government grants related to assets are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the group will comply with the conditions associated with the grant. Grants related to the acquisition of assets are recognised in profit or loss as other income on a systematic basis over the useful life of the asset. Grants related to emissions certificates are recognised in profit or loss when they are sold to third parties on a trading platform. Grants that compensate the group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

F. Financial income and expense

The group's financial income and expense include:

- interest income;
- interest expense;
- net gains or losses on financial assets at FVTPL;
- exchange rate gains or losses;
- impairment losses (gains) on debt securities recognised at amortised cost.

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the group's right to receive payment is established.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

G. Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 Provisions, contingent liabilities and contingent assets.

i. Current tax

Current tax is the amount of income taxes payable or receivable in respect of the taxable profit or tax loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

ii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Temporary differences in relation to a right-of-use asset and a lease liability for a specific lease are regarded as a net package (the lease) for the purpose of recognising deferred tax.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

H. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost method. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

I. Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses. The cost of certain items of property, plant and equipment at 1 January 2020, the group’s date of transition to the IFRS, was determined with reference to its fair value at that date.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the group.

iii. Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Land is not depreciated.

The estimated useful lives for current and comparative year are as follows:

Category	Rate
Buildings	4.00%
Light constructions	10.00%
Generic plant	10.00%
Specific plant	12.50%
Furnaces	14.00%
Equipment	40.00%
Fairs' stands	27.00%
Industrial and commercial vehicles	20%/25%
Ordinary office furniture and equipment	12.00%
Electronic office equipment	20.00%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

J. Intangible assets and goodwill

i. Recognition and measurement

Goodwill	Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.
Other intangible assets	Other intangible assets, including customer relationships, patents and trademarks, that are acquired by the group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

iii. Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the asset and starts when the asset is available for use. Goodwill is not amortised.

The estimated useful lives for current and comparative year are as follows:

- trademarks: 10 years
- development costs: 5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

K. Financial instruments

i. Recognition and measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt security; FVOCI – equity security; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity security that is not held for trading, the group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on a case-by-case basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Business model assessment

The group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the group's key management personnel;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior years, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the group's claim to cash flows from specified assets (e.g., non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, exchange gains and losses and impairment losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

iii. Derecognition

Financial assets

The group derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
- substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

L. *Share capital*

i. Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12 (see (G)).

ii. Repurchase and reissue of ordinary shares (treasury shares)

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

M. Impairment

i. Non-derivative financial assets

Financial instruments and contract assets

The group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt securities measured at FVOCI; and
- contract assets.

The group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables (including lease receivables) and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the group's historical experience and informed credit assessment, that includes forward-looking information.

The group assumes that the credit risk on a financial asset has increased significantly if it is more than 120 days past due.

The group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the group in full, without recourse by the group to actions such as realising security (if any is held); or
- the financial asset is more than 180 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the group in accordance with the contract and the cash flows that the group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the company or debtor;
- a breach of contract such as a default or being more than 120 days past due;
- the restructuring of a loan or advance by the group at terms that the group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of loss allowance in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the group has a policy of writing off the gross carrying amount when the financial asset is 120 days past due based on historical experience of recoveries of similar assets. For corporate customers, the group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The group expects no significant recovery from the amount written off.

However, financial assets that are written off could still be subject to enforcement activities in order to comply with the group's procedures for recovery of amounts due.

ii. Non-financial assets

At each reporting date, the group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

N. Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as financial expense.

Pension and similar provisions	The group recognises pension and similar provisions when relationships with agents give the right to agents' indemnity calculated in accordance with ruling legislation and discounted as per IAS 37. The liability is measured using a set number of agents, i.e., without considering new agents that begin working with the group during the plan term (the period of time over which the agents will retire or leave the group). The measurement is made by quantifying future payments by projecting indemnities accrued at the measurement date by the agents operating for the group up to when their contract with the group will presumably end.
Provision for site restoration	The group recognises a provision for future dismantling and restoring the sites on which are located the plants of the Group. If the obligation relates to an existing fixed asset, the accrual forms part of the cost of such asset. The provisions are accrued when the obligation is deemed probable and the relevant amount can be reliably estimated.
Provision for sundry risks	The group recognises a provision for sundry risks when it has an obligation as a result of a past event and it is probable that the group will pay the amount. The provisions are accrued when the obligation is deemed probable and the relevant amount can be reliably estimated.

O. Leases

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

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the group by the end of the lease term or the cost of the right-of-use asset reflects that the group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Generally, the group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the group is reasonably certain to exercise, lease payments in an optional renewal period if the group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee, if the group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

P. Operating profit

Operating profit is the result generated from the continuing principal revenue-producing activities of the group as well as other income and expenses related to operating activities. Operating profit excludes financial income and expense and income taxes.

Q. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities (see (K)).

When one is available, the group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e., the fair value of the consideration given or received.

Rubiera, 04 April 2023
For the Board of Directors
Chief executive officer
(Graziano Verdi)

KPMG

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Independent auditors' report

To the Board of Directors of
Italcer S.p.A.

Opinion

We have audited the accompanying consolidated financial statements of Italcer S.p.A. (the "Company" and together with its subsidiaries, the "Italcer Group"), which comprise the consolidated statement of financial position as at 31 December 2021, 31 December 2020 and 1 January 2020, the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for each of the years ended 31 December 2021 and 2020 and notes thereto, which include a summary of the significant accounting policies (the "Consolidated Financial Statements").

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of the Italcer Group as at 31 December 2020 and 2021 and of its financial performance and cash flows for the years then ended in accordance with the international Financial Reporting Standards endorsed by the European Union.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those principles are further described in the *"Auditors' responsibility for the audit of the consolidated financial statements"* section of our report. We are independent of the Company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other aspects

The data reported in the Italcer Group's Consolidated Financial Statements prepared in accordance with the International Financial Reporting Standards endorsed by the European Union derive from the consolidated financial statements as at 31 December 2020 and 2021 prepared in accordance with the Italian regulations governing their preparation. Notes 31 describe the effects of the transition to the International Financial Reporting Standards endorsed by the European Union and include information on the reconciliation schedules required by the international accounting standard IFRS 1.

The Consolidated Financial Statements have been prepared on a voluntary basis and in connection with the potential listing of the Company's shares on the Euronext Milan stock exchange market organised and managed by Borsa Italiana S.p.A..

Responsibilities of the Italcer S.p.A.'s directors and board of statutory auditors ("Collegio Sindacale") for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Italcer Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the Italcer Group's financial reporting process.

Auditors' responsibilities for the audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Italcer Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Italcer Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Italcer Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Italcer Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Italcer Group audit. We remain solely responsible for our audit opinion.

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

Bologna, 5 April 2023

KPMG S.p.A.

Gianluca Geminiani
Director of Audit