Albini GROUP

ANNUAL REPORT 2019

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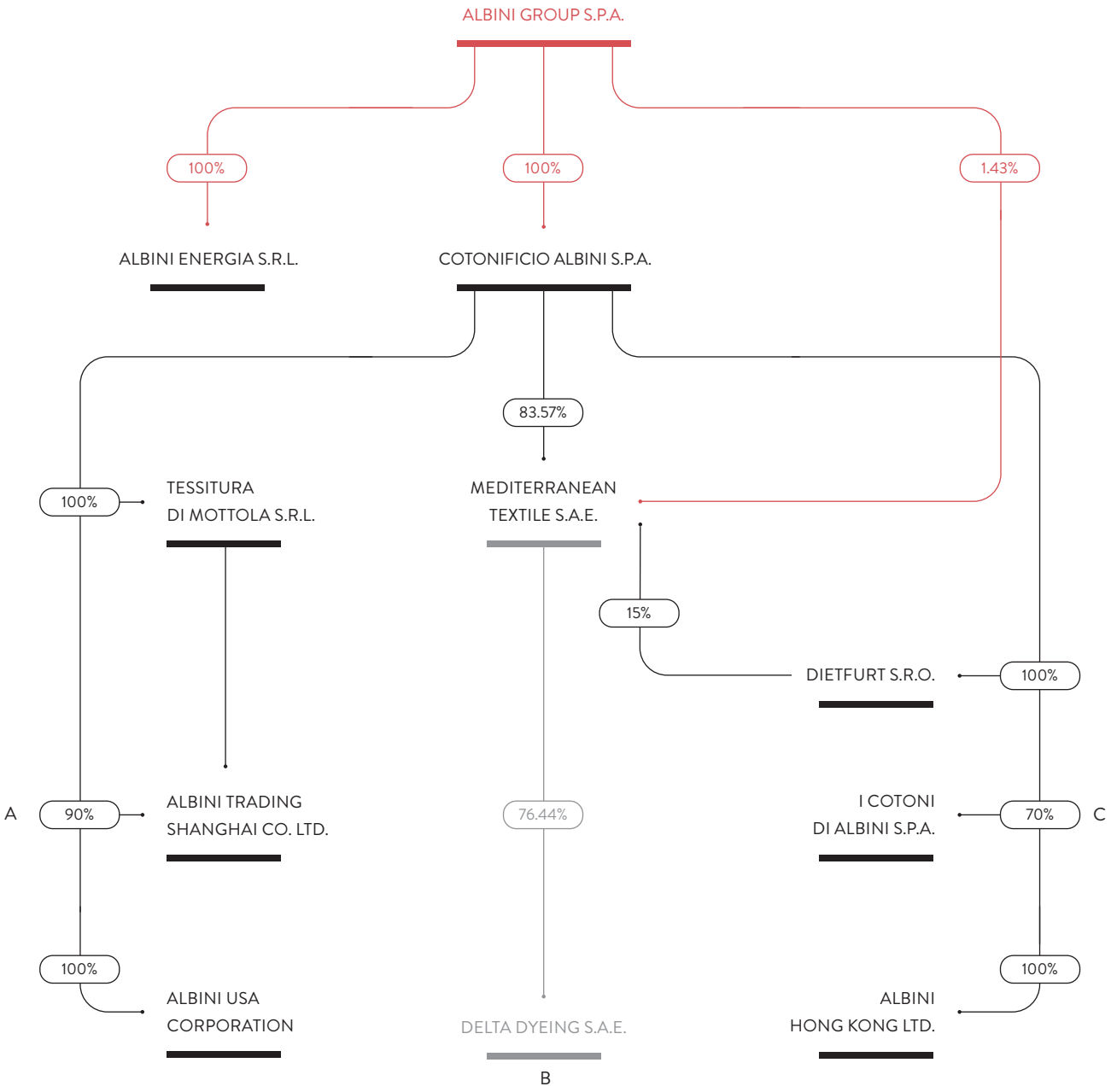
DIRECT PRESENCE WORLDWIDE

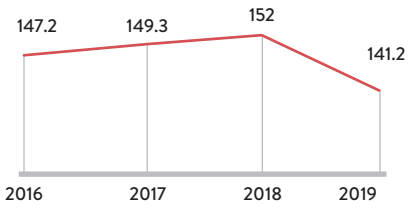
GROUP STRUCTURE AS AT 31.12.2019



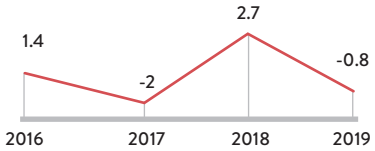
A Essence Trading Co. Ltd. 10%
B Setcore Spinning 11.31% - Alba Albin Breitenmoser Holding AG 12.25%
C Modern Nile Cotton Co. 30%

ECONOMIC AND FINANCIAL INDICATORS

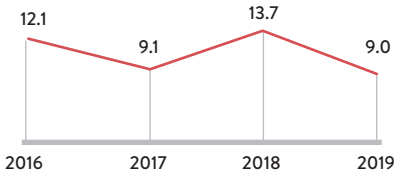
NET REVENUE
(in millions of euro)



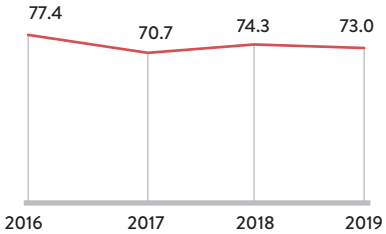
NET INCOME
(in millions of euro)



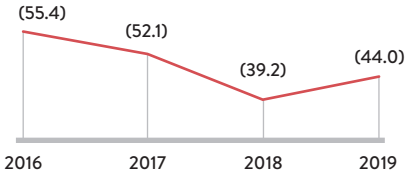
EBITDA
(in millions of euro)



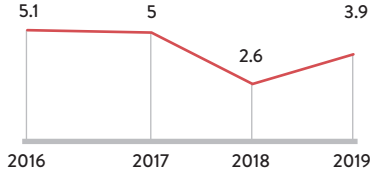
CONSOLIDATED SHAREHOLDERS' EQUITY
(in millions of euro)



NET FINANCIAL POSITION
(in millions of euro)



INVESTMENTS
(in millions of euro)



ALBINI GROUP S.P.A. - CORPORATE BODIES

BOARD OF DIRECTORS*

CHAIRMAN	Fabio Albini
DIRECTORS	Andrea Albini Giovanni Terzi Albini Giovanni Carlo Albini Laura Albini Monica Albini Stefano Albini Elena Guffanti Pesenti

BOARD OF STATUTORY AUDITORS

CHAIRMAN	Danilo Arici
STATUTORY AUDITORS	Lorenzo Gelmini Fabrizio Lecchi
SUBSTITUTE AUDITORS	Maria Speranza Crippa Laura Bertacchi

EXTERNAL AUDITOR

KPMG S.P.A.

COTONIFICIO ALBINI S.P.A. - CORPORATE BODIES

BOARD OF DIRECTORS**

CHAIRMAN	Stefano Albini
DIRECTORS	Fabio Albini Andrea Albini Giovanni Carlo Albini Fabio Tamburini - Chief Executive Officer (via GIUSEPPE E ANTONIO S.R.L.S.)

BOARD OF STATUTORY AUDITORS

CHAIRMAN	Danilo Arici
STATUTORY AUDITORS	Lorenzo Gelmini Fabrizio Lecchi
SUBSTITUTE AUDITORS	Maria Speranza Crippa Laura Bertacchi

EXTERNAL AUDITOR

KPMG S.P.A.

*Nominated on 25/05/2017 - term of office until approval of the financial statements as at 31/12/2019

**Nominated on 05/07/2019 - term of office until approval of the financial statements as at 31/12/2021

Andrea Albini
Fabio Albini
Stefano Albini

OUR MISSION

SINCE 1876, OUR COMMITMENT AND AMBITION HAVE BEEN TO CREATE THE MOST BEAUTIFUL FABRICS IN THE WORLD.

OUR VALUES:

INNOVATION - PRODUCT EXCELLENCE - SERVICE THAT CREATES VALUE - BRAND IDENTITY - FAMILY AND TERRITORY - SUSTAINABILITY.

We design and manufacture our products for the International market, guaranteeing the style, innovation and quality that distinguish the Made in Italy brand.

"The future is very open and depends on us, on all of us. It depends on what you and I and many other people do, today, tomorrow, and the day after tomorrow. And what we do depends in turn on our ideas and wishes, on our hopes and fears. It depends on how we see the world, and on how we assess the open possibilities of the future"

Karl Popper

PRESIDENT'S LETTER

We are experiencing a time in history of extreme difficulty which has revealed the limits and shortcomings of development models and the need for change. The quote by Karl Popper reminds us that we must be aware that it are our sense of responsibility, our thoughts, our concrete actions and even our fears that will determine the world we will experience in the future.

The pandemic that has had a global impact has generated a period of discontinuity throughout the world, obliging us to rethink both our private and social way of living. The uncertainty and confusion when faced with situations that were, until yesterday, completely unpredictable and of immense impact, created a general status of shock that will leave deep scars for some time to come.

It is still premature to say which and to what extent these scars will mark our future but, as Popper states, we are still the predictors of our own future. It is the responsibility towards ourselves, towards the world we live in and to the community around us that should guide the actions to be put in place in the near future.

It is with this spirit that we, as part of the Albini Group, must conduct our business in accordance with our values based on social and environmental ethics, the safeguarding of our industrial heritage and know-how accumulated over many years of history by the Albini family and all our employees. This joining of forces has led the Group to become a recognised and highly appreciated leader on the global reference market. It is therefore our manifested commitment and responsibility to maintain this position, carrying forward with determination and self-sacrificing effort, the choices that will be able to strengthen the Group further and seize the opportunities that may occur on the market in these moments of transition.

2019 was a year that showed signs of a decrease in pace in the textile sector in general, slightly more so in our cotton sector. Some of the most significant factors in this sense were the protectionist based conflicts between the USA and China which also affected Europe, the uncertainty caused by Brexit, social tensions in France and Hong Kong and the slowdown in the German economy.

A sense of lack of confidence and uncertainty instilled itself both in families and the business world, causing a slowdown in consumptions and investments, despite a financial context characterised by low interest rates and extensive liquidity. The Group in fact suffered a decrease in turnover of 7% compared to 2018, amounting to €141 million and stated a loss of €0.8 million in this challenging context.

Striving forward with the spirit that has always distinguished us, the Group has not decreased its evolutionary plans, on the contrary, it has accelerated them focusing on its pathway towards achieving product, process and organisational innovation. We launched ALBINI_next, a new Open Innovation centre inaugurated in July 2019 at the Kilometro Rosso Business Park in Bergamo. Our young talents immediately set-up successful collaborations with research centres, universities, suppliers and international customers, to develop innovative products in the fields of textile yarns, fabrics, natural dyes, recycling of production waste and complete production chain traceability, based on a perspective of a conscious and efficient circular economy.

Our strategic investment plan emerges even stronger after the evolution of the market caused by Covid 19. Our customers and consumers across the globe all manifest a growing demand for products that embrace concepts based on transparency, sustainability, environmental reliability, technologies and social policies, according to increasingly stringent quality and innovation standards and principles. The control over the entire production chain that the Albini Group provides, from the cotton fields to the finished fabrics, is currently a unique heritage in the industry, and a commitment that we intend to defend and develop for present and future generations.

Another important aspect is the use of digital processes, something that has proved itself crucial in the last few months, but something that Albini has been implementing for almost a decade with the digitalisation of our Bespoke service. In particular, in mid 2019 we launched a strategic digitalisation project for our collections, together with the development of a new original digital

showroom platform along with new B2B e-commerce services dedicated to our various customer segments. I would also like to recall the extended "agile work" experiment, which we successfully accomplished during the forced lockdown period of our offices, and will continue to implement, in part, also in the future, transforming it into an actual corporate operating mode.

The general reorganisation process also continued, with the main objective of highlighting internal talents, streamlining our processes and boosting integration and service levels of the individual functions. We also created a specific role dedicated to managing the growing customer demands for sustainable and traceable products. To conclude, as mentioned earlier on, we are focusing on young resources who are open to innovation and the transmission of knowledge in a developing path of virtuous mentoring between professional generations.

The industrial plan that was developed pre-Covid 19 was reviewed with Top Management, with revised yet nevertheless ambitious targets. Despite this period of great uncertainty, we believe that the solid structure of the Group and, above all, the exceptional quality of human capital at our disposal, will enable us to overcome this moment and lay the foundations for a recovery as soon as in 2021.

Finally I would like to thank our CEO Fabio Tamburini, my brother Andrea and my cousin Fabio, our management, all our Group employees and all our stakeholders for the continued support and collaboration we are receiving in this complex historical moment in time. A special thought goes to all our employees who have been tragically affected, both themselves and their families, by the health emergency that has hit the Bergamo area so harshly.

A special mention also goes to my cousin and partner Mimmo Guffanti, who passed away suddenly in September 2019. The notes below are dedicated to him and the every-living memory of Silvio.

Sincere regards

The President of Cotonificio Albini S.p.A

(Mr Stefano Albini)

143 YEARS OF SUCCESSES

1876

Zaffiro Borgomanero founded the company "Z. Borgomanero & C." in Desenzano sul Serio, in the borough of Albino (Bergamo).

1890

Giovanni Albini, grandson of Zaffiro Borgomanero, inherits the company and establishes itself on the local economy scene.

1919

His children, Riccardo and Silvio, respectively inherit the spinning mill, Industrie Riunite Filati, and the weaving mill, which took the name of "Dr. Silvio Albini & C.".

1930

New forms of organization and large investments in production facilities make it possible to face the 1929 crisis with a positive outcome.

1962

Installation of a new weaving room. Company management is handed down to the fourth generation: Giancarlo, Marino, Piero and Gianni.

1984-1990

Gradually enters the company the fifth generation of the Albini family, composed of Silvio, Stefano, Fabio and Andrea. In these years a great international development begins, accompanied by important investments for the modernization of the productive structure.

1992

Three historic English brands are taken over: Thomas Mason, David & John Anderson and Ashton Shirtings, along with a historical archive of over 700 volumes.

1996

The path of vertical integration starts with the acquisition of the finishing plant of Brebbia (VA).

It is during these years that the Albini Group starts to take shape. Manifattura di Albiate and Dietfurt S.r.o. (in Czech Republic) are purchased. In 2003, the production site in Mottola (Taranto), an exceedingly modern facility for fabric preparation and weaving was inaugurated.

2000-2006

The new Logistics Centre is built in Gandino (Bergamo), which also carries out final controls and chemical-physical tests on finished fabrics.

2008

2009-2010

The Mediterranean Textile weaving mill and the Delta Dyeing dye facility in Egypt become operational. In 2010 Albini Group begins the innovative project of cultivation of the finest cotton in Egypt called Giza 87 and Giza 45.

Albini Energia and I Cotoni di Albini are established and Albini Donna is born, a collection dedicated to the female universe.

2012

2011

Albini Trading Shanghai is founded and the finished fabric laboratory of the group receives the prestigious ACCREDIA accreditation.

Albini Group becomes an increasingly global reality and opens two new sales offices, one in Hong Kong and one in New York.

2013-2014

2017

The company invests in digital media through influencer marketing projects and launches the "Fabric Butler by Albini Group" app.

ALBINI_next is inaugurated, the think tank founded on the know-how of the Albini Group and on international and exclusive partnerships, with the aim of overcoming barriers and exploring new frontiers in the textile world.

2019

2018

The historic President Silvio Albini passes away unexpectedly in January. Stefano Albini becomes the new President. The Brebbia production site is awarded ISO 14001:2015 environmental certification and the "Traceable Fashion" project is born, in collaboration with Oritain.

ALBINI_next

THE THINK TANK FOR THE FABRICS OF THE FUTURE

The Albini Group launches yet another challenge and once again wants to be a pioneer in the textile sector. This is how ALBINI_next was conceived: a Think Tank born with the aim of overcoming barriers and exploring new frontiers on the international textile scene. A buzzing and innovative hub of ideas with an ambitious and revolutionary look at the future of the industry, based on the evolution of the know-how inherited by the Albini Group and its industrial and academic partnerships striving towards new challenging goals in creativity, materials and applied technologies.

Officially inaugurated on 8th July 2019, ALBINI_next aims to address the issues that will change the textile and natural fibre industries in the coming years, identifying new production processes to create the fabrics of the future: made from new raw materials of natural origin or derived from the recycling of other materials which are capable of achieving levels of performance that are currently inconceivable.

ALBINI_next is located at the Kilometro Rosso Business Park in Bergamo, a high-performing innovation hub and emblem of a dynamic and cutting edge mindset, creating ideas that are turned into tangible results to guide the change in the textile world, with the awareness that every winning idea is potentially also applicable to other sectors, and vice versa.

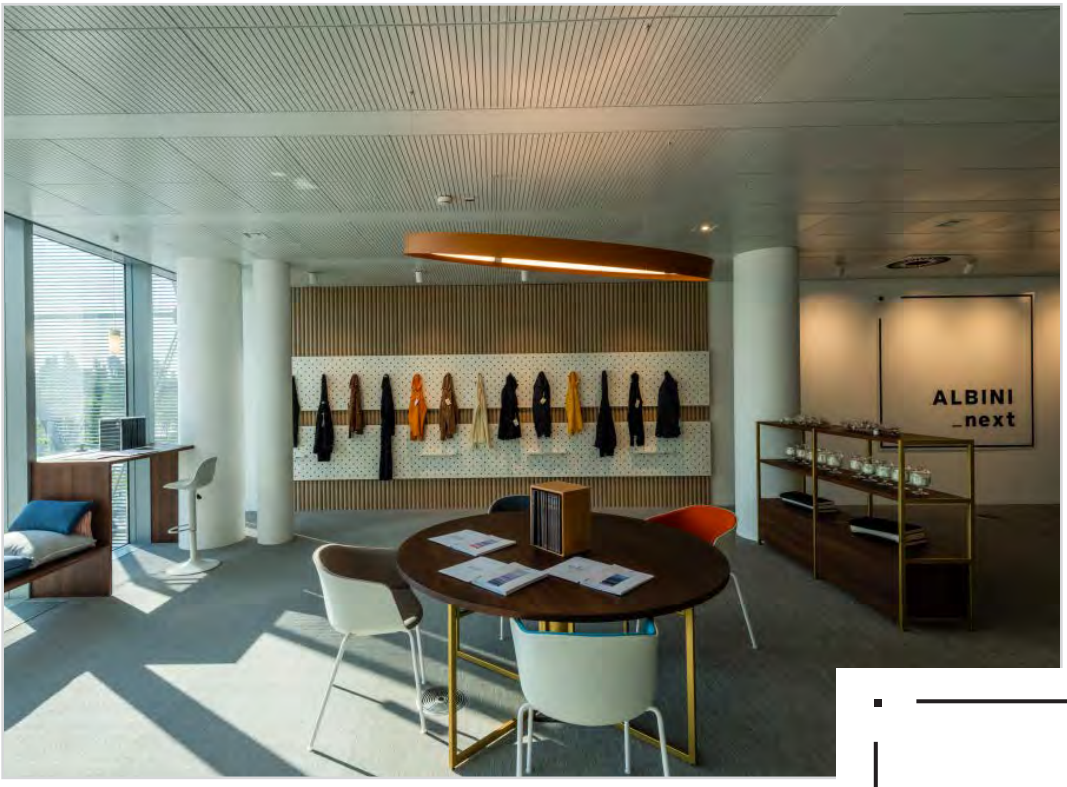
ALBINI_next is free of hierarchical structures, a new mindset for a barrier-free way of working that promotes the transfer of technology and provides team work incentives at two different levels:

- Exploitation – the enhancement of existing capacities and assets present in the company.
- Exploration – meaning, exploration and research, concepts that aim to identify new frontiers in textiles.

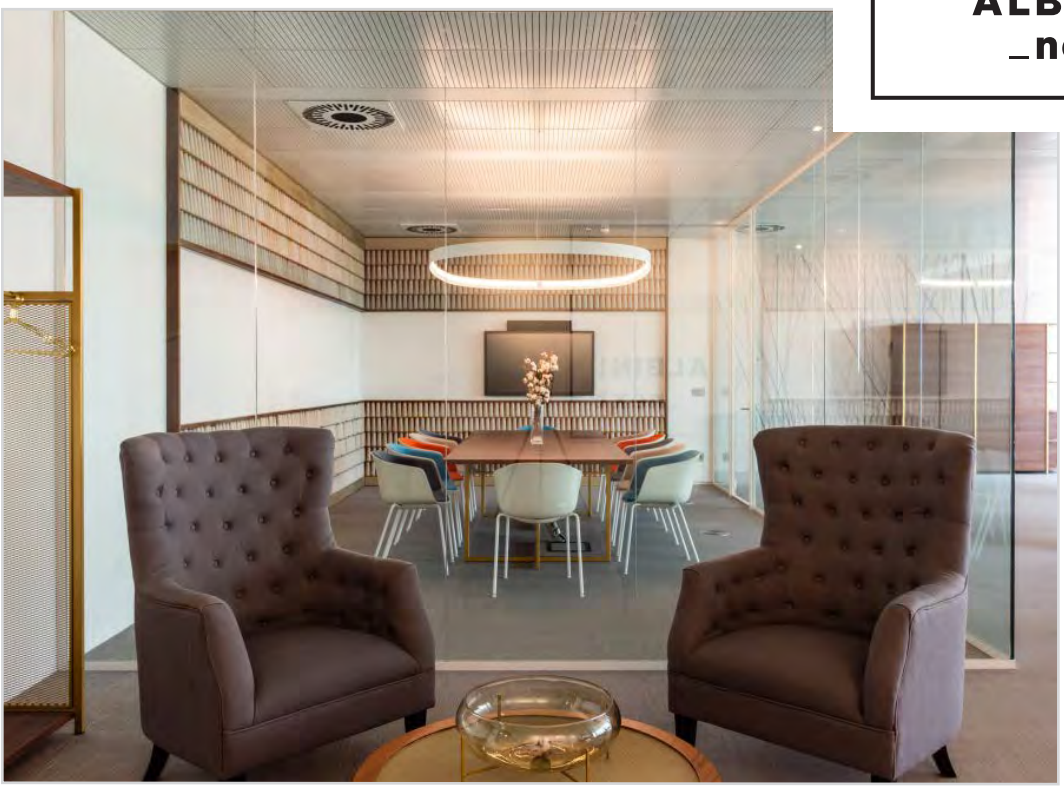
Each project is assessed by a Scientific Committee who decides if the presentation complies with all necessary requirements to deserve to go from concept to product ready for the market and maybe one day not too far away, worn by all of us. The innovation and sustainability projects started in 2019 by the team of ALBINI_next focused on 4 main areas of interconnected research:

1. Circular economy
2. Natural dyes
3. Sustainable finishes
4. New fibres

2019 also saw the presentation of HEMOTION®, the "Project Zero" of ALBINI_next, dedicated to wool. Coming from Australia and certified



ALBINI
_next



mulesing-free, the wool is spun with a cutting edge technique that draws inspiration from the cotton world, to obtain a super-fine, regular yarn of incomparable quality. HEMOTION® yarn produces a highly performing wool fabric that is light and thermoregulating, comfortable and with a natural elasticity, machine-washable, wrinkle-resistant and resistant to pilling.
During the year the ALBINI_next space has also hosted several events and meetings, such as for example NOW! #5, a project conceived and promoted by the Digital Innovation Hub in Bergamo and ALBINI_next to explore the frontiers of innovation and digitalisation in favour of enterprises operating in the Bergamo territory. Events such as this allow the creation of a network of reciprocity and professional relations, transforming ALBINI_next into a place dedicated to the exchange of ideas and opinions and information capable of promoting an ever increasing perspective of networking within the Bergamo and Italian territory.

ALBINI_next is DRIVING CHANGE!

SUSTAINABILITY
A GLOBAL APPROACH

Since 1876 the commitment of Albini Group has been to offer Customers superior quality fabrics, while protecting the environment and safety, contributing to the welfare of employees and the communities in which it operates. Fully aware that "textiles and clothing" is a particularly exposed sector in terms of environmental impact, Albini Group adopted some years ago a policy that is focused on accomplishing sustainability and continuous improvement. Traceability of the entire production chain, transparency of production processes and social accountability are mandatory requirements of the Albini Group modus operandi, whose strategy is perfectly in line with the Sustainable Development Goals (SDGs) promoted by the United Nations Organization in the 2030 Agenda. The 2030 Agenda for Sustainable Development is a program that envisages a world of universal respect for human rights and human dignity, the rule of law, justice, equality and non-discrimination signed in September 2015 by the governments of the 193 Member Countries of the UN. The Agenda's 17 Sustainable Development Goals (SDGs) aim at eradicating poverty in all forms and seek to realize the human rights of all and achieve gender equality and private enterprises are required to comply with the same. Albini Group operates directly or indirectly in respect of these goals, promoting them and helping to make the textile and fashion world more sustainable at both an environmental and social level.

Traceability, a mandatory prerequisite

The partnership with Supima continues, the highly renowned association of US cotton growers, and Oritain, the world leader in forensic science, thanks to whom the very first 100% scientifically traceable fabric has now been launched. Sponsored by the Albini Group, this project contributes to giving life to a production integration process that has adopted transparency as its major essential requirement. The cotton grown by Supima, then dyed and transformed into fabric by the Albini Group, is completely traceable by the end customer: a guarantee not only of the origin, but also of the quality and ethical production. All this is possible thanks to a vertically integrated supply chain put in place by the Albini Group and a highly innovative scientific method developed by Oritain. In 2019 the traceability technology was also applied to the organic version of the Supima cotton and to BIOFUSION® that will be used significantly in the 2020 collections, and we have also started the

procedures and studies to extend the application also to other raw materials supplied by the Group, from Egyptian to Sea Island cottons.

Orientation towards increasingly sustainable fabrics

The Albini Group has created its own in-house specialised team that works consistently on the research of the most prestigious and sustainable raw materials, in line with the Group's strategy and consistently with the market's increasing demand for sustainable and quality products. In fact, 2019 saw a marked increase in the use of Organic Cotton and TENCEL™ Lyocell within the collections of the four brands of the Group, producing fabrics that meet and surpass the highest standards of sustainability and quality. Fabrics made with recycled yarns were also presented, which allow you to achieve a reduction in the consumption of water and energy, and with new generation fibres such as EVO®, produced by cultivation of castor seeds, and Q-NOVA®, an ecosustainable nylon fibre obtained from regenerated raw materials.

Albini Group supports BCI and The Egyptian Cotton Project

For the Albini Group, producing sustainable fabrics also means extending the adoption of more transparent agricultural practices within new geographical and productive contexts. This commitment is demonstrated by the partnership that the Group renewed with BCI and in favour of The Egyptian Cotton Project. Once again this year the Albini Group is delighted to continue its partnership with BCI - Better Cotton Initiative, the non-profit organisation whose goal is to improve the social and environmental impact of the cultivation of cotton at a worldwide level. BCI, together with UNIDO, also created the The Egyptian Cotton Project, of which the Albini Group is an active supporter. Despite the fundamental importance that it has in it Country, the Egyptian textile industry still plays a marginal role in the global textile value chain: it suffers from a lack of innovation, high input prices, limited skilled labour and very low sustainable farming practices. The Egyptian Cotton Project strives to improve the sustainability and the transparency of the cotton value chain in Egypt, improving economic, social and environmental performances of farmers and cotton producers and strengthening the support institutions.

Concrete evidence of sustainability

Albini Group pays utmost attention to saving electricity and water throughout all its processing phases. Thanks to the consistent supervision and guidance of Albini Energia, the Group's Energy Service Company, technologies for the reduction of water and energy consumption are maintained and fully

implemented. The first figure that provides evidence of the Group's efforts in the environmental sector refers to the energy consumed: 70% comes from renewable sources. Weaving is definitely the productive phase having the most impact at an energy consumption level, as regards to both electricity and gas. Two co-generators have been installed at the Albino and Brebbia plants, which transform gas into electrical energy, which hence require constant monitoring of the interrelated aspects of both gas and relative energy consumptions. Thanks to these co-generators we are therefore capable of producing our own energy from renewable sources. Of the different phases of the production process, the dye process is the sector that requires the greatest amount of water. In 2019 the average consumption of water used in the dye phase amounted to 200 litres of water per kg of yarn, in line with the previous year and hence confirming a decrease equal to about 30% compared to the previous 2018-2019 biennial. The Group continued to pay utmost attention to the production, recovery and recycling of waste, achieving significant results also in this area. 2019 saw a 25% decrease in waste products and the recovery of 99% of the same. The results of the recycling of plastic waste were also important, which is managed

at the highest impact sites in a circular economy perspective: 2019 saw a 15% increase in waste plastics that were recycled, rising from 70% in 2018 to 85% this year. The recycling procedures for textile waste put in place the previous year were maintained, accomplishing a recycling percentage of 31% of total textile waste.

Elimination of hazardous chemicals

The incentive from the market, together with our clear vision on Sustainability, urged us to search for solutions for a more sustainable production also from a chemical point of view, and for this reason Albini Group has become an official ZDHC (Zero Discharge of Hazardous Chemicals) contributor, the NGO that aims to protect the health and environment of consumers, workers and the territory, thanks to a management system of all chemical substances used inside and outside of textile and fashion sector enterprises. The values in which we believe and our sensitivity to environmental issues have led us to face in a systemic manner the issue of the risk of toxic and harmful chemicals, integrating activities and controls within the production cycles aimed at gradually eliminating their presence, with the clear objective of safeguarding

both mankind and the environment. A commitment that goes beyond compliance with standards and regulations and contributes to achieving the Sustainable Development Goals (SDGs) promoted by the United Nations Organisation in the 2030 Agenda. Taking part in this action program and working towards achieving some of these objectives, allow us to guarantee higher quality of wastewater attributable to our production and establish production collaborations with other enterprises, which are fundamental cornerstones of our action plan strategy.

In fact the Albini Group has built its structured pathway for the adoption of the Chemical Management 4sustainability® protocol on these same objectives. Achieving an excellent chemical management system, designed according to a process as well as a product based approach, testifies the commitment of the Group at an applied sustainability level. The process of elimination of chemicals that are toxic and harmful to human health and the environment, in fact, contemplate the control of the entire production cycle: from the introduction of the raw materials within the company (input) to the different stages of production (process), the management of effluents and placing on the market of the product (output). Albini Group decided to adopt the Chemical Management 4sustainability® protocol as it uses a precise and defined method to implement the MRSL (Manufacturing Restricted Substance List) applied by ZDHC, orienting the company towards gradually achieving the shared goals by means of a single management system, to be put in place with a duly comprehended project, regular training and updating and a constant monitoring of the level of application over time.

More specifically, the project implemented by the Albini Group for the adoption of the Chemical Management 4sustainability protocol foresees the appointment of an internal Chemical Manager and a Chemical Management Team, who will work together in drawing up a company chemical management procedure, aimed at establishing relative roles and responsibilities, ensuring purchases comply with internal standards and maintaining the control and monitoring of all the processes, also thanks to the use of the 4s Platform, a digital platform developed for data management and constant evaluation of the evolution of the implemented system. The protocol also foresees the collection of information from corporate management systems, aimed at ensuring the traceability of the product, and creation of statistical sampling and control plan by means of a test system based on risk assessment. Taking part in this project implies the mapping and qualification of the production

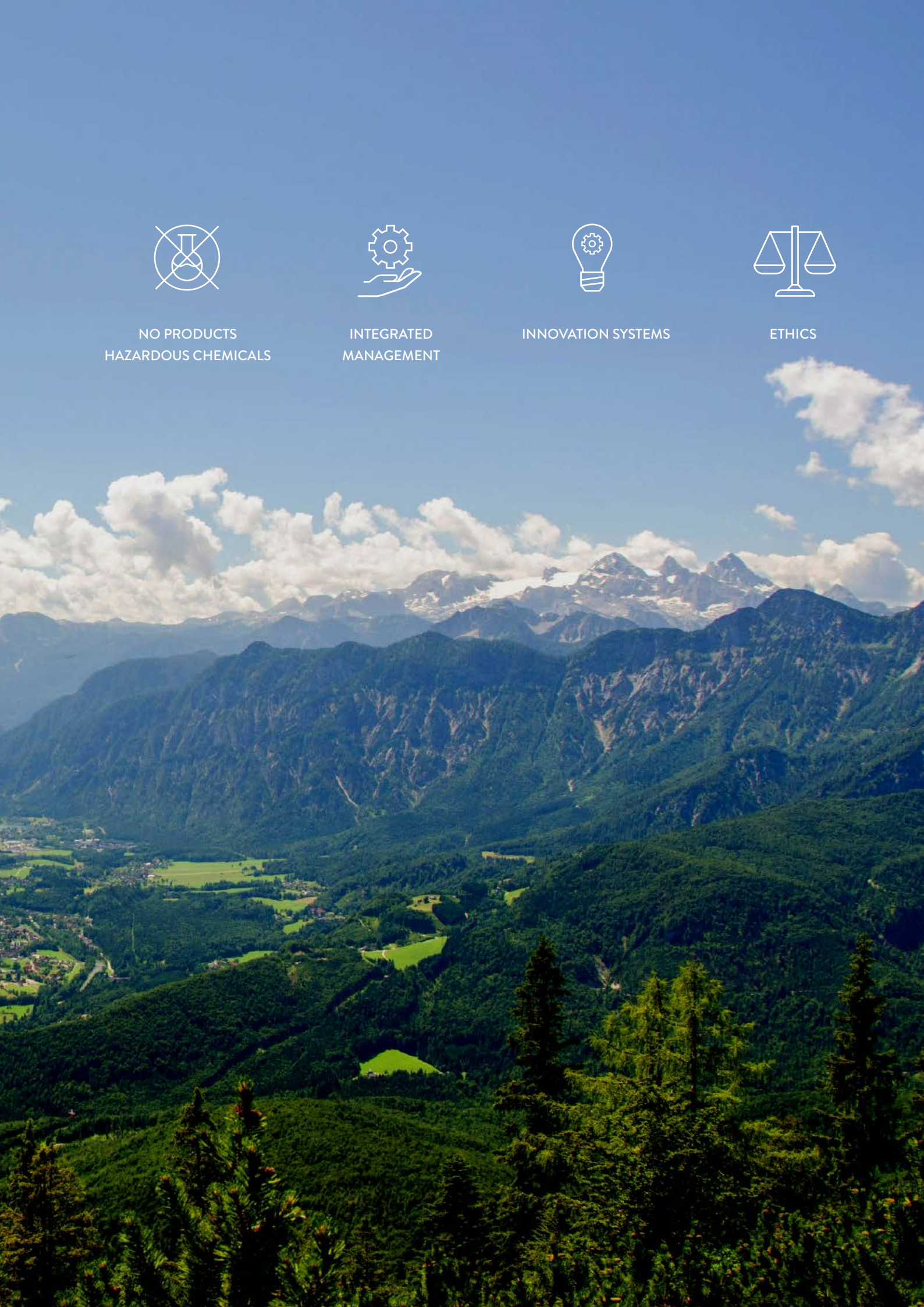
OUR SUSTAINABILITY STRATEGY

TRACEABILITY

QUALITY

ORGANIC
RAW MATERIALS

PERFORMANCE
ENVIRONMENTAL


NO PRODUCTS
HAZARDOUS CHEMICALS
INTEGRATED
MANAGEMENT
INNOVATION SYSTEMS
ETHICS

chain, with the consequent identification of the chemical risk categories. Accomplishing this objective, in line with the strategies of the 4sustainability® protocol, foresees the implementation of the Chemical Inventory and the qualification of chemicals according to the levels indicated by specific ZDHC (ZDHC Gateway and Conformance Guidance) protocols, in addition to the application of the PRSL (Product Restricted Substances List) 4sustainability® for the qualification of raw material suppliers. This therefore requires the involvement of the suppliers in the planning of common objectives by means of training activities, distance assessments and on-the-spot audits, as well as the collection of Chemical Management KPIs, with particular reference to processing operations with high chemical risks.

Integrated management systems

In order to implement its sustainability strategy, the Albini Group strongly believes in the implementation of integrated management systems. 2019 was a year of confirmations: the integration of management systems commenced aimed at laying the foundations for the extension of the ISO 14001:2015 certification to all Cotonificio Albini SpA facilities.

There is no such thing as sustainability without innovation

ALBINI_next was inaugurated on 8th July 2019, a Think Tank which focuses on overcoming barriers and exploring new frontiers on the international textile scene. The key drivers of this new project are innovation and sustainability, based on the idea that innovation only exists if it is able to generate value on the three main axes of sustainability: People, Planet and Prosperity. This is the only way to generate new responsible and future-proofed economic models. ALBINI_next looks to the future without forgetting its roots: it strives to accomplish the development of new technologies and skills, new behaviours, tools, organisational and collaborative models, pursuing the objective of creating an ecosystem capable of generating value.

The innovation and sustainability projects launched in 2019 by the ALBINI_next team focus on 4 main areas of research:

1. Circular economy
2. Natural dyes
3. New fibres
4. Sustainable finishes

For each of these areas the objective is to develop projects that deliver short term results (from 6-8 months maximum) and long term innovation (2-5

years). The tangible results will be visible during the course of 2020, but it is in the last few months of 2019 that the theoretical and research pillars and foundations were laid to ensure that these projects could actually move forward towards the operational phases.

Circular economy

The primary objective of ALBINI_next is to find a method capable of minimising the impact that the company has on the planet. How? To start with by minimising the production and disposal of textile waste. And it is this perspective that it started to collaborate with universities, research centres and with a number of Customers to give life to alternative uses of our waste fabrics and other viable activities based on recycling or recovery at an upcycling level. We evaluated both mechanical and chemical recycling technologies, aimed at the production of new yarns in cellulosic fibres. At a mechanical recycling level, we initiated collaborations with international industrial partners and customers

so as to produce fine superior quality yarns for the production of shirt fabrics from textile waste. This is a somewhat complex challenge, but one that could lead to a real revolution in the textile world. Chemical recycling is one of the long-term projects, because this technology is not yet industrialised. In this context 2019 witnessed the consolidation of interesting partnership with international startups and customers, launched with the common goal of realising and testing textile waste dissolving and spinning technologies. Within the context of recycling and circular economy, alternative uses of textile waste were studied, for example for the production of paper. The final objective, possibly feasible in 2020, is to replace a part of the virgin paper used in the company, with a recycled product generated from our own textile waste. Paper is not the only solution conceived by the ALBINI_next team: there are many long term business models which were analysed and able to develop tangible circular economy strategies.

Natural dyes

One of the first studies initiated by ALBINI_next refers to the proposal of using natural dyes for the Group collection fabrics. Based on the circular economy new partnerships with food companies present on the national territory were developed, with an aim to using food waste for the production of natural dyes. At the same time various studies have been conducted on minerals, already extensively used in the textile sector. The challenge ALBINI_next has set itself refers to increasing and improving the performance of this type of material. Finally, we also worked on the bio-pigment aspects, achieved using fungi and bacteria. For this latter project we have availed ourselves of the support of different research centres and national and international universities, as well as the collaboration of a number of customers open to this new feasible dye concept.

New fibres

ALBINI_next is leading a collaboration with various companies in the sector who have come together to find and develop new alternative and sustainable fibres. In this respect, a long term project for the production of fibres was initiated which are both biobased, therefore from renewable and biodegradable sources. At present there are no fibres available with both these characteristics: it is therefore an exceptionally important and ground-breaking research still in its initial phase, but from which we hope to obtain results that can expand and extend beyond the boundaries of the current world supply of sustainable fibres.

Sustainable finishing

We conducted several different research projects in 2019, in collaboration with state-of-the-art companies, focused on the study and consequent implementation of new sustainable finishes, with the ultimate goal of achieving a reduction in the environmental impact that this production phase has on the environment. This type of research requires many months of work, theoretical study and practical experimentation, consequently the results of these projects will be applicable in 2020.

Social sustainability: people and territory

The goal that the Albini Group set itself is to make employees thrive in safe environmental and working conditions, providing the necessary know-how to carry out their duties to the best. Albini Group has in fact become a point of reference for the places in which it operates, collaborating actively with the public administrations and the main local organisations. As far as the Group is concerned, environmental and social sustainability represents the starting point for the creation of shared values that can develop into a growth path based on continuous improvement.

Albini Group, an ambassador of sustainability

In a year that sees the ecology and social responsibility at the centre of public debate, the Albini Group was called upon to illustrate its sustainability strategy and commitments during a number of different events and conferences dedicated to sustainable change that the fashion world is currently experiencing.

Stefano Albini, Chairman of Albini, spoke at the "Introduction to BCI" event, organised by Better Cotton Initiative and UNIDO, to testify how the adoption of this standard promotes improvements for the environment, the farming community and the economies of areas producing cotton. Stefano Albini was invited to speak on the importance of the Circular Economy also during the Luxury Summit, held in Milan and organised in collaboration with Il Sole 24 Ore. The Group also attended the MFGS - Milan Fashion Global Summit - on the "Global research and sustainability leaders" panel, dedicated to the world of textile enterprises and during which the Group illustrated its growth path in terms of traceability. During this event, the Albini Group also received an MF Supply Chain Award in the GREEN CHAIN category. The company received recognition for its ALBINI_next project, which aims to identify the fabrics of the future and new production processes, deriving from nature or the recycling of other materials, bringing natural fibres to ultimate levels of performance. To conclude, the Albini Group was also selected as one of the protagonists of the September edition of GIVE a FOK-us, the WHITE Milan hub dedicated to sustainable innovation and social change, which explores the relationship between fashion, society and nature aimed at focusing attention on sustainability, circular economy and innovation. The Albini Group presented an installation structured with three different paths on the creation of the first Supima cotton fabric 100% scientifically traceable from the cotton field to the fabric.

RAW MATERIALS

PRESTIGIOUS, RARE AND SUSTAINABLE

The quality of the Albini Group fabrics begins with research and with the responsible choice of the most precious and sustainable natural raw materials, strictly selected and cultivated with respect for the environment and the populations. 2019 continues in this direction and sees the study and the introduction of BIOFUSION® and HEMOTION® as part of the products supplied by the Group, further confirmation of the propensity towards continuous improvement that has characterised the Albini Group for the last 143 years.

Giza 45

The finest among the Extra-Long Staple Egyptian cottons, with a long and particularly resistant fibre. Cultivated in a small area of the Nile Delta, this cotton is harvested manually and has an annual production of about 100 bales. What makes this cotton so exceptional, however, is the fineness of its fibres, ideal for creating fabrics of extraordinary quality.

Giza 87

One of the most exclusive cottons in the world, Giza 87 is the brightest version of the Extra-Long Staple Egyptian cottons. Ideal for the production of exceptionally bright and brilliant white fabrics that do not degrade over time, on the contrary, their softness and freshness increase wash after wash.

Sea Island - ALISEO®

The West Indian Sea Island is one of the rarest and most ancient and precious variety of cotton in the world. Mainly cultivated in Jamaica and Barbados, Sea Island cotton stands apart from all other species due to its unique characteristics: the remarkable length and strength of the fibre, the excellent percentage of uniformity and the unique shine and brightness. This combination makes it possible to produce incredibly fine, hard-wearing, bright and silky fabrics, ideal for exclusive and refined garments.

SUPIMA® and organic SUPIMA®

Supima is an Extra-Long Staple cotton renowned for its unique long and fine white fibres. Cultivated mainly in California, Arizona, Texas and New Mexico, among its identifying characteristics is the absence of fibre pollution due to mechanical harvesting and a remarkable resistance to pilling. The particular clean bright aspect makes it ideal for the production of white fabrics. This variety of cotton is also available in the organic version, the production of which is controlled and managed directly by the Albini Group thanks to the direct relationships it has engaged in with the American farmers. SUPIMA® and organic SUPIMA® are also available in the traceable version.

GIZA 45

An average production of 100 bales per annum (0.4% of all Egyptian cotton).

GIZA 87

Giza 87 is one of the most brilliant versions of the Extra-Long Staple Egyptian cottons.

SEA ISLAND - ALISEO®

The Albini Group has exclusivity rights over the production in Barbados.

SUPIMA® and organic SUPIMA®

Its length, resilience and finesse are above normal standards.

BIOFUSION®

Is a 100% organic blend characterised by long and resilient fibres.

ORGANIC COTTON

Organic production systems are used to cultivate this cotton.

BIOFUSION®

BIOFUSION® is a 100% organic blend of SUPIMA® and an American long-staple cotton, characterised by long and hard-wearing fibres. Thanks to the close relations established with the American farmers, Albini Group is actively involved in the direct management and control of the cultivation of cotton that comprise the 100% American origin BIOFUSION® blend. The choice made to start the production of this new variety of organic cotton in the United States guarantees total compliance with the essential requirements for a product to be defined 100% organic. The American regulation on organic products (NOP - National Organic Protection) is in fact exceptionally comprehensive and foresees ultra strict control and full implementation of the legislation. As of 2020, the traceable version of BIOFUSION® will also be available.

Organic cotton

Choosing an organic cotton fabric is a key ethical choice to showing respect for the environment and its populations, without however foregoing the Made in Italy style and excellence. To be classified as organic, cotton must come from organic farming plantations which comply with four fundamental requirements:

1. The soil must have produced exclusively organic products for the three previous years
2. The seed must be OGM free
3. No chemical fertilisers, pesticides and insecticides can be used
4. Natural defoliation

During the course of 2019 the Albini Group expanded its range of organic cotton thanks to the introduction of BIOFUSION®, which joins SUPIMA® in its organic version and the more generic organic cotton of Chinese origin. Although the latter complies with all specifications and is characterised by the outstanding length and strength of its fibres, new strategies were launched during the course of 2019 aimed at replacing the generic organic cotton of Chinese origin with BIOFUSION® within June 2020, in favour of accomplishing increased quality, control and traceability of the entire production chain.

Linen

The secret behind the finest linen shirting fabric in the world is hidden in a beautiful light blue flower that grows on the Normandy cliffs. The linen grown in northern Europe is recognised to be the best in the world. Its quality makes it possible to create refined and natural fabrics, with excellent characteristics: maximum durability, high moisture absorption capacity, insulating and thermoregulating properties.

TENCEL™ Lyocell

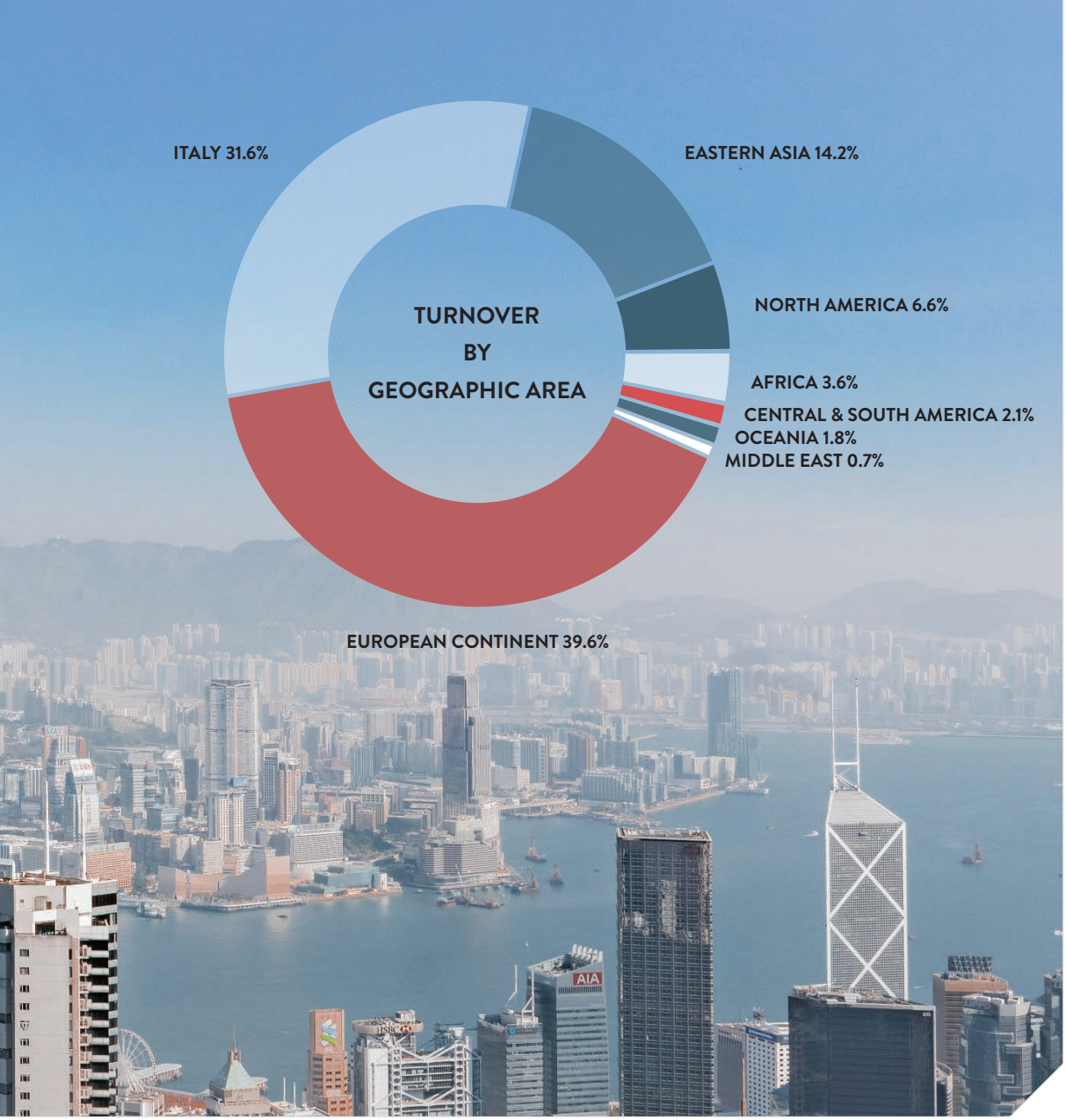
Of plant origin, this fibre is extracted from the cellulose from the forests of eucalyptus trees in South Africa, whose cultivation is managed in a sustainable way. Thanks to the natural, smooth and voluminous structure of the TENCEL™ Lyocell fibre, the fabrics are particularly silky and soft on the skin, giving a feeling of comfort and naturalness.

Wool - HEMOTION®

Thanks to its partnership with the Scneider Group, the premium wool coming from Australia and certified mulesing-free used by the Albini Group is super-fine and characterised by its natural elasticity and thermoregulating properties. All the wool used by the Group is spun with a cutting edge technique that draws inspiration from the cotton world, to obtain a super-fine, pilling resistant regular yarn of incomparable quality.

INTERNATIONALISATION
MADE IN ITALY, GLOBAL STRATEGY

Italian roots and an international vocation: this is the key to the success of the Albini Group which, in 2019, directly exported 68% of its turnover to 80 countries worldwide. An internationalisation strategy with a global approach that, starting from local investments and attention, allows the Group to anticipate and respond more efficiently to the demands of each individual market. The results achieved in 2019 confirm the consolidation of the Albini Group in the high and medium-high end of the Italian market, accounting for 31.6% of total turnover. In line with the previous years, the European continent confirmed its position as the reference market of the Albini Group, representing 39.5% of total turnover. 2019 also saw the consolidation of the Group's presence in North, Central and



Southern America which, thanks to specific growth and penetration strategies, represented the second most important market for the Group, following in the footsteps of the European continent. Excellent penetration levels were also achieved in Africa, with a significant increase over the previous year. The presence of the Group in the Oceania, Asian and Middle East markets was once again confirmed in 2019. This general overview highlights how the Made in Italy quality of the Albini Group, along with the services provided, continue to be highly appreciated and sought after, making the Group a highly desired industrial partner whilst demonstrating continued growth in awareness and attention to the values that Albini Group fabrics represent in the world: quality, creativity, excellence and innovation.

HUMAN RESOURCES AND TRAINING

THE VALUE OF HUMAN RESOURCES

The corporate vision adopted by the Albini Group reflects a strong interest in equal opportunities, multiculturalism and the personal characteristics of individuals. As far as the Group is concerned, each and every collaborator has a unique value, which must be protected and encouraged so that each individual is able to fulfil and accomplish corporate and personal goals. During the course of 2019 a project was launched aimed at realising a mapping of the company's human resources adopting a system based on the assessment of skills and potential to be used by all corporate managers with regards to all their collaborators. This analysis supported Senior Management, in collaboration with the heads of the various operational areas, in the defining of specific and structured skill analysis and development plans, aimed at encouraging individuals to achieve their own personal and corporate goals and to promote a clear, open and effective communication between the various key corporate roles. Albini Group expresses its commitments and ethical responsibilities adopted during its business and corporate activities, as well as the values and principles that inspire its conduct and modus operandi, in its "Code of Ethics and Environmental Responsibility" document which was updated during the course of 2019.

Valorisation of skill-sets

In line with the principle of valorising talents and skill-sets, each year Albini Group invests in its collaborators, offering the possibility of attending highly specialised courses. In 2019 three employees took part in the "Academy of the textile chain" technical path organised in collaboration with Confindustria and aimed at improving technical knowledge on specific aspects of the textile industry. Language courses continued to be provided, especially to those with roles that require them to interface with the international market, along with vocational training. 2019 witnessed the start of an internal textile training programme with the objective of consolidating the technical knowledge of the Customer Service Department, and a further more specific one on the production process organised for weaving personnel. Additional courses related to the Organisational Model 231, advanced training on Fashion Law and environmental aspects. The main focus of such corporate training was definitely sustainability, understood in the broadest sense. In fact courses on the current European REACH legislation were organised according to specific company roles, regarding the management of chemical substances, concerning the European ADR Agreement on the transport of dangerous goods, the affiliation of the Group with the international ZDHC programme and finally lessons on the Risk Management aspects mainly for the participation of Corporate Management.

Safety, protection and well-being

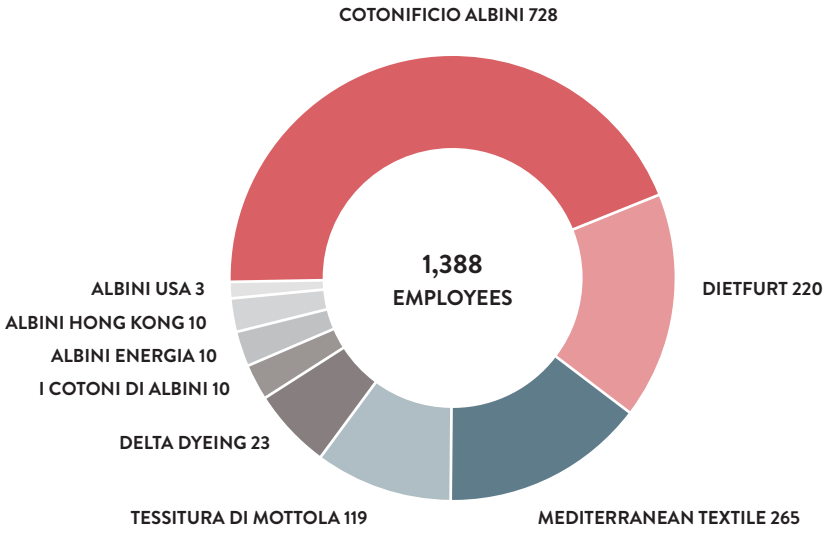
Strict standards of ethical conduct which promote the safety, health and well-being of all workers are endorsed and respected throughout all our facilities. The training and the raising of awareness of the various professional figures on procedures and organisation of safety conditions continued in 2019. The company has always paid particular attention to safety and ergonomic aspects, as well as the decrease in manual operations. Also in 2019 this commitment led to a consistent decrease in the number of total injuries that occurred within the Group's plant facilities.

The importance of collaboration

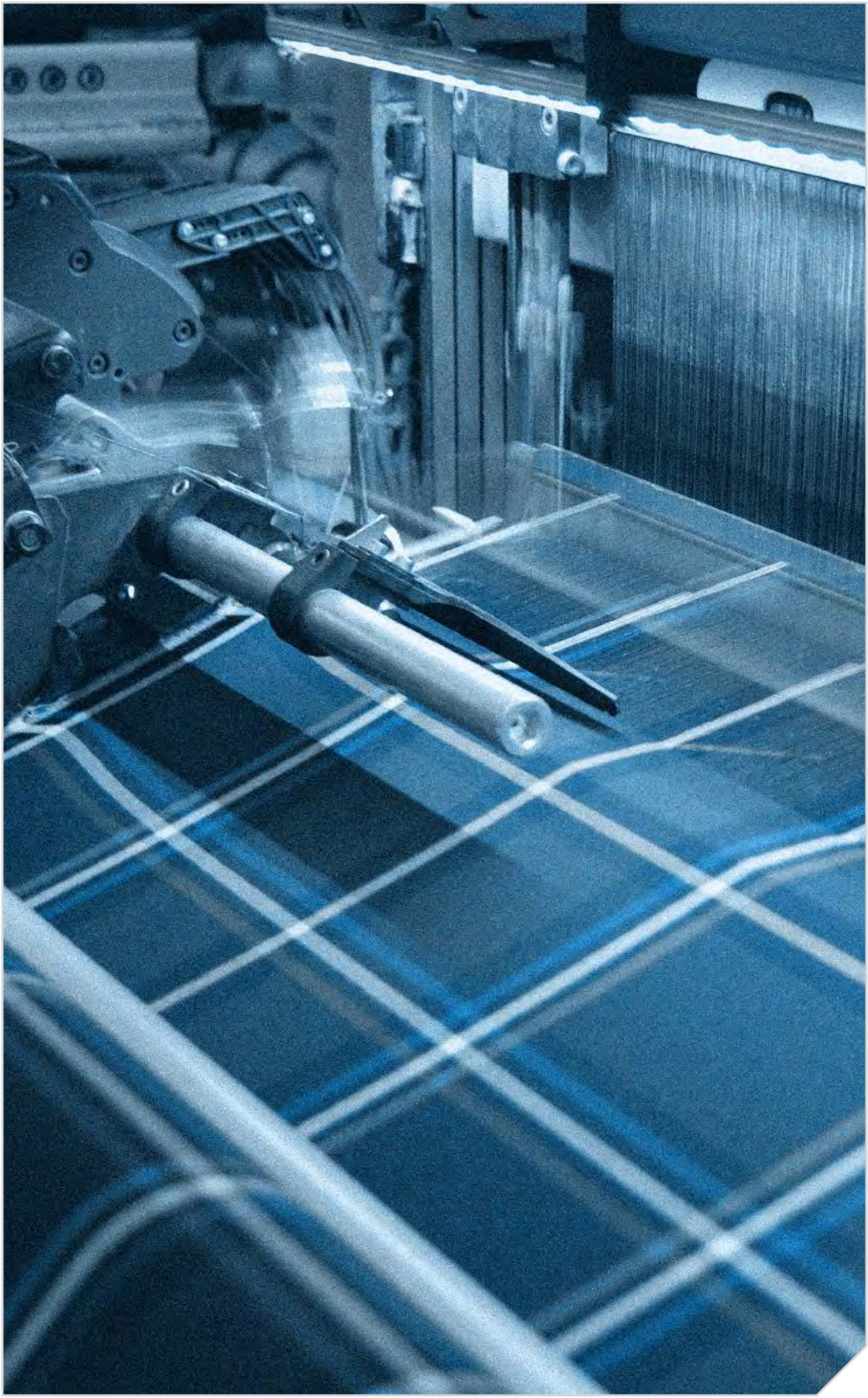
Albini Group believes in the work and talent of future generations and in the excellence of Italian fashion schools. For this reason it collaborates every year with the top institutes and universities in the area, offering training courses, vocational courses and taking part in the initiatives organised by the same. Once again the collaborations with the major sector institutes including the MAFED, Master in Fashion, Experience & Design Management of the Bocconi University and Summer School, the Biella Master of Noble Fibres, the Maragoni Institute in Milan and the European Institute of Design (IED) were renewed this year. Collaborations also continued with the technical institutes in the area, encouraging the orientation of youngsters towards the textile sector.

A bridge to the future

Albini Group has always believed and invested in youngsters with the objective of discovering new talents, enhancing their growth path and strengthening relationships between the company, schools and universities across Italy. In fact, the professional growth of youngsters is a key priority for the Group and, in 2019 alone, 33 internships were offered of a curricular, extracurricular and school-work alternation type.

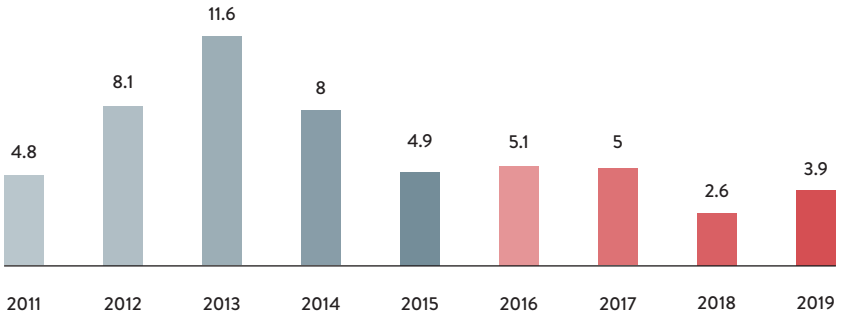



I made
your
fabric



INVESTMENTS IN 2019
FOR A STATE-OF-THE-ART COMPANY

Albini Group has always believed in the importance of continuous investments both in terms of plant and production facilities as well as in Research and Development. The investments implemented during the course of 2019 amounted to 3.9 million euro, mainly designated to adjustment and expansion works on the fire protection systems at the Group facilities, the purchase of new machinery for the production structures and the realisation of ALBINI_next, the new Albini Group Think Tank, located at the Kilometro Rosso Business Park in Bergamo and focused on change and sustainable innovation in the textile world. Investments were also made during the year to purchase new software, to implement the innovative IT systems and the project digitalisation processes. In addition to the above, the Group also invested 5 million euro allocated to the R&D area, with the aim of researching and achieving new solutions that can guarantee the company a competitive advantage on the market. Albini Group has adopted a global investment plan, which involves every single area of the Group and allows the company to maintain its Group leadership position in the textile sector.



INVESTMENT PERFORMANCE (million Euro)

FOUR BRANDS
FOR ABSOLUTE QUALITY

The Albini Group collections are based on four different brands, linked together by the Group's DNA, and the result of a painstaking selection of the most precious raw materials, meticulous attention to detail and an excellent manufacturing tradition. Albini 1876, Thomas Mason, Albiate 1830 and Albini Donna target consumers with defined tastes and different demands, and their collections testify to the excellence of the Albini Group across the globe.

ALBINI 1876

Looking ahead

Constantly innovative - Perfectly Italian - Cutting-edge

ALBINI DONNA

Refined audacity

Refined - Audacious - Surprising

THOMAS MASON

Unconventionally iconic

Excellence - Timeless elegance - Audacious creativity

ALBIATE 1830

Beyond ordinary casual

Young - Casual - Explorer

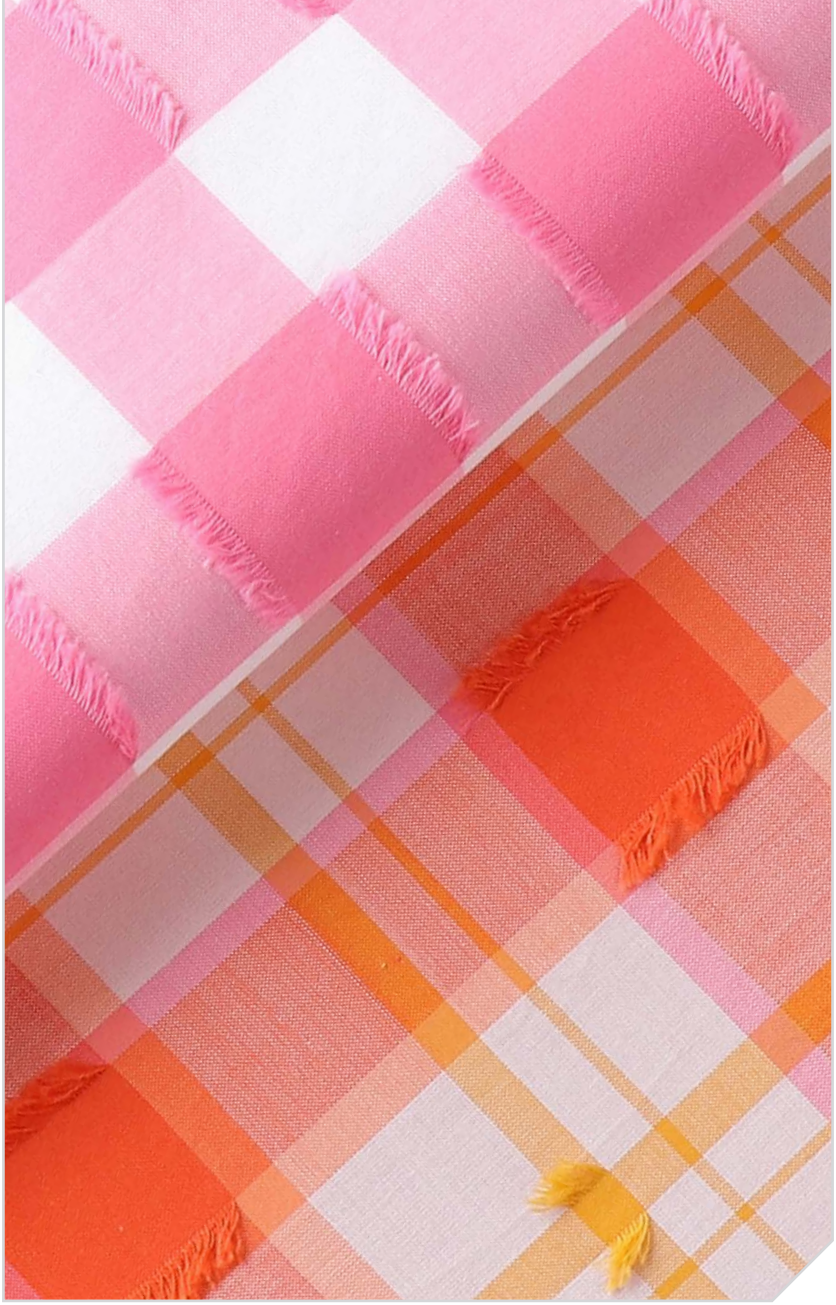
Excellence guaranteed

In addition to exceptionally versatile seasonal collections capable of responding to the specific demands of each market, the four brands also guarantee important services to their Customers. Thanks to their innovative service programs, they offer a wide range of fabrics that are always in stock and promptly available. This proposal is renewed every six months, to stay abreast of changing demands and the trends of the moment. Furthermore, every season Albini Group creates an average of 4,000 exclusive fabrics: bespoke products to meet the specific requests of a single Customer, which not only guarantee the uniqueness and exclusivity of the design, but also the colour of the yarn used. This prestigious service allows the Customer to be able to count on a customised and bespoke creative development: no one else will have that same fabric.

Given their Made in Italy design and manufacturing with state-of-the-art technology, the Albini 1876 fabrics have a history of pure excellence. The essence of the brand is brought to life by the research conducted on the best raw materials, combining tradition, elegance and innovation. This important textile know-how is interwoven with a unique creative vision, expressing a contemporary and deep-rooted Italian taste. Every season the Albini 1876 fabrics become the benchmark for fashion trends whilst inspiring designers, fashion houses, tailors and retailers. From a classic to a more informal mood, all the Albini 1876 fabrics are surprisingly eye-catching given their exclusive and highly innovative properties and performances, representing the excellence of Made in Italy all over the world.

THOMAS MASON
1796

Thanks to its heritage boasting an eccentric and refined mood, Thomas Mason is renowned for its stylistic revolution, exceptional quality and timeless elegance, becoming the reference point in the world of men's tailoring. A history of style dating back to 1796 that since then has continued to weave new stories of elegance and style, interweaving a strong creative vision with a contemporary, original and international mood. British colours, daring patterns and extra-fine yarns are the result of the best raw materials and state-of-the-art spinning and weaving technologies. Thomas Mason fabrics tell stories of excellence, blending tradition, elegance and craftsmanship, and guarantee innovation while retaining their iconic status.

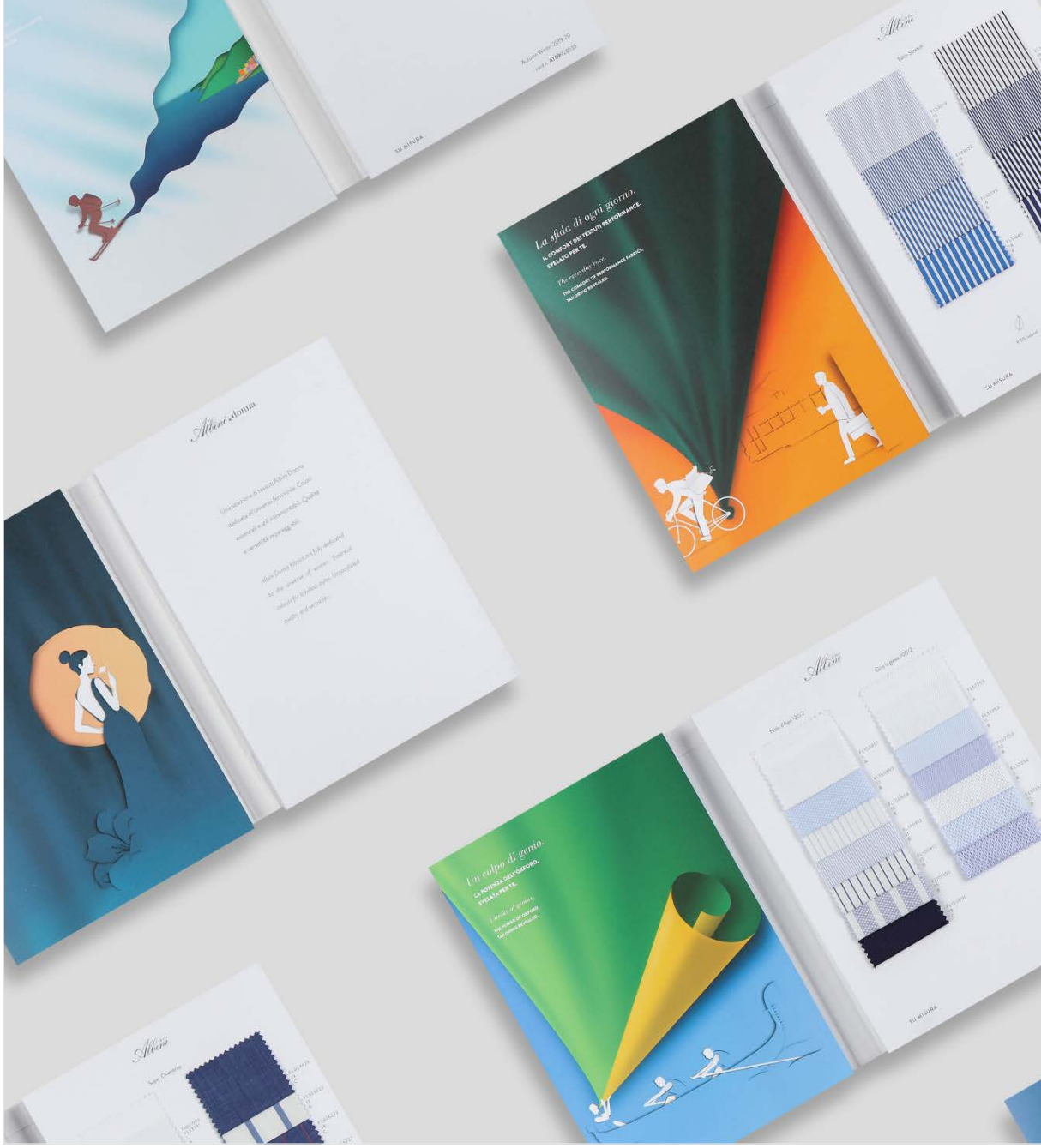


Albini, donna

Albini Woman reinvents the codes of feminine elegance and surprises with its bold and audacious sophistication. A brand whose recent roots, consisting of textile know-how, prestigious raw materials and extensive research, interweave in a new exciting pathway, bringing a unique and versatile proposal to the market, which surprises and changes from season to season. With the Albini Donna lines, tradition evolves thanks to fabrics conceived for a refined and elegant woman, who loves timeless garments and sheer class whilst embracing surprising contemporary and inspiring trends. A woman who is independent, dynamic and never bland, who expresses her own personality and femininity in her outfits.

ALBIATE 1830

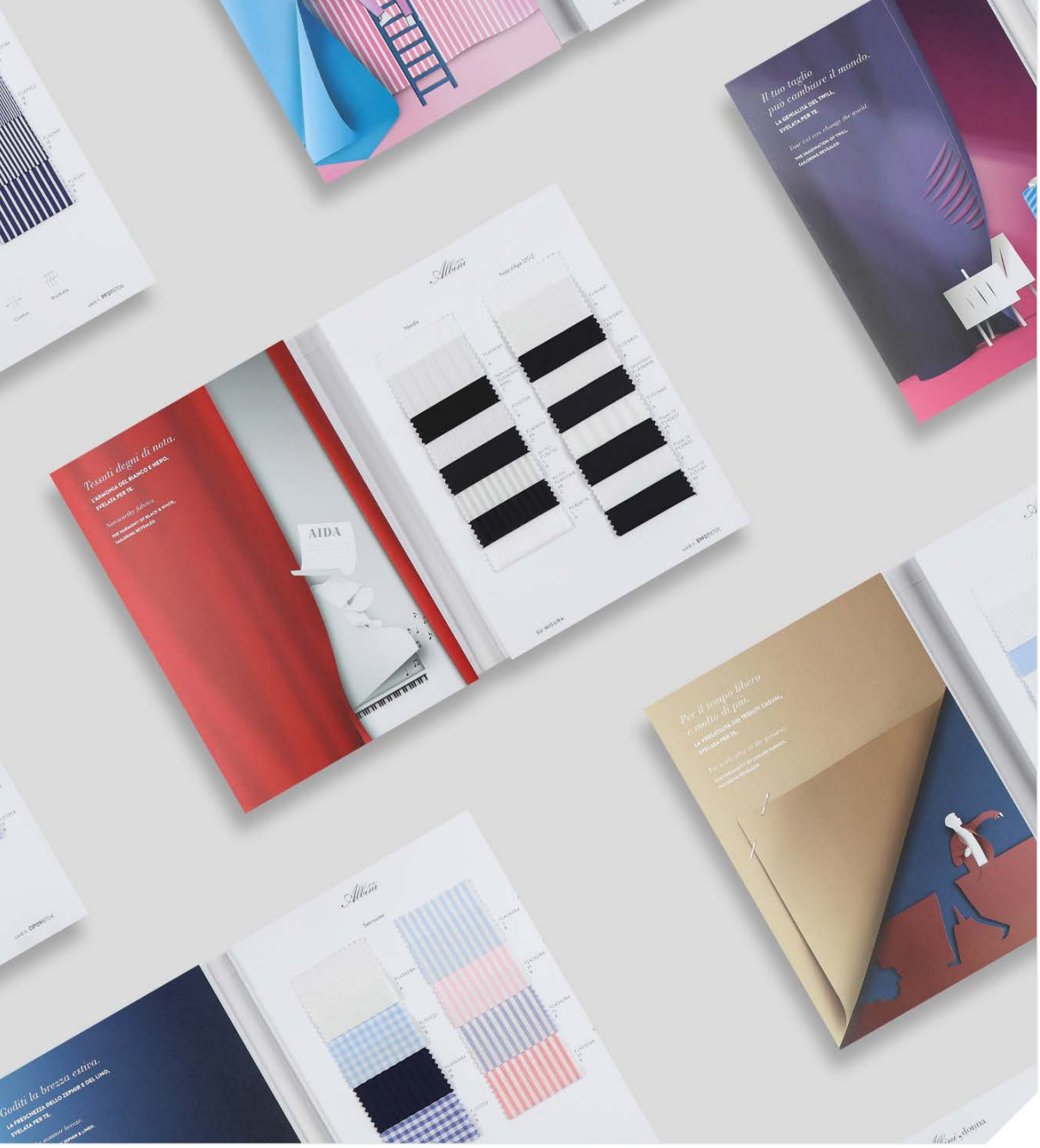
With its dynamic and pioneering identity, Albiate 1830 is the undisputed protagonist of a journey towards new itineraries and pristine destinations of contemporary casualwear. A unique creative research, where exclusive raw materials, iconic features and experimentation give rise to a surprising style journey, that reveals the emerging fashion trend, without ever losing sight of the exceptional manufacturing tradition that has been the heart and soul of the brand for almost two centuries. With its casual bases, eccentric prints, original jacquards and denim in a thousand different shades, Albiate 1830 aims to attract a younger target with a rebellious soul, confirming itself as the undisputed leader in luxury streetwear.



BESPOKE

AN INNOVATIVE MADE-TO-MEASURE SERVICE

In 2019 Albini Group pursued its commitment to its "Bespoke" project and its target of confirming itself as a leader in this market and to serve the best tailors and shirtmakers in the world in an increasingly efficient manner. A business in constant growth which allowed the Albini Group to achieve excellent results during the year and gain a strategic position on this market too. The Group's "bespoke" service comprises two distinct lines: Thomas Mason Bespoke and Albini Su Misura, the lines with which Albini Group gives tailors and shirt makers the opportunity to choose from a wide range of superior quality products, guaranteeing delivery in 24/48 hours from receiving the order. In 2019 the new Albini Su Misura, Tailoring Revealed collection was launched. Completely



renewed both in presentation and content, the new collection was conceived and designed to meet every possible need, thanks to a wide range of fabrics that represent a contemporary and Italian life-style, respecting best tailoring traditions. The entire Bespoke collection is also available via an e-commerce platform, where Customers can place their orders directly on-line. Thomas Mason Bespoke and Albini Su Misura represent the first Tailoring 2.0 proposal in the world: the physical collections are in fact supported by an app, Fabric Butler. 2019 recorded a huge rise in on-line shopping requests, thus confirming the importance of the digital channel within this market sector.

MARKETING
A MULTICHANNEL STRATEGY

For an enterprise with a long history of success and a Made in Italy product par excellence, it is important to be able to effectively communicate its core values and its distinctive elements to all of the stakeholders. To achieve this goal, Albini Group continues to make targeted investments in marketing and communication both inside and outside the company, with an incredibly varied and dynamic strategy. In fact, the Albini Group engaged in various co-branding activities in 2019 with the most important names in fashion at an international level, also involving joint communication projects. These projects include the creation of customised books and dedicated marketing tools, with the dual purpose of supporting the Customer and highlighting the value of the product. In 2019 the Albini Group continued its participation in the most important sector trade fairs, fundamental opportunities for direct contact with its Customers. Visits were intensified by Customers, schools and international universities to the Group plant facilities, the events and meetings organised at the new ALBINI_next facility and training activities for Customers all over the world, an important way to convey the Group's values and its business modus operandi. These include symposiums organised during the course of 2019 in Hong Kong, Tokyo and New York, during which a number of famous representatives of the world of fashion discussed current and specific topics and dynamics. The symposium in Hong Kong analysed the changes in the consumer buying behaviour of the men's luxury wear on the Chinese market, the symposium in Tokyo spoke about how Japan is becoming the new international centre for “bespoke” fashion wear and accessories, while in New York we discussed the most successful American styles in the twenty-first century: Ivy, Trad and Prep. Specific topics which triggered new interesting discussions and brought to light new ideas for reflection. These events are an important opportunity to strengthen our relationship with Customers and reference market stakeholders, to initiate new collaborations and consequently consolidate the image of the Albini Group across the globe. 2019 was a year of considerable changes as far as Group Communication is concerned: the foundations were laid for the realisation of several projects of remarkable importance, the results of which will be visible in 2020. To start with, a major restructuring process and internal reorganisation was launched concerning the management of product master files, with the highly

effective collaboration among various corporate departments. This change will allow a more accurate and appropriate classification of fabrics with names, categories and features that will be recognisable in the business processes, making their communication on the market and with Customers more simple and effective. Another important project launched in 2019 is the realisation of the website dedicated to Thomas Mason, which will be officially launched in March 2020. It will not be a plain and simple website, but a fully-fledged editorial platform with articles on style, interviews with experts, enthusiasts and the most influential leaders on the menswear scene, with the objective of actively involving Customers and becoming a point of reference for international menswear.

ALBINI ENERGIA
FOR A SUSTAINABLE FUTURE

Born from the extensive experience gained in the technical and industrial field within the Group, Albini Energia is a certified *Energy Service Company* that promotes environmental sustainability through the pursuit of energy saving research, providing consulting services and designing low environmental impact industrial solutions. In particular in 2019 Albini Energia consolidated its range of service.

Energy consulting services

Albini Energia core business is the implementing and managing of efficiency measures aimed at reducing energy consumption. More specifically, several energy audits were conducted throughout 2019 that have led to identifying the Customers to whom savings solutions with interesting pay-back times are destined. By constantly monitoring and checking energy consumption and the performance of plant systems at the Customers' facilities, Albini Energia periodically delivers consumption and savings comparisons, along with different possibilities to access incentive/facilitation tools.

Engineering services

In 2019 Albini Energia supported its Customers during the study of turnkey industrial plants, mainly in relation to the architectural, mechanical and electrical design of buildings and departments, as well as the layout of the production facilities, and the sizing of the relative facilities, according to precise

Customer specifications. The proposals provided by Albini Energia maximize energy efficiency, reducing consumptions and costs, thanks to the study of effective construction methods and a conscious use of available energy resources. Albini Energia also guarantees technical support to its Customers, accompanying them throughout all the operational phases.

Environmental engineering services

Protecting the environment and use of eco-sustainable processes was the primary objective of Albini Energia, which in 2019 worked on the executive design and engineering of an MBR purification plant in Ethiopia. Furthermore, Albini Energia is constantly committed to providing support to its Customers in choosing the most suitable suppliers for their needs and in obtaining authorisations and environmental certifications.

Plant design

Albini Energia provides plant design services, based on the energy and production demands of its customers. High efficiency plants were designed and installed in 2019 for the production of industrial steam, as well as photovoltaic systems operating within an "on-site exchange" regime. In addition, further systems were designed and installed for the pressurisation of fluids and for the management of water, steam and air circuits, as well as the most consolidated systems for extracting and treating white waters.

I COTONI DI ALBINI

RESEARCH, INNOVATION AND QUALITY

I Cotoni di Albini is an Albini Group company whose business purpose is the research and development of yarns with a high quality content, made from the very finest raw materials in the world. Research, product innovation, excellent quality and attention to sustainability are the core values that characterise the I Cotoni di Albini products, which are the ideal response to the growing market demand for increasingly performing yarns which comply with all environmental and human resource standard requirements. In this context I Cotoni di Albini allows the Group to fine-tune the direct control it exercises over the production chain, an essential condition for ensuring the complete sustainability and traceability of every metre of fabric produced.

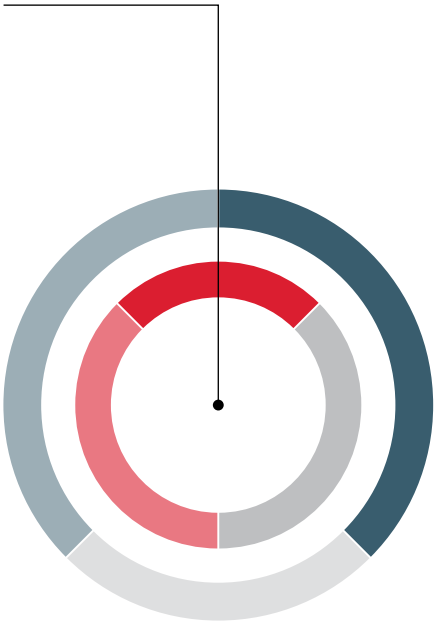
A process that generates value

2019 was a very positive year for I Cotoni di Albini, which closed with a turnover of € 28.5 million, with a 21% growth compared to the previous year which had totalled € 23.5 million. Sales to third parties outside the Group, with respect to the parent company Cotonificio Albini S.p.A. reached 75%, compared to 71% in 2018 with a 28% increase continuing the growth trend which started in 2017. Another major result achieved during the year was the expansion of the sales network and the consequent growth in export figures, reaching new markets such as the USA, United Kingdom and some areas in the Far East, confirming the international vocation of the Group. I Cotoni di Albini have achieved many successes at a product level during the course of 2019, the result of many months of work and research. The biggest news is definitely the innovative and high performance wool yarn HEMOTION® realised at the same time as the launch of the ALBINI_next Think Tank (for further information refer to page 34 and page 14). During the course of the year the pure wool range has been expanded to include blends with the finest raw materials, such as cashmere and Sea Island Cotton, and sustainable such as the traceable organic cotton. After two years of extensive research and work with the collaboration of the American farmers for the direct cultivation of organic cotton in Texas and New Mexico and California, 2019 witnessed the launch of the new BIOFUSION® yarn, which will be introduced on the market in the course of 2020. The photo on the side portrays one of our Supima fields in Texas, from which this yarn originates. Created from a blend of American organic cottons, BIOFUSION® is an organic yarn 100% scientifically traceable thanks to the technology developed in collaboration with Oritain and SUPIMA® (for further information refer to page 32 and page 17). Other important news refers to the development of new extra-fine yarns, available both in 100% cotton and a cotton blend with other high quality raw

materials, as well as the production of bright and colourful yarns, which provide further choice in addition to the more classic colour ranges. The melange yarns are the new entry in the 2019 collection of I Cotoni di Albini: available in 100% SUPIMA® cotton or with the new BIOFUSION™, which stand apart for their ultra-fine titrations and the fact that they are scientifically traced by Oritain. These innovations have allowed I Cotoni di Albini to confirm its position as a key reference point for mid to high-end market Customers, which differ considerably at a business model and reference sector level: from circular to rectilinear knitwear, and also furnishings, which highlight the incredible quality and versatility of the yarns produced. A number of partnerships were launched with these customers and other enterprises during the course of the year, characterised by mutual collaboration and shared research. The start of the collaboration with Maclodio/Best Yarn is worthy of mention, through which I Cotoni di Albini approached the world of mélange and patterned yarns even closer, in addition to the technical fibre sector. The results of this collaboration will become visible during the course of 2020. Innovation and research are the values that characterise the I Cotoni di Albini production, which shares the Albini Group philosophy and strategy that has enabled it to gain even more extensive recognition with end Customers as a point of reference for the supply of high quality yarns, and a typical expression of Made in Italy and excellent service.

ALBINI GROUP S.P.A.

DIRECTORS' REPORT



Registered office in Via Dr. Silvio Albini 1, Albino (BG)
Share capital: € 2,028,000.00, of which € 208,000,00 reserved for the conversion of the subsidiary Cotonificio Albini S.p.A.'s bonds; actual share capital: € 1,820,000.00, fully paid-up
Bergamo Company Registration no. and tax code: 01736210160

Dear shareholders,
The consolidated net turnover came to € 141 million in 2019, a 7% drop on the € 152 million turnover recorded in 2018. This turnover includes revenues from the energy segment and fabric consultancy services in order to give a more complete view of the diversified nature of Group activities.

During the year, the cotton fabric segment and, more generally the quality textile segment suffered a significant, partially unexpected, drop in demand, alongside a growing pressure on sales prices, thus not enabling us to repeat the good previous year results. Moreover, this unfavourable trend was accentuated for us by short term operating choices implemented by some primary, international, medium-segment customers who, to fight the unfavourable situation, suddenly decreased their purchasing plans. The overall effect of these policies has caused an overall slowdown of almost € 16 million in fabric orders for the industrial Parent with effects on the income statement for the period, mitigated, however, by the strategic operating cost containment action that had started in 2018. Nevertheless, the lower productivity in the plants of the subsidiary and the other Group companies had a considerable impact on period margins. A positive contribution came from the subsidiaries I Cotoni di Albini S.p.A. and Albini Energia S.r.l. which increased their turnovers considerably.

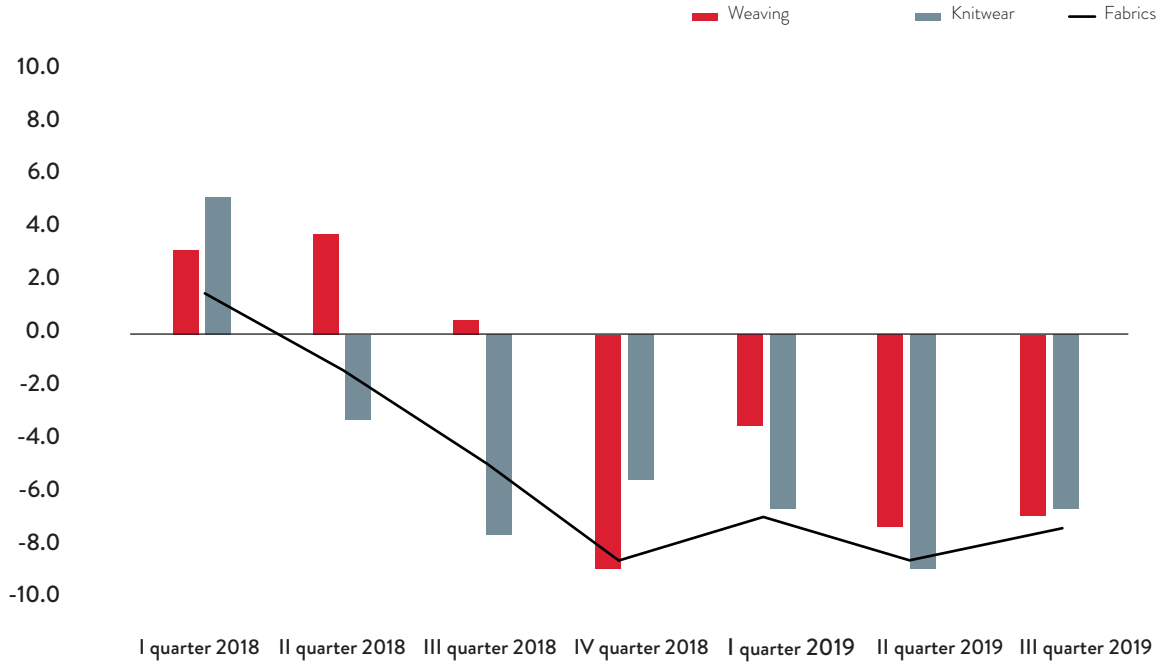
2019 closed with a € 0.8 million loss for the Group compared to € 2.8 million profit in 2018. Amortisation allocated in the year totalled € 8.1 million, compared to € 8 million in 2018. Current taxes for the year totalled € 0.4 million, compared to € 1.5 million in 2018. EBITDA went from 13.7 million in 2018 to 9 million in 2019. Cash flows came to € 7 million, compared to € 11.8 million in 2018. The net financial indebtedness of € 44 million as at 31 December 2019 increased by € 4.8 million compared to 31 December 2018.

OPERATIONS AND DEVELOPMENTS

2019 was a general de-growth year for the Italian textile sector with a reduction of about 5% identified by the Study Centre of Confindustria Moda. As was announced in last year's report, the fourth quarter 2018 had already shown signs of a market slowdown with a drop in Italian exports to its traditional markets, especially Northern Europe and North America. On analysing the context of the main textile sectors you note a decided drop in the higher turnovers of the wool and cotton segments compared to silk and linen, whose best results come from the end market's style preferences for these products.

As the following graph shows, according to ISTAT related to physical production, during the first three quarters of 2019 the perpendicular textile sector suffered negative trends. The first quarter showed a 3.5% drop, in the April-June period that drop increased to 7.6%, whereas from July to September the drop recorded was 6.9%. However, considering the nine months, production activities in the textile sector dropped 6.0%. To complete the above picture, more recent figures available for the period October/November 2019 showed the negative trend continuing, though it slowed down slightly. In that two-month period, at least one month was stable on the same levels of that month in 2018, but with an overall figure down by over 4.0%.

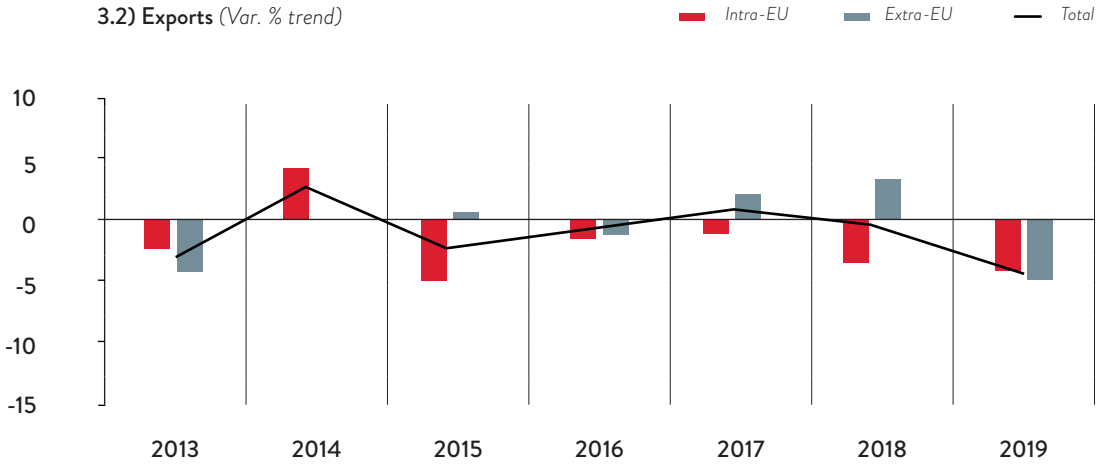
Weaving: ISTAT industrial production index
(corrected for calendar effects, base year 2010=100), I quarter 2018 - III quarter 2019
(Var. % trend)



Sources: Confindustria Fashion on ISTAT (cod. ATECO 2007 CB13, CB132, CB1391)

Exports also slowed down compared to 2018, by about 15% for both the intra-EU and the extra-EU markets as the following graph shows. The countries that suffered most were Germany, Turkey, Hong Kong, South Korea, China, UK, Romania and Poland.

The foreign trade of fabrics: analysis by macro geographical area
(January-October 2013-2019)
3.2) Exports *(Var. % trend)*



Source: Confindustria Fashion on ISTAT

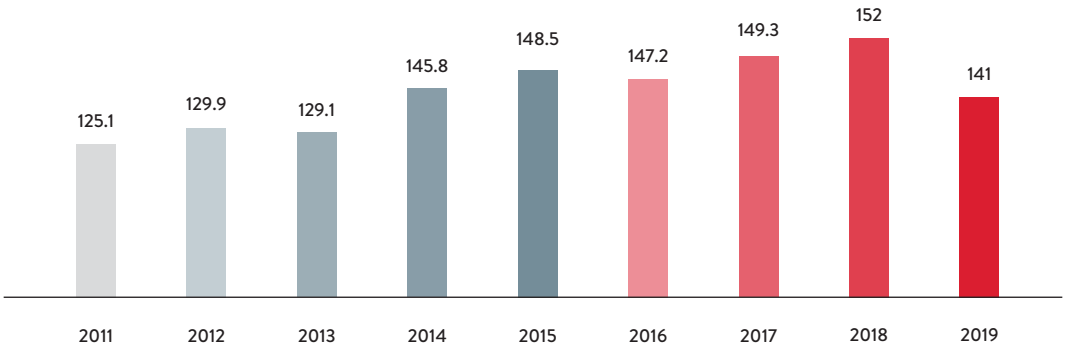
But what caused this market change compared to the previous year which, on the contrary, had been a positive one? One of the most important factors to be considered is the protectionist tension triggered by the U.S.A.- China battle on customs duties which, consequently, caused the global economy to slow down. This was followed by the uncertainty created by Brexit in the first four months of the year; social tensions in France caused by the extended square protests; the equally bloody youth population protests in Hong Kong, an important market for all global brands; the German economy slowdown caused by structural changes to the "automotive" segment with a strong influence on the Italian mechanical, sup-supplier sector.

All these factors combined engendered a climate of less trust and more uncertainty in both families and the entrepreneurial world, causing a slowdown in consumption and a block on investments, though in a financial context with low interest rates and abundant liquidity.

In this somewhat unfavourable macroeconomic scenario, our Group's significant drop in textile sales was also affected by a limited, but important, number of customers who suffered increasing competitive difficulties in a fragile, uncertain clothing end market, favouring important destocking and internal reorganisation actions, thus finding itself having to consistently reduce fabric purchases compared to normal, consolidated volumes. However, yarn sales showed a counter-trend with a significant rise (also thanks to the product type diversification) along with the sale of plants by the subsidiary Albini Energia S.r.l..

Here below please find the trend of revenue from Group sales and services from 2011 to 2019:

NET REVENUES (In million Euros)

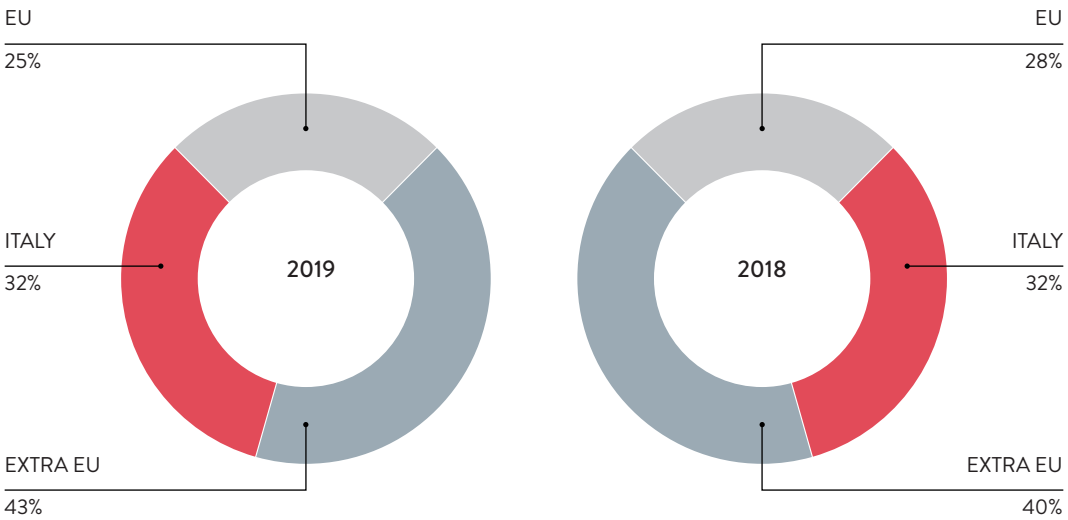


The general drop in fabric orders recorded in the year did not, in primis, allow us to saturate the production capacity installed in Group companies. This led to a drop in average production lots, in turn generating a lower machinery yield and higher fixed costs for the same quantities produced.

Activities implemented to react to the sudden change in market conditions were, however, very important and limited the negative effects generated by the drop in turnover. Group actions were concentrated on both reducing fixed costs and containing effects from exploiting production capacity less, allocated mainly to the Italian production sites of Albino and Mottola.

The commercial action was very intense on international markets in the fabrics segment, though with the difficulties referred to above, especially on European markets. The American market trend was good, though started to slowdown in the last part of the year. The domestic Italian market dropped slightly, defended 2018 positions whereas the Asian market, as a whole, was fairly positive except for the Hong Kong area. The yarn segment exports grew considerably towards non European markets, especially Japan, Serbia, Switzerland and Turkey. In the plant sales division of the subsidiary Albini Energia S.r.l., sales were mainly concentrated on the Italian market, followed by Africa and Asia.

TURNOVER BY GEOGRAPHICAL SEGMENT



From the style's and product's point of view, the "streetwear" theme, consolidated over time with the use of more casual, comfortable and definitely less formal garments, is changing the consumer market favouring more innovative fabrics with advanced qualitative and functional performance, in terms of comfort, easy-care and weightlessness. Moreover, the growing concern for responsible consumption further strengthened the topic of ethical and environmental sustainability with contents that are really reflected in the product itself and not just at communication and marketing level.

Our Group has spent itself with important, innovative projects on these topics; this year too, sustainability held a central place in the choice of raw materials and production processes. Especially for organic cotton, we managed the entire chain from cotton field to yarn through specific supplier partnerships. On the resulting, crucial topic of chain transparency and guaranteed traceability, we also built a tracking system that goes from origin to end fabric with our strategic partner "Oritain", a New Zealand company specialised in tracking the various raw materials through forensic, scientific methods. A unique example at global level is our organic cotton "Supima" tracked and guaranteed by the exclusive independent "Oritain" certification to offer Customers absolute, scientific certainty of the composition and origin of fabrics produced.

The textile chain traceability and transparency topic is, in fact, the subject of an important, innovative European project managed by the European community through UNECE; its objective is also to map the entire chain through digital systems that use "block-chain" technology.

In the research and innovation field, in July 2019 we inaugurated our centre for innovation called "Albini Next" c/o Km Rosso of Stezzano (Bergamo), a very important scientific park that houses companies, research centres and laboratories to boost Research, Development and Technological Innovation in order to create an effective relations system between its partners and the territory.

In this context, a small Group of our young talents is interacting with primary research centres, universities, suppliers and customers globally to develop innovative products, experiment new natural dyes, study the recycling of production waste for the circular economy and virtuous reuse. Moreover, from when the activity first started, "Albini Next" has been taking part in pan-European projects with other important sector structures.

The first important result of "Albini Next" was the development of our revolutionary yarn called "Hemotion", a product that combining the qualities and performances of both cotton and wool in the best way possible. Our main international customers, in both the men's and women's sectors, are showing great interest in the first fabrics produced.

We want to anticipate the trend and contribute to restating a world, the natural fabrics and yarns one. Though considered traditional and quantitatively a minority one compared to the world of artificial fabrics and fibres, the so-called "technical" fabrics (worth more than two thirds of the global fabric) it is however living a new evolutionary stage of great innovation for greater acknowledgement of the natural values in defence of the environment surrounding us and all connected social aspects.

For what concerns the cost of raw materials, the price analysis of raw cotton in 2019 highlighted, from March, a downward trend which then partially goes up again towards year end. As the notes will say on the trend in the first months of 2020, in the current year the price has suffered a brusque slowdown due to very low demand because many production companies closed due to the global emergency caused by the Coronavirus.

In December prospects for the 2020 economy were moderately positive and forecasts were based on a partial recovery of volumes lost in 2019, counting on the recovery of those customers who had slowed down their orders, and on new fabrics we were launching on the market with tracked "Supima" organic cotton yarn and other special yarns such as "Hemotion" wool and other precious mixtures.

At product level, the subsidiary I Cotoni di Albini S.p.A worked to consolidate the wool package, and thanks to the Hungarian production facility, tried to recover the sales of high range products at more competitive prices. The ongoing effort made in research and innovation in the yarns field was rewarded by the considerable 21% increase in turnover and contributed to providing Cotonificio Albini S.p.A. with innovative yarns that were valorised immediately as finished fabrics with special technical, style and eco-sustainability characteristics.

In fact, sustainability has been having the greatest effect on the fashion world in recent years. In 2019, it was stimulated by the unstoppable force of common feeling, especially amongst youngsters, towards products that can reduce the negative environmental effects in all production stages. The Group has been travelling this virtuous path for some years and in 2019 also dedicated resources and activities to further positively improve its environmental footprint. Besides using chemical substances approved by the strictest standards consistent with the parameters of ZDHC, an organisation in which the Group takes an active part, interesting projects are being developed for the use of natural colourants obtained from plant or mineral waste. All supported by other companies and research bodies.

Still referred to sustainability, we need to mention the contribution of the subsidiary Albini Energia S.r.l. During 2019, it increased its turnover by 15.9% reaching € 4.6 million and an excellent 6% net margin on turnover. The subsidiary's activities mainly aimed at developing the sale of "turnkey" plants, even complex (new power plants, air conditioning systems, co-generation plants, treatment plants, photovoltaic systems etc.), including installation and start-up, and assisting customers with obtaining all obligatory authorisations. However, revenue linked to the sale of TEE was further reduced. During 2020, the certificates available are expected to run out hence zeroing this source of income. The subsidiary's support was of great help to all Italian and foreign Group companies, developing projects to improve their energy efficiency.Subsidiaries mainly or only carrying out processing services for the Group, reduced the volumes produced during 2019; in some cases recording significant losses linked to the decreased plant yield.

Cotonificio Albini S.p.A., the Group's operational holding, continued on its organisational change path started in 2018 after the death of Cav. Lav. Silvio Albini, subsidiary and Group leader for many years. The Governance was reviewed involving granting greater responsibilities and powers to the emerging managerial structure in order to streamline operating procedures. Lastly, digital investments continued for faster, easier management of the numerous, different fabric variants for on-line sales.

INVESTMENTS

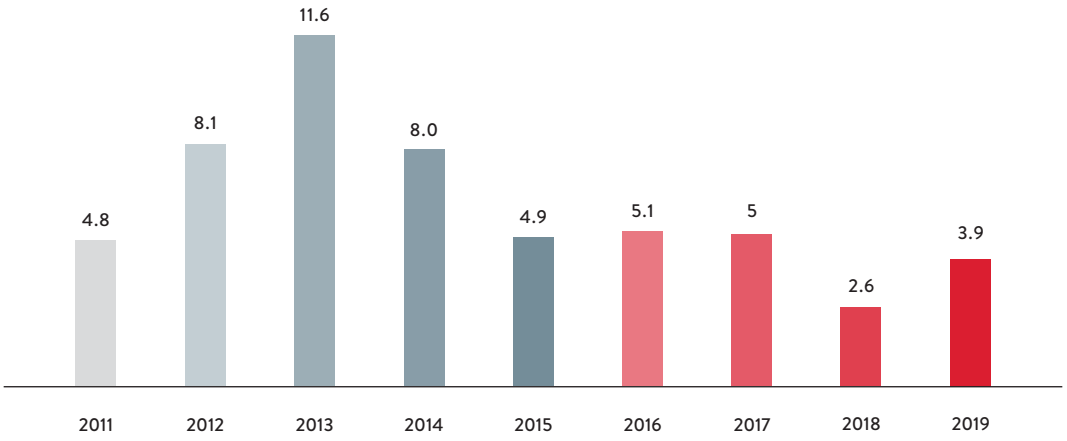
In 2019, investments made amounted to € 3.9 million, mainly involving works to adapt and strengthen the fire-fighting systems in factory buildings in Albino, Brebbia, Mottola, Letohrad (Czech Republic) and Borg El Arab (Egypt), and to purchase new spinning, dyeing, warping and finishing machinery for the I Cotoni di Albini S.p.A. and Cotonificio Albini S.p.A. Investments were also made to fit out the new Stezzano offices of "Albini Next".

During the year, investments were made to purchase new software to manage company commercial and marketing data, for maintenance and the digitalisation of products. The IT equipment in the Italian and foreign subsidiaries in Egypt and Czech Republic was enhanced and a new server was purchased for the Albino head office. Activities continued to improve the Group's production structures for what concerns energy consumption and adjustment to environmental and safety regulations. Specifically, Albini Energia S.r.l. designed and created a new co-generation plant for the Albino factory and made improvements to the wind turbines in the Mottola plant.

Investments in intangible and tangible fixed assets from 2011 to 2019 are described below.

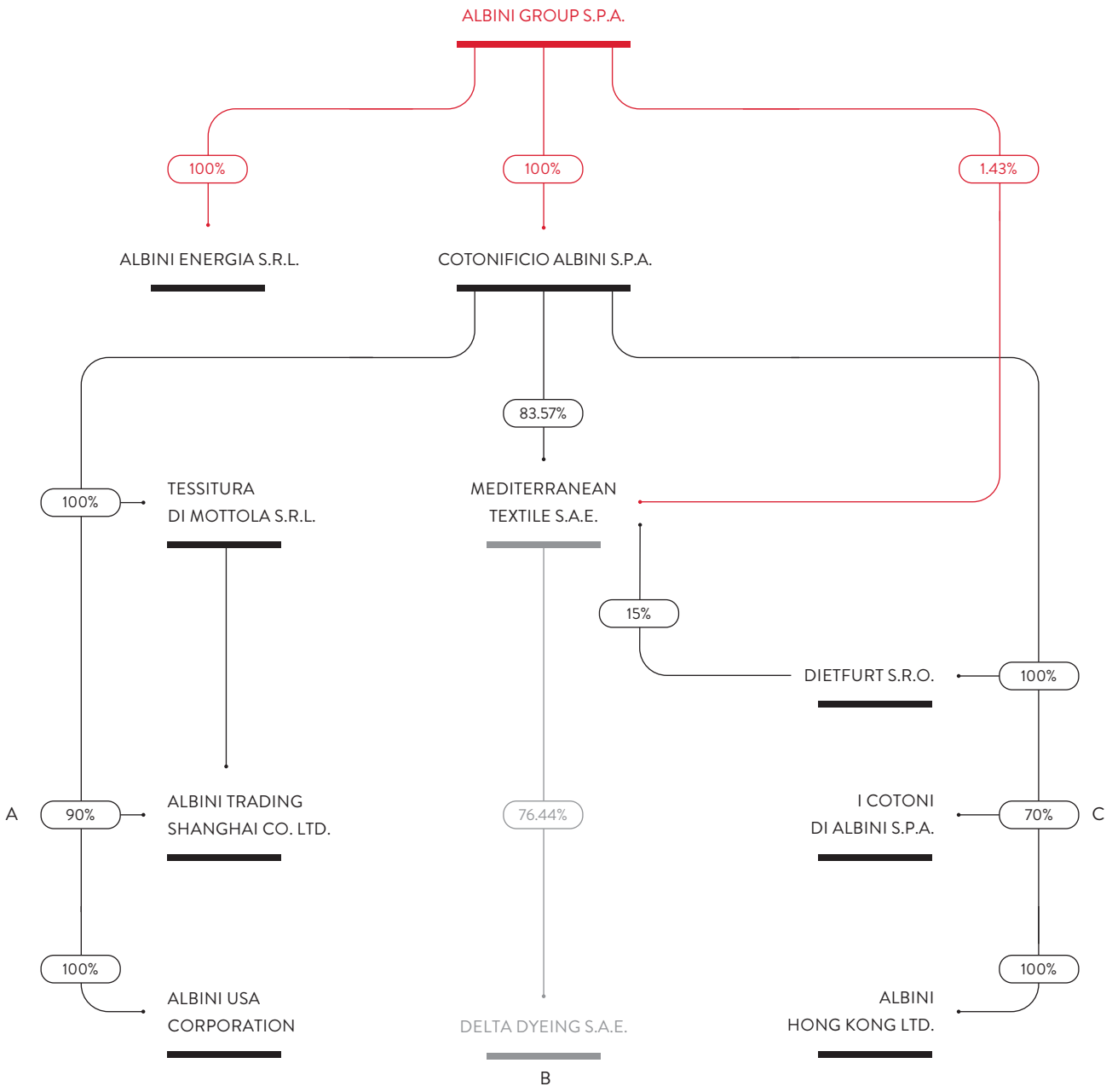
INVESTMENTS IN INTANGIBLE AND TANGIBLE ASSETS

(In million Euros)



In addition to capital expenditure, the Group again expensed large R&D costs incurred this year, as described later, for ongoing product innovation, the research into new fabrics and technological improvement in all production phases.

THE GROUP STRUCTURE AT 31 DECEMBER 2019



A Essence Trading Co. Ltd. 10%
B Setcore Spinning 11.31% - Alba Beteiligungs Immobilienen Ag 12.25%
C Modern Nile Cotton Co. 30%

Cotonificio Albini S.p.A.

This subsidiary controlled directly by the Parent, and an operating, industrial sub-holding recognised a loss for the year of € 3 million, compared to a profit for 2018 of € 1.2 million, after amortisation and depreciation for € 4.3 million, in line with 2018 figures. The loss includes the € 2 million write-down for the subsidiary Tessitura di Mottola S.r.l., whose book value was aligned with net equity.
Net turnover for the year came to € 117.9 million, down 11.9% compared to 2018 (€ 133.8 million). The reduction is mainly due to the market situation with a fairly sudden slowdown in customer orders, after a much more satisfactory year in 2018. The orders slowdown implied less production efficiency in the subsidiary's factories with a considerable impact on results prior to financial items and taxes. The subsidiary posted net cash inflows of € 2.9 million, compared to € 5 million in 2018. Current income taxes for the year came to € 70 thousand, versus € 1.1 million in 2018. Capital expenditure in 2019 totalled € 2.6 million.

Tessitura di Mottola S.r.l.
The subsidiary fully controlled by Cotonificio Albini S.p.A. recognised turnover for processing performed for the Group companies of € 3.6 million, down on € 5.7 million in 2018.
It recognised a loss for the year of € 713 thousand against a profit of € 87 thousand in 2018, after amortisation and depreciation of € 329 thousand (2018: € 328 thousand) and no current income taxes considering the loss (in 2018 taxes were € 73 thousand). Cash outflows for the year amounted to € 457 thousand (-12.6% of turnover), compared to inflows of € 290 thousand for 2018 (5% of turnover). This subsidiary purchased new machinery and other assets for € 18 thousand.

Dietfurt S.r.o.
The Czech company is also a fully-owned subsidiary of Cotonificio Albini S.p.A.. It recognised a net profit for the year of € 49 thousand (2018: € 83 thousand), after amortisation and depreciation of € 866 thousand (2018: € 950 thousand).
Turnover from processing totalled € 5.2 million in 2019, compared to € 5.4 million in 2018, and relates to processing carried out for the parent, Cotonificio Albini S.p.A.. The company invested in new machinery, building plants and software for € 183 thousand.

Mediterranean Textile S.a.e.
The Egyptian company is 100% owned (directly by the Parent for 1.43% and through the subsidiaries Cotonificio Albini S.p.A.(83.57%) and Dietfurt S.r.o. (15%).
The subsidiary recognised a net profit for the year of € 397 thousand, compared to € 515 thousand in 2018. Amortisation and depreciation amounted € 920 thousand against € 1 million in 2018, whereas turnover was € 12.7 million, in line with € 12.8 million in 2018, earned solely for fabric sales to the Parent Cotonificio Albini S.p.A.. The company invested € 132 thousand in machinery and electronic machines during the year.

Delta Dyeing S.a.e.
Controlled indirectly for 76.44% by Mediterranean Textile S.a.e., it closed the year with a € 381 thousand loss against profit for € 86 thousand in 2018. 2019 turnover totalled € 1.7 million and

related to the sale of yarns and dyeing on behalf of the Group and third parties, compared to € 2.8 million in 2018. The subsidiary allocated € 416 thousand for amortisation and depreciation (€ 406 thousand in 2018) and invested € 11 thousand in buildings and machinery.

Albini Energia S.r.l.

A direct subsidiary of the Parent, this company continued its research, study, design, construction and operation of industrial plants, developing industrial automation software internally. During the year, it continued supplying even complex consultancy and engineering services, designing industrial plants in Italy and abroad and developing energy efficiency improvement projects. It provides these services to both Group companies and third party customers. The company posted a net profit for the year of € 266 thousand, compared to € 103 thousand in 2018. Turnover amounted to € 4.6 million, compared to € 4 million in 2018 (+15%). The increase was due to a strong increase in the sale of "turnkey" plants (new power plants, air conditioning systems, co-generation plants, treatment plants, photovoltaic systems etc.), including installation and start-up, and assisting customers with obtaining all obligatory authorisations. On the other hand, revenue linked to the sale of energy efficiency certificates dropped further. It invested € 17 thousand in the year, mainly on works to implement new hydroelectric plants.

I Cotoni di Albini S.p.A.

Cotonificio Albini S.p.A. owns 70% of this company, which manages the production and sale of yarns for the Group and third parties. Turnover in the year from the sale of cotton, raw yarns and dyed yarns in Italy and abroad amounted to € 28.5 million up from € 23.5 million in 2018, a 21% increase. It consists of both sales to the parent and third parties in Italy and abroad, with a continual increase in sales to third party customers. The company posted a net profit for the year of € 169 thousand compared to € 256 thousand in 2018, after amortisation and depreciation of € 242 thousand (2018: € 234 thousand). Investments made during the year amounted to € 535 thousand mostly related to the purchase of new spinning machinery and adapting the production lines.

Albini Trading Shanghai Co. Ltd.

The company is 90% owned by Cotonificio Albini S.p.A.. It provides sales and marketing support for the parent's sales on the Chinese market. Turnover from fabric sales totalled € 152 thousand compared to € 107 thousand in 2018 (+42%). The year closed with a loss of € 58 thousand, compared to a loss of € 68 thousand in 2018. Activities continued to reduce operating costs and will also continue in the current year.

Albini Hong Kong Ltd.

This company is wholly owned by Cotonificio Albini S.p.A. and carries out commercial activities for the "Bespoke" business and provides commercial and marketing support for the parent's sales in Hong Kong and Southeast Asia. In 2019, the company successfully continued the Group's control of the local market, consolidating it. Its net profit for the year came to € 307 thousand, compared to € 220 thousand in 2018. Turnover from fabric sales amounted to € 2.1 million, in line with 2018, providing a substantial contribution to Group turnover.

Albini Usa Corporation

This company is owned 100% by Cotonificio Albini S.p.A., has its registered office in New York and acts as a North American market agent for the Parent. It recorded a turnover of € 803 thousand for commission on sales of the fabrics of Cotonificio Albini S.p.A. compared to € 626 thousand in 2018. The subsidiary posted a net profit for the year of € 44 thousand, compared to a net loss of € 60 thousand in 2018. Investments made last year to start up agency activities contributed to further strengthening the Group's closeness to customers and the market.

GROUP PERFORMANCE

The Group's balance sheet and profit and loss account, reclassified according to management criteria, are attached as annexes 1 and 2 to this report.

The following table gives the highlights from the financial statements as at 31 December 2019 and the previous two years.

Highlights	2017	2018	2019
Net revenues (€ millions)	149.3	152.0	141.2
GOP (€ millions)	26.5	29.2	26.1
EBIT margin (€ millions)	1.1	5.5	0.6
EBITDA margin (€ millions)	9.1	13.7	9.0
Net Group profit/(loss) (€ millions)	(2.0)	2.7	(0.8)
Personnel expenses (€ millions)	41.1	41.0	37.5
Cash flows (€ millions)	5.7	11.8	7.0
Bank loans and borrowings (€ millions)	(52.1)	(39.2)	(44.0)
Consolidated net equity (€ millions)	70.7	74.3	73.0
Turnover per employee (€ thousands)	107	109	103
Personnel expenses per employee (€ thousands)	29.4	29.3	27.3
Average number of employees in the year	1,399.5	1,398.0	1,371.0
Earnings (loss) per share (€)	(0.6)	0.8	(0.2)

Total consolidated current and non-current net bank loans and borrowings went from € 39.2 million to € 44 million. The percentage of debt due after one year was 55% of the total, against 53% in 2018. The main performance indicators compared with the previous two years are shown below:

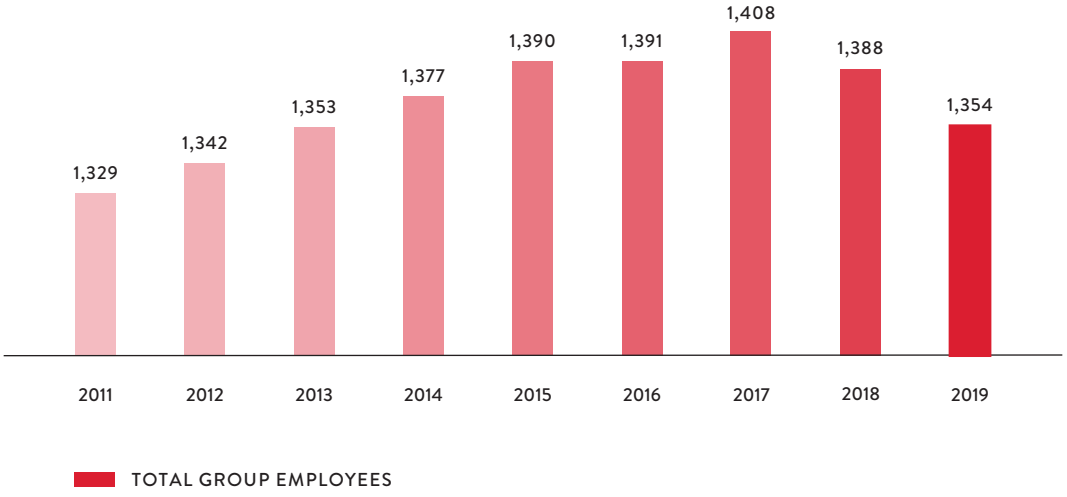
Performance indicators	**2017**	**2018**	**2019**
Return on equity (ROE)	(2.8)%	3.7%	(1.1)%
Return on sales (ROS)	0.7%	3.6%	0.4%
Return on investment (ROI)	0.7%	4.1%	0.4%
Equity ratio	0.36	0.39	0.40
NFD/Net equity	0.74	0.53	0.60
EBIT margin	0.7%	3.6%	0.4%
EBITDA margin	6.1%	9.0%	6.4%
Bank loans and borrowings/EBITDA	5.7	2.9	4.9
Cash flows as a percentage of sales	3.9%	7.7%	4.9%
Net working capital as a percentage of sales	48.9%	45.1%	53.7%
DSO	84.2	83.68	94.83
Inventory turnover	191	178	185
Research and development costs as a percentage of sales	3.1%	3.1%	3.5%

WORKFORCE

Group employees totalled 1,354 at 31 December 2019, 34 less than 2018. They are distributed across the various Group companies as follows:

	2018	**2019**
Cotonificio Albini S.p.A.	728	715
Tessitura di Mottola S.r.l.	119	119
Albini Energia S.r.l.	10	9
I Cotoni di Albini S.p.A.	10	12
Albini Trading Shanghai Co. Ltd.	-	-
Albini Hong Kong Ltd.	10	9
Dietfurt S.r.o.	220	203
Mediterranenan Textile S.a.e.	265	261
Delta Dyeing S.a.e.	23	24
Albini USA corporation	3	2
Total employees	**1,388**	**1,354**

The trend in employee numbers over the last nine years is shown in the following graph:



We wish to extend our thanks to all Group company employees for their unstinting commitment to improvement in all company areas.

OTHER INFORMATION

Pursuant to article 2428 par.2, item 6-bis of the Italian Civil Code, please find below the Group's financial risk management objectives and policies. The risk analysis performed covers all risk types, including strategic, management and financial risks.

Group risk factors

Effective risk management is essential to maintaining the Group's value over time.
Monitoring of key risks is focused on the subsidiary Cotonificio Albini S.p.A. and the companies that have also invoiced Customers outside the Group such as I Cotoni di Albini S.p.A., Albini Energia S.r.l., Delta Dyieng S.a.e., Albini Hong Kong Ltd. and Albini Trading Shanghai Co. Ltd. The other Group companies almost exclusively perform work commissioned by Cotonificio Albini S.p.A..
Risks are analysed monthly, at a meeting covering Group results, opportunities and risks in its various geographical and business segments.
The identified risks are:
- Strategic and market risks
- Operational risks
- Financial risks

Strategic and market risks

The textile and clothing sectors are risky by their very nature, as each season's collection has to interpret fashion trends which are by definition uncertain and subjective.
This risk cannot be entirely eliminated but over time we have developed a method to create our

products involving: intense research and development activities entailing significant resources, sales and marketing managers continually monitoring the market and its trends and working closely with key customers on styling, which is a win-win situation for both parties. Moreover, to mitigate the risks linked to our products' high degree of specialisation and the natural ups and downs dictated by fashion as mentioned earlier, we have for many years now concentrated on diversifying across a large number of customers, both in geographical terms and in terms of the sectors in which they operate. Close attention is paid to emerging markets, where sales are currently limited but which should experience the highest growth rates.
The textile/clothing sector is one of the most globalised and competitive. The risk is that changes in competitive conditions (costs and exchange rate fluctuations) would cause some of our customers to start purchasing from other parts of the world.
We have responded to this threat by diversifying our Customer base, pursuing greater competitiveness and diversifying our production facilities.
On the other hand, a long-term goal of ours has been to shift our competitive edge as far as possible away from the price factor to elements such as product innovation, quality, service and marketing, to defend our position in the premium market.However, we are also aware of how important and influential the price/quality ratio is.
In addition to the fabric segment, the energy business in which Albini Energia S.r.l. operates, is taking on an increasingly greater role in analysis and discussion. This has also enabled us to diversify risks, although the impact of energy revenues on total turnover is still marginal.

Operational risks
The main operational risks the Group faces relate to:
- raw materials;
- international economic situation;
- health and safety in the workplace.

We have strong knowledge of the raw materials markets and their trends thanks to our presence in the spinning field and our close relationships with cotton producers. We also have increasingly close collaboration with some strategic yarn suppliers. We have also rolled out a policy of diversifying purchases across different geographical areas of the world so as to have alternative options available in the event of unexpected economic, exchange rate or political changes in one of these areas.

We have already noted several times how changeable and uncertain the international economic situation currently is. As will be discussed below, the Covid 19 pandemic emergency occurring in February-March 2020 considerably increased uncertainty over the 2020 trend in revenue and result terms. In the light of the above, we have also examined structural and economic initiatives to align production levels with demand trends and decrease costs, particularly overheads.

Lead times continue to be vital and the focus we have always had on efficient, reliable management control means we can quickly recognise and respond to changes as they occur.

The Group is also exposed to health and safety in the workplace issues, consisting of the risk of serious injury in the workplace, environmental pollution and failure to comply or incomplete

compliance with legislation and sector regulations. These risks are significant for a substantially manufacturing Group such as ours. The Group companies carry out ongoing, systematic evaluation of the risks applicable to them and consequently eliminate those deemed unacceptable under the legislation in force in those countries where the production facilities are located.
The function dedicated to these issues has been strengthened with specialised personnel, dedicated software and revised training and awareness programmes for all personnel of the various operational and hierarchical levels.

Financial risks

Credit risk

There is no significant concentration of credit risk at the reporting date, despite the normal difficulties of making collections from customers during the year. During the year, Cotonificio Albini S.p.A. and I Cotoni di Albini S.p.A., more exposed to the credit risk, adopted and implemented new credit management procedures through more active collaboration between administrative offices and the commercial network. Then introducing credit management systems that are more suited to fast, effective analysis of the positions of single customers, separating the different non-payment reasons.
The Group partially hedges credit risk by insuring its receivables, and the sales and administrative departments of the various Group companies carefully monitor customer solvency and actions to collect any overdue amounts. With specific reference to customer receivables, please note that the provisions for bad debts posted in the financial statements by the subsidiaries are suited to presumed losses on receivables, even consistent with disputes in progress and any forecasts that could be made after the Covid 19 health emergency.

Interest rate risk

The Group's financial debt is mainly subject to floating interest rates and the Group is therefore exposed to risks of fluctuations. To reduce this risk, the Group has agreed hedging contracts with counterparts deemed solvent by the market. IRS contracts hedged approximately 40.3% of non-current floating-rate debt at year end, whereby the Group receives the floating interest rate from the bank and pays a fixed rate.
The aim is to fix the borrowing cost for part of the debt, benefiting from sustainable fixed rates for the hedged portion.

Currency risk

As the Group operates on international markets, it is exposed to currency risk, mainly in relation to the US dollar, the pound sterling, the Japanese yen, the Czech koruna and the Egyptian lira. The Group makes use of natural hedges between receivables and payables and only partially hedges the net foreign currency amounts, mainly using financial hedging instruments such as forward sales and purchase agreements. This policy therefore reduces the exposure to currency risk. The net Dollar position of Cotonificio Albini S.p.A. was partially hedged in 2019 by forward sales, and the Sterling and Yen ones with forward sales in currency. A part of the net Dollar and Yen position was also hedged on invoices expiring in 2020.

Liquidity risk

The parent, Cotonificio Albini S.p.A., manages the treasury for the entire Group in order to ensure the efficient and effective management of financial resources. Current and non-current liquidity requirements are monitored closely such to ensure financial resources are promptly available or the appropriate investment of liquid funds, and that the make-up of debt is consistent with the investments made. Moreover, the Group seeks to optimise liquidity among Group companies, including through non-current loans bearing market interest rates.

Risks covered by insurance

Group companies have insurance policies in place to minimise financial effects. The analysis and insurance coverage of the risks faced by the Group were performed with the assistance of the broker, Assiteca S.p.A., whose Italian and international organisation offers this service and manages any claims that may arise.

Briefly, all Group companies are insured against the following risks: third party liability, accident, fire - all risks and business continuity.

RESEARCH AND DEVELOPMENT EXPENSE

The subsidiaries Cotonificio Albini S.p.A. and I Cotoni di Albini S.p.A. continued to develop new fabrics, research innovative yarns and finishes and improve production technologies in 2019.

Cotonificio Albini S.p.A. especially addressed its efforts to studying and developing new fabrics with innovative aesthetic solutions and using unusual material for the shirt fabric sector, that can represent a real innovative driver in the fashion world. The design of maintenance processes has continued during the current year by implementing a maintenance information system with innovative algorithms, specifically designed based on the technological characteristics of fabric manufacturing, useful for increasing the plants' operational availability. The new Albini Next "think tank" project was also set up in 2019 to develop and acquire new know-how on technological solutions, green processing and treatments. The purpose is to intercept those new product or process developments with a reduced environmental impact compared to what is present on the market and in the Group's current know-how. The subjects characterising this important new project are essentially the study of technologies to recycle fabric waste, the study of technologies and solutions to create ecologically sustainable dyes, the creation of new yarns based on recycled organic substances and tracking systems along the cotton chain up to the end fabric. The outcome of these important projects the subsidiary is working on is to develop the technologies considered and able to address future R&D investments in the production of highly eco-sustainable fabrics.

The subsidiary I Cotoni di Albini S.p.A., continuing activities performed in the previous year, has continued its R&D addressing efforts towards analysis, study, design, prototyping and experimentation to develop new yarns with innovative spinning processes such as the "cotony wool" Hemotion and the innovative mixtures where cotton is combined with other wool and synthetic type fibres, to enable use not only to make shirt fabrics but also in other sectors. The subsidiary's project fits into a goods diversification strategy allowing the portfolio of customers interested to be extended to high quality products, synonym of"Made in Italy" excellence.

Research and development activities took place at the Albino, Brebbia and Gandino facilities, in the Albini Next offices c/o Km Rosso in Stezzano (BG) and in some supplier production sites. They also involved the assistance of external consultants and collaborators.

The expense incurred, totalling € 4.9 million (3.5% of net turnover), mainly includes personnel expenses for employees involved in research, consultancies for the development of new projects and costs incurred for research into new materials and processing tests, as well as the depreciation and maintenance of machinery and equipment used directly in these activities.

The activities performed resulted in prototypes and the subsequent production of innovative, exclusive fabrics and yarns, which performed well on Italian and foreign markets. The subsidiary's ongoing commitment to product research and development efforts continued to be well received among customers. All costs incurred were expensed.

For this overall increase the subsidiaries intend to apply for the R&D tax credit provided for by article 1.35 of Law no. 190 of 23 December 2014, and use it as set forth in that law. They will continue their research activities in 2020.

OUTLOOK

In the first few months of the new year, the Group had benefited from the recovery of the subsidiary Cotonificio Albini S.p.A. on Italian and European key markets, consistent with expectations in the annual commercial growth plan. More specifically, reaping the first important successes in the luxury segment, thanks to our advanced textile products and to a more generalised preference by top international customers for a unique leading company in its integrated, sustainable textile chain. Moreover, the start of 2020 was very positive for the yarns sector, where the subsidiary I Cotoni di Albini S.p.A. ended the first two months with a 35% increase in turnover compared to the same period the previous year.

Since March the emergency situation caused by the Coronavirus in Italy and other world countries has exploded in all its gravity, especially hitting the Valle Seriana and Bergamo area, historical head office and heart of the operational holding Cotonificio Albini S.p.A.. As a first reaction, the subsidiary and all the other Group companies rigorously implemented all the health counter measures immediately, to keep the working environments safe and protect their employees. After that, as the epidemic was spreading, the Group stopped its Italian production departments on 16 March, anticipating government decisions that would then have decreed the national lockdown. The production departments will start producing again (with a production capacity of about 40%) on 4 May. With the subsequent fast spread of the epidemic to all European and American nations, after the Asian ones, we realised that expectations for 2020 would not have been met and there was an immediate need for a new organisation and new targets.

Management of the operational holding Cotonificio Albini S.p.A. promptly set up an inter-functional task force which reviewed processes and activities in the various Group companies in order to guarantee operational focus and continuity, indispensable for the future of the Group and its stakeholders.

We quickly managed to launch suitable, original "smart working" procedures, implemented thanks to the precious work by the Information Technology department of Cotonificio Albini S.p.A.. We would also like to remember the great efforts made by the commercial offices, administration, human resources, planning and, above all, the most difficult to organise, by the style and product offices, vital for us in the development of the new collections and creative projects for our top customers. This enabled us to perform a ceaseless, difficult at times, delicate job in the last few weeks, always coordinated and consistent, enabling us to discover new, more flexible and often more efficient ways than our traditional ones.

With special reference to the subsidiary Cotonificio Albini S.p.A., we speeded up implementation of the Digital Asset Management and Digital Show Room projects, and the investments to renew the main existing digital Albini instruments, such as our "Fabric Butler" and the e-commerce, to maintain our competitive advantage over direct competitors. Group management continued monitoring and coordinating the activities of the foreign subsidiaries Mediterranean Textile and Delta Dyeing in Egypt and Dietfurt in the Czech Republic. In these countries, manufacturing companies did not have to close their operations, but just had to apply all the health prevention and protection measures. We were therefore able to reroute orders that had arrived before to these companies which were thus able to carry on working normally, though with some objective difficulties in sensitive areas such as international transport and procurement.

Great space and maximum proactive attention were given to protecting the short and medium term financial position. Cash flow management requires of our Treasury, and will require for the rest of the year, strict, daily control of suppliers and customers; helped in that by the recently established central Purchasing Office on the one hand and the renewed internal Credit Management department on the other. Results obtained have enabled us to maintain a stable financial situation. Moreover, the Financial Management, in agreement with the banks involved, is working to ensure flexibility and consistency for current short, medium and long term credit lines.

At April 2020, the net financial position amounted to € 51.7 million against € 44 million as at 31 December 2019, but was in line with the one in the same period of 2019 (€ 51.7 million). The negative difference compared to 31 December 2019 is a fairly physiological factor for the Group, mainly due to the without recourse factoring of the customer receivables of Cotonificio Albini S.p.A. and I Cotoni di Albini S.p.A. and the move to January of a part of payments to suppliers for about € 10.4 million.
Following the Covid 19 emergency, the Group suffered a worsening of receivables expired in March and April 2020 for a total estimated as € 4.3 million for which we reacted by redefining payments with some suppliers.
Banks consulted have granted Italian Group companies a 6/12 months grace period on mortgage and lease instalments expiring in March, April, May, June and July hence enabling us to reposition the instalments expired in those months after the last instalment for a value of more than € 4 million.
With DL no. 23/2020 of 8 April 2020 so-called "Decreto Liquidità" the Legislator issued new urgent provisions on access to credit and tax obligations for Italian companies, to enable them to

overcome the delicate moment following the obligatory closure of most of them, thus including our Italian subsidiaries. The measure was welcomed by the Group's Italian companies which intend to use it. For this purpose, talks promptly started with the main Italian Banks, the Group's historical partners. This will lead to loans being granted for about € 25 million which we feel will be allocated by the end of the second quarter this year.

This will help the operative holding, Cotonificio Albini S.p.A. and the subsidiaries to keep their financial position balanced, continue their investments policies and the strategic internal reorganisation and count on a suitable reserve to deal with any further imbalance caused by the difficult economic situation in progress. The input of new liquidity will also give us more elasticity with which to manage the consequences of the drop in turnover partially detected as of March and much more decided in April. In May, based on the orders portfolio and those sadly not executed in April, we trust we can recover a large part of the missing turnover. At today's date, billing foreseen for the second quarter 2020 (April and forecasts for May and June) is about 45% lower than the same period in the previous year. We are well aware that it is only by reactivating the distribution chain and opening shops in Italy again, but especially in Europe and United States, our main market outlets, that we can have greater visibility of our prospects for the current year and the ones following it.

The serious economic crisis caused by the pandemic in an already fragile, uncertain macroeconomic context does not make us very optimistic about the strength and speed of the recovery. The destocking phenomena due to having no so-called spring/summer commercial season (forecasts indicate a –70% in average seasonal sales in shops) strongly affect the fabric purchases made by our customers for the next autumn/winter 2020 season and also for the next spring/summer 2021. Luckily, the intentions of the end consumers of the high range seem to be for a growing, more mature qualitative, sustainable selectivity in their purchases, subjects where the Albini market leadership is undisputed. So we feel the market will remain difficult, more vertical, still reduced in size compared to the recent past, but oriented towards tracked, organic, innovative, sustainable products.

Consequently, during March and April the Company Management of Cotonificio Albini S.p.a., in agreement with planning and controlling, thoroughly reviewed the 2020 budget of the operational holding Cotonificio Albini S.p.A., hypothesising a drop in revenue of between 25 and 30% against 2019 for fabric sales, and also prudently assuming recoveries in the years 2021, where it expects to break even, and 2022 for a return to profit. All while rigorously maintaining business continuity, financial independence and economic financial balance, requirements for the operational holding and for all the other Group companies that we feel can be met.

For our Group, the main measures supporting the new objectives still lie in stricter control of operating costs implemented successfully in the first quarter in the subsidiary Cotonificio Albini S.p.A. where the greatest efforts were made and where a first 16% cost reduction target was achieved, whereas the annual target is 23%. This together with a reduction in personnel costs (27% on an annual basis) obtained by targeted use of social safety nets and a more streamlined organisation for production capacity and offices. All while guaranteeing focus on the projects with greater economic returns expected such as the launch of the new fabrics recently developed

by "Albini Next" with the "Viroformula" virus-protection treatment, the tracked organic cotton "biofusion", the new collections for the women's and everywear worlds, to mention just a few.

In 2020, the Group's energy sector will be decidedly penalised by the current Coronavirus emergency, involving a probable reduction in turnover for Albini Energia S.r.l. (estimated at about 30%) due to the difficulties with completing orders in progress (because of the lockdown) and the difficulties some Customers are having to meet their payment commitments agreed when the contracts were signed.

We are well aware of the difficulties the effects and consequences of such an unexpected, devastating occurrence will have on markets and the Group. The Covid 19 pandemic will condition the global economy for the next decade, consumers' behaviour, the organisation of companies, financial trends.

But we also trust that our Group will know how to once again successfully overcome the economic adversities, completing its evolution. In this crisis, we will know how to grasp the opportunities it brings with it, as we have always managed to do at the most difficult times during our 144 year history, with the same family leading us and the same values guiding it.

Evidence of this comes from the important Net Equity our Group has managed to build over the years, our reputation and undisputed market and territorial leadership, the human capital and distinct talents of our employees, the strength of the partnerships with our best Customers, and our products: simply the world's most appreciated cotton and linen fabrics.

In the light of the above, directors feel that the Group's capital stock, actions taken to contain costs (with special reference to the reduction in personnel costs of Cotonificio Albini S.p.a.) and the excellent relationship established over the years with banks, will enable the Group to implement the 2020 economic-financial budget as recently reviewed.

For those reasons, the business continuity prospects on which the accounting standards and assessments in the financial statements being approved are based should be considered as having been suitably satisfied.

Albino, 30 April 2020

On behalf of the board of directors
The Chairman
(Fabio Albini)

Annex 1

RECLASSIFIED BALANCE SHEET

(€'000)	2019	2018
Intangible fixed assets	1,437	1,642
Tangible fixed assets	59,606	63,586
Financial fixed assets	3	3
Provisions and employees' leaving entitlement	(12,041)	(12,706)
Net working capital	75,862	68,507
Net other medium-term receivables	730	1,221
Net invested capital	**125,597**	**122,253**
Net financial debt	**(44,011)**	**(39,244)**
Shareholder loans	**(8,757)**	**(8,757)**
Consolidated net equity	**72,956**	**74,348**
Of which:		
- attributable to the Group	72,303	73,646
-minority interests	653	702

Net working capital	**2019**	**2018**
Inventory	70,105	73,420
Trade receivables	36,689	34,846
Trade payables	(26,086)	(32,306)
Other net payables	(4,846)	(7,453)
Total	**75,862**	**68,507**

Net financial debt	**2019**	**2018**
Bank loans and borrowings	(43,249)	(38,379)
Bonds	(2,121)	(2,455)
Loans and borrowings from other financial backers	(7,213)	(7,973)
Bank deposits and cash and cash equivalents	8,572	9,563
Total	**(44,011)**	**(39,244)**

Annex 2

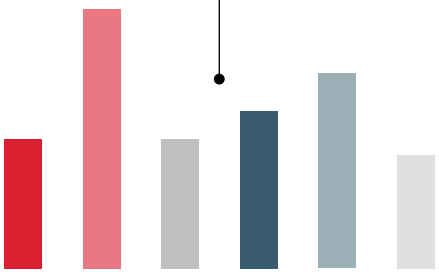
RECLASSIFIED PROFIT AND LOSS ACCOUNT(*)

(€'000)	2019	2018
Net revenues	141,211	151,998
Cost of sales	(115,149)	(120,598)
Gross operating profit	**26,062**	**31,400**
Sales costs	(13,088)	(13,655)
Product research costs	(4,732)	(3,458)
Administrative costs and overheads	(8,011)	(9,313)
Other operating income	353	536
Operating profit (EBIT)	**584**	**5.510**
Net financial charges	(1,633)	(1,683)
Net extraordinary income/expense	0	0
Pre-tax profit (loss)	**(1,049)**	**3,827**
Income taxes	179	(1,008)
Net profit (loss) for the year, including minority interests	**(870)**	**2,819**
Minority interests	**(45)**	**70**
Net profit (loss) for the year attributable to the Group	**(825)**	**2,749**
As a % of net revenues		
Gross operating profit	18.5%	20.7%
EBITDA margin	6.4%	9.0%
EBIT margin	0.4%	3.6%
Net profit (loss)	(0.6)%	1.8%
Cost of sales	82%	79%
Sales costs	9%	9%
Product research costs	3.4%	2.3%
Administrative costs and overheads	5.7%	6.1%

(*) reclassified by allocating costs to cost centres

ALBINI GROUP S.P.A.

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019



CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31.12.2019

BALANCE SHEET

ASSETS	31.12.2019		31.12.2018	
(€'000)	partial	total	partial	total
A) Share capital proceeds to be received				
B) Fixed assets				
I. Intangible fixed assets				
1) Start-up and capital costs				
2) Development costs				
3) Industrial patents and intellectual property rights		340		224
4) Concessions, licences, trademarks and similar rights		206		233
5) Goodwill		417		484
6) Assets under development and payments on account		40		142
7) Other		434		559
Total		**1,437**		**1,642**
II Tangible fixed assets				
1) Land and buildings		45,396		47,145
2) Plant and machinery		12,592		13,983
3) Industrial and commercial equipment		28		32
4) Other assets		963		1,161
5) Assets under development and payments on account		627		1,265
Total		**59,606**		**63,586**
III. Financial fixed assets				
2) Financial receivables				
d bis) from others		3		3
Total		**3**		**3**
Total fixed assets		**61,046**		**65,231**
C) Current assets				
I. Inventory				
1) Raw materials, consumables and supplies		29,959		27,866
2) Work in progress and semi-finished products		18,216		20,615
3) Contract work in progress		222		209
4) Finished goods		21,708		24,730
5) Payments on account				
Total		**70,105**		**73,420**

ASSETS	31.12.2019		31.12.2018	
(€'000)	partial	total	partial	total
II. Receivables				
1) Trade receivables				
due within one year		36,689		34,846
due after one year				
5bis) Tax receivables due within one year		1,734		1,602
Tax receivables due after one year		614		1,104
5ter) Deferred tax assets due within one year		1,593		1,799
Deferred tax assets due after one year				
5quater) From others due within one year		2,835		2,138
From others due after one year		116		117
Total		**43,581**		**41,606**
III. Current financial assets				
1) Investments in subsidiaries				
2) Investments in associates				
3) Investments in parents				
3bis) Investments in subsidiaries of parents				
4) Other equity investments				
5) Derivatives		127		96
6) Other securities				
Total		**127**		**96**
IV. Liquid funds				
1) Bank and postal accounts		8,552		9,544
2) Cheques on hand		1		1
3) Cash-in-hand and cash equivalents		19		18
Total		**8,572**		**9,563**
Total current assets		**122,385**		**124,685**
D) Prepayments and accrued income				
- prepayments and accrued income		186		128
Total prepayments and accrued income		**186**		**128**
Total assets		**183,617**		**190,044**

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31.12.2019

BALANCE SHEET

LIABILITIES	31.12.2019		31.12.2018	
(€'000)	partial	total	partial	total
A) Net equity				
I. Share capital		1,820		1,820
II. Share premium reserve		828		828
III. Revaluation reserve				
IV. Legal reserve		364		364
V. Statutory reserves				
VI. Other reserves:				
-Extraordinary reserve	2,019		2,610	
-Capital injections	207		207	
-Revaluation reserve as per Law no. 342/00	2,537		2,537	
-Revaluation reserve as per Law no. 266/05	4,592		4,592	
-Revaluation reserve as per Law no. 02/09	12,247		12,247	
-Translation reserve	2,762	24,364	2,443	24,636
VII. Hedging reserve		(198)		(101)
VIII. Undistributed profits of subsidiaries		45,950		43,350
IX. Net profit (loss) for the year		(825)		2.749
X. Reserve for own shares				
Total net equity attributable to the Group		**72,303**		**73,646**
Minority interests in net equity		698		632
Minority interests in net profit for the year		(45)		70
Total minority interests in net equity		653		702
Total consolidated net equity		**72,956**		**74,348**
B) Provisions for risks and charges				
1) Pension and similar provisions		1,390		1.584
2) Tax provision, including deferred tax liabilities		3,954		4.211
3) Derivatives		236		213
4) Others		420		447
Total provisions for risks and charges		**6,000**		**6,420**
C) Employees' leaving entitlement		**6,041**		**6,251**
D) Payables				
1) Bonds				
Due within one year		2,151		333
Due after one year		4,127		6,279
2) Convertible bonds				
Due within one year				
Due after one year		4,600		4,600

LIABILITIES	31.12.2019		31.12.2018	
(€'000)	parziali	totali	parziali	totali
3) Shareholder loans				
Due within one year				
Due after one year				
4) Bank loans and borrowings				
Due within one year		25,428		25,479
Due after one year		17,821		12,900
5) Loans and borrowings from other financial backers				
Due within one year		2,379		2,344
Due after one year		4,834		5,629
6) Payments on account due within one year		752		964
7) Trade payables				
Due within one year		26,086		32,306
Due after one year				
8) Commercial paper				
Due within one year				
Due after one year				
12) Tax payables due within one year		1,190		1,859
13) Social security charges payable due within one year		2,003		2,065
14) Other payables due within one year		5,627		6,603
Total paybles		**96,998**		**101,361**
E) Accrual expenses and deferred income				
- accruals and deferrals		1,622		1,629
Total accrual expenses and deferred income		**1,622**		**1,629**
Total liabilities		**110,661**		**115,696**
Total net equity and liabilities		**183,617**		**190,044**

PROFIT AND LOSS ACCOUNT

	31.12.2019		31.12.2018	
(€'000)	partial	total	partial	total
A) Production revenues				
1) Turnover from sales and services		141,211		151,998
2) Change in work in progress, semi-finished products and finished goods		(5,327)		72
3) Change in contract work in progress		13		(65)
4) Internal work capitalised		11		30
5) Other revenues and income:				
- sundry	2,541		2,341	
- grants related to income	775	3,316	892	3,233
Total production revenues (A)		**139,224**		**155,268**
B) Production cost				
6) Raw materials, consumables, supplies and goods		54,379		56,299
7) Services		38,303		41,014
8) Use of third party assets		779		599
9) Personnel expenses:				
a) Wages and salaries	26,697		29,731	
b) Social security contributions	8,794		9,206	
c) Employees' leaving entitlement	1,744		1,787	
d) Pension and similar costs				
e) Other costs	229	37,464	272	40,996
10) Amortisation, depreciation and write-downs:				
a) Amortisation of intangible fixed assets	615		599	
b) Depreciation of tangible fixed assets	7,447		7,385	
c) Other write-downs of fixed assets				
d) Write-downs of current receivables and liquid funds	376	8,438	176	8,160
11) Change in raw materials, consumables, supplies and goods		(1,995)		1,364
12) Provisions for risks				
13) Other provisions				
14) Other operating costs		1,272		1,326
Total production costs (B)		**138,640**		**149,758**
Operating profit (A-B)		**584**		**5,510**
C) Financial income and charges				
16) Other financial income:				
d) Other income:				
- Other	71	71	8	8
17) Interest and other financial charges:				
- Other	(2,080)		(2,102)	
17bis) Net exchange rate gains (losses)	66	(2,014)	491	(1,611)
Total financial income and charges (15+16-17+17bis)		**(1,943)**		**(1,603)**

	31.12.2019		31.12.2018	
(€'000)	partial	total	partial	total
D) Adjustments to financial assets				
18) Write-backs:				
a) Investments				
b) Financial fixed assets which are not equity investments				
c) Securities classified as current assets				
d) Derivatives	326	326	175	175
19) Write-downs:				
a) Investments				
b) Financial fixed assets which are not equity investments				
c) Securities classified as current assets				
d) Derivatives	(16)	(16)	(255)	(255)
Total adjustments (18-19)		**310**		**(80)**
Pre-tax profit (A-B±C±D)		**(1,049)**		**3,827**
20) Income taxes				
- current	(366)		(1,453)	
- deferred	37		414	
- income from participation in the national tax consolidation scheme	508		31	
Total current and deferred taxes		**179**		**(1,008)**
21) Net profit (loss) for the year before minority interests		(870)		2,819
Net profit (loss) for the year before minority interests		(45)		70
21 bis) Net profit (loss) for the year attributable to the Group		**(825)**		**2,749**

On behalf of the board of directors
The Chairman
(Fabio Albini)

CASH FLOW STATEMENT

(indirect method)

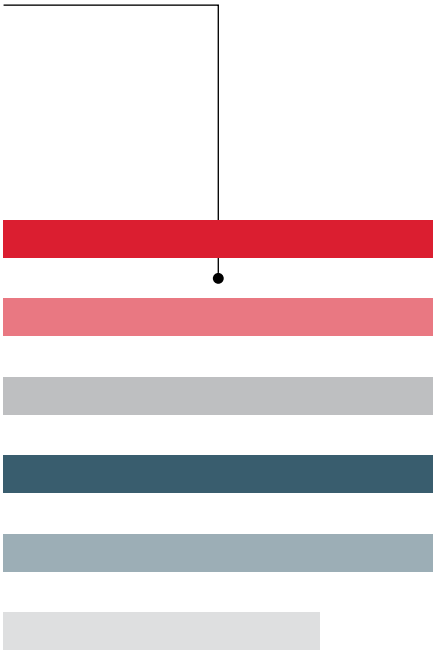
(€'000)	2019	2018
A. Cash flows from operating activities		
Net profit (loss) for the year	(870)	2,819
Income taxes	(179)	1,008
Net interest expense	896	794
Dividends	-	-
(Gains)/losses on the sale of assets	(70)	(238)
1. Profit (loss) for the year before income taxes, interest, dividends and gains/losses on the sale of assets	**(223)**	**4,383**
Adjustments for non-monetary elements that did not affect net working capital		
Increase in provisions	2,140	3,257
Amortisation and depreciation	8,062	7,984
Write-downs for impairment	-	-
Write-downs of financial assets and liabilities of derivatives that did not involve cash flows	(128)	57
Other non-monetary adjustments	-	-
2. Cash flows before changes in net working capital	**9,851**	**15,681**
Changes in net working capital		
Decrease(increase) in inventory	3,300	352
Decrease/(increase) in trade receivables	(1,878)	(266)
Increase / (decrease) in trade payables	(6,750)	3,186
Decrease/(increase) in prepayments and accrued income	(58)	42
Increase/(decrease) in accrued expenses and deferred income	(7)	(93)
Other changes in net working capital	(3,727)	(277)
3. Cash flows after changes in net working capital	**731**	**18,625**
Other adjustments		
Interest paid	(896)	(794)
Income taxes paid	(30)	(323)
Dividends collected	-	-
Utilisation of provisions for risks	(856)	(2,547)
Other collections/payments	-	-
Cash flows from operating activities (A)	**(1,051)**	**14,961**
B. Cash flows from investing activities		
Tangible fixed assets		
Investments	(2,920)	(1,994)
Proceeds from sales	368	462
Intangible fixed assets		
Investments	(412)	(624)
Proceeds from sales	15	-
Financial fixed assets		
Investments	-	-
Proceeds from sales	-	-
Current financial assets		
Investments	-	-
Proceeds from sales	-	-
Cash flows used in investing activities (B)	**(2,949)**	**(2,156)**

(€'000)	2019	2018
C. Cash flows from financing activities		
Third party funds		
Increase (decrease) in current bank loans and borrowings	3,493	(2,685)
New loans	11,398	2,455
Repayment of loans	(11,115)	(12,688)
Own funds		
Capital increase against payment	-	-
Dividends and interim dividends paid	(746)	(41)
Cash flows used in financing activities (C)	**3,030**	**(12,959)**
Increase (decrease) in liquid funds (A ± B ± C)	**(970)**	**(154)**
Exchange rate effect on liquid funds	(21)	97
Net increase (decrease) in liquid funds	**(991)**	**(57)**
Liquid funds at 1 January	**9,563**	**9,620**
including:		
Bank and postal accounts	9,544	9,607
Cheques on hand	1	1
Cash-in-hand and cash equivalents	18	12
Liquid funds at 31 December	**8,572**	**9,563**
including:		
Bank and postal accounts	8,552	9,544
Cheques on hand	1	1
Cash-in-hand and cash equivalents	19	18

On behalf of the board of directors
The Chairman
(Fabio Albini)

ALBINI GROUP S.P.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



Registered office in Via Dr. Silvio Albini 1, Albino (BG)
Share capital: € 2,028,000.00, of which € 208,000,00 reserved for the conversion of the subsidiary Cotonificio Albini S.p.A.'s bonds; actual share capital: € 1,820,000.00, fully paid-up
Bergamo Company Registration no. and tax code: 01736210160

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of Albini Group S.p.A., (hereinafter also'Group'), drafted pursuant to regulations in articles 2423 et seq. of the Italian Civil Code and in Legislative Decree 127/91, interpreted and integrated by the accounting standards issued by the Italian Accounting Standards Body (the OIC accounting standards), include the following documents: Balance Sheet, Profit and Loss Account, Cash Flow Statement and Explanatory Notes.

The cash flow statement shows the reasons for increases and decreases in liquid funds during the year and has been prepared under the indirect method, using the layout provided for by OIC 10.

The Balance Sheet, Profit and Loss account and Cash Flow Statement were drawn up in €'000, without decimals. All amounts in the Notes are in thousands of Euros, except when otherwise specified.

If the disclosure required by specific legal provisions is not sufficient to give a true and fair view, additional information is included, as deemed necessary to this end. Specifically, the following information is presented as tables in these notes:

- a statement of reconciliation between the Parent'snet equity and net profit for the year and the consolidated net equity and net profit for the year;
- a statement of changes in consolidated net equity.

Reference should be made to the Directors' Report prepared by Directors of the Parent that accompanies these financial statements for information on Group operations and transactions with subsidiaries, associates, parents, subsidiaries of parents and other related parties.

The post-balance sheet events and the total off-balance sheet commitments, guarantees and contingent liabilities are commented on in specific sections of these notes.

GROUP OPERATIONS

The Group's business object is to produce and sell shirting fabrics.

GROUP COMPOSITION, SCOPE OF CONSOLIDATION

The consolidated financial statements of the Albini Group S.p.A. Group include the financial statements for the year of Albini Group S.p.A. (hereinafter also the Parent with registered office in Albino (BG)) and those of subsidiaries in which the Parent holds control pursuant to art. 26 of Legislative Decree 127/91.
The list of Group companies for which the full consolidation method has been adopted can be found below:

COMPANY			SHARE CAPITAL
ALBINI GROUP S.P.A. Financial holding company - registered office in Albino (Bergamo)		EUR	1,820,000
COTONIFICIO ALBINI S.P.A. Operating parent - registered office in Albino (Bergamo) 100% directly owned.		EUR	10,000,000
ALBINI ENERGIA S.R.L. registered office in Albino (Bergamo) 100% directly owned.		EUR	50,000
TESSITURA DI MOTTOLA S.R.L. registered office in Mottola (Taranto) 100% indirectly owned.	(1)	EUR	1,000,000
DIETFURT S.R.O. registered office in Letohrad, Czech Republic 100% indirectly owned.	(1)	CZK	60,100,000
MEDITERRANEAN TEXTILE S.A.E. registered office in Borg El Arab, Alexandria, Egypt 1.43% directly owned; 98.57% indirectly owned.	(3)	USD	14,000,000
DELTA DYEING S.A.E. registered office in Borg El Arab, Alexandria, Egypt 76.44% indirectly owned.	(2)	USD	5,200,000
ALBINI TRADING SHANGHAI CO. LTD. registered office in Shanghai, China 90% indirectly owned.	(1)	CNY	4,225,355
I COTONI DI ALBINI S.P.A. registered office in Albino (Bergamo) 70% indirectly owned.	(1)	EUR	1,000,000
ALBINI HONG KONG LTD. registered office in Hong Kong 100% indirectly owned.	(1)	HKD	3,500,000
ALBINI USA CORPORATION registered office in New York, USA 100% indirectly owned.	(1)	USD	500,200

(1) Owned by Cotonificio Albini S.p.A.

(2) Owned by Mediterranean Textile S.a.e.

(3) Owned by Cotonificio Albini S.p.A. and Dietfurt S.r.o.

The consolidation scope did not change in 2019.

The investment in Stil Novo Partecipazioni S.r.l., in liquidation, has been excluded from the consolidation scope. Being a minority interest and being irrelevant for the purposes of giving a true and fair view of the Group's consolidated financial statements since it had already been written off in 2015 after it was put into liquidation, the company was measured at cost.

REPORTING DATE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE CLOSURE DATES OF THE FINANCIAL STATEMENTS TO BE CONSOLIDATED

The reporting dates of the consolidated financial statements and the financial statements to be consolidated are the same as that of the parent and all the consolidated companies.

CONSOLIDATION CRITERIA

The consolidated financial statements were prepared on the basis of the financial statements prepared by the directors of each consolidated Group company and approved by their share/quotaholders or boards of directors, adjusted, where necessary, to comply with the Group accounting policies or based on the financial information (reporting packages) submitted by the consolidated companies, prepared in accordance with the parent's instructions.

The accounting policies applied to prepare the consolidated financial statements are those applied by the parent for the preparation of its financial statements, and by most of the consolidated subsidiaries.

The assets and liabilities with identical or similar name and content in the financial statements of the Group companies, which make up the same consolidated financial statements captions, are measured consistently.

The post-balance sheet events and the total off-balance sheet commitments, guarantees and contingent liabilities are commented on in specific sections of these notes.

Full consolidation takes place through the following steps:

- adjustments to uniform the Group's accounting standards and any other adjustments needed for consolidation purposes, such as reclassifications;
- aggregation of balance sheets or financial information to be consolidated regardless of the investment percentage. The profit and loss accounts of the companies acquired or sold during the year are aggregated based on the Group ownership period;
- cancellation of the recognition value of investments in the consolidated companies in counterparty for the corresponding Group's net equity shares of the subsidiary at the time of acquisition.

The cancellation difference, if positive, is attributed, where possible, to each identifiable asset purchased, within the current value of those assets; however, for values not exceeding their recoverable value, and to each identifiable liability assumed, including relative tax effects. If the positive cancellation difference should not be fully allocated to the assets and liabilities acquired identifiable separately, the residue is recognised under "Goodwill" in the intangible fixed assets, unless it has to be fully or partially recognised in the profit and loss account. The cancellation

difference is recognised under goodwill as long as the requirements for the recognition of goodwill foreseen by the accounting standard of reference have been met.
Any further remaining value that cannot be allocated to assets and liabilities and goodwill is recognised to profit and loss under "Other operating expenses".
The cancellation difference, if negative, is recognised, where possible, to reduce assets recognised for values exceeding their recoverable value and liabilities recognised for a value lower than their settlement value, net of the relative tax effect. Any negative surplus, if not ascribable to expected bad economic results but to a good deal carried out, is recognised in the specific equity reserve "Consolidation reserve".
Any further cancellation difference not allocated, if fully or partly related to the expected bad economic results, is recognised in "Consolidation provision for future risks and charges" that is used in subsequent years in order to reflect the assumption taken when estimated at the time of purchase , in any case, regardless of the effective display of the bad economic results expected.
Undistributed profits and other net equity reserves of the subsidiaries and any other changes to equity captions of the subsidiaries occurring after the acquisition date are recognised, for the Group share, to increasing the consolidated net equity, normally under the item "Undistributed profits reserve", except for those attributable to the exchange rate changes of the foreign companies whose processing is described below;

- cancellation of the balances and transactions between companies included in the scope of consolidation and of the internal or infragroup profits and losses;
- recognition of any deferred tax assets and/or liabilities;
- cancellation of the dividends received by consolidated companies and write-downs of investments included in the scope of consolidation, to avoid double recognition;
- calculation of the part of consolidated net equity and consolidated operating result due to minority interests of the consolidated investees at the end of their separate highlighting in consolidated financial statement tables;
- measurement of the non consolidated controlling investments, of connected investments and joint control ones with the equity method,
- analysis and correct recognition in the financial statements of the acquisition of further investment shares in companies already consolidated and of the sale of investments with or without loss of control, and of other changes in the scope of consolidation;
- preparation of draft consolidated financial statements.

The financial statements or financial information of the foreign investees prepared in currency that is not the Euro are first translated in Euro. Any adjustments needed to adapt those financial statements/that financial information to the Group's accounting standards are made before the translation into Euro. The translation procedure is done using:

- the spot rate at the financial statement date to translate assets and liabilities;
- the average exchange rate of the year for profit and loss captions;
- the historical exchange rate of the time of formation for the equity reserves (other than the translation difference reserve).

The net translation effect is recognised in a specific "Reserve for translation difference" in the consolidated net equity. That reserve is fully or partially reclassified in a reserve available if the foreign investee is fully or partially sold.

The exchange rates applied for the translation into Euro are as follows:

Currency	Exchange rate at 31.12.2019	Average exchange rate - 2019	Exchange rate at 31.12.2018	Average exchange rate - 2018
Czech koruna	25.408	25.671	25.724	25.647
US dollar	1.123	1.120	1.145	1.181
Chinese renmimbi	7.821	7.736	7.875	7.808
HK dollar	8.747	8.771	8.968	9.256

Significant receivables, payables, costs and revenues on transactions between consolidated companies and any material unrealised intercompany profits due from third parties are eliminated, taking into account the tax effect where necessary. Leases are classified using the "financial method" so as to determine the original cost of the asset net of the related depreciation.

GENERAL BASIS OF FINANCIAL STATEMENT PREPARATION

The financial statement captions have been measured in accordance with the general principles of prudence and accrual on a going-concern basis. They have been recognised and presented in accordance with the substance over form principle, if in compliance with the Italian Civil Code and the OIC. The statements also comply with the criteria of constancy of measurement, recognition and comparability of information criteria.

In application of the aforementioned assumptions:

- Elements forming the single asset and liability captions were measured separately, to avoid that the gains of some elements could offset the losses of others. Specifically, profits are only recognised if realised before the reporting date, whereas risks and losses are considered on an accruals basis, even when they become known after the reporting date.
- Revenue and expenses accrued in the year were considered regardless of the date on which they were collected or paid. Accrual is the time criterion with which positive and negative revenue components are recognised in profit and loss to calculate the result for the year.
- Directors prospectively assessed the Group's capacity to create an operational economic complex producing revenue for a foreseeable future period of time, related to at least twelve months from the reporting date. Measurement did not identify any significant uncertainties related to that capacity.
- Identification of the rights, obligations and conditions the contractual terms of transactions are based on and on their comparison with the provisions in accounting standards to ascertain correct recognition or cancellation of financial elements.
- Measurement criteria did not change compared to the previous year in order to provide uniform measurement of Group results over the years.

No exceptional events took place during the year needing use of the exception to accounting criteria pursuant to art. 29, paragraph 4, of Legislative Decree 127/91, in order to give a true and

fair view of the Group's financial position and cash flows. Moreover, the company did not make any revaluations under specific laws.
The materiality of single elements forming financial statement items was considered within the context of the financial statements as a whole. Both qualitative and quantitative elements were considered to quantify materiality.
Under the materiality principle set out in art. 29, paragraph 3-bis, of Legislative Decree 127/91, the Notes do not contain disclosures on the draft financial statement items, even when specifically foreseen by art. 38 of Legislative Decree 127/91 or by other provisions, when both their amount or disclosure is irrelevant for the purposes of giving a true, fair view of the Group's financial position and operating result.
The comment to measurement criteria adopted for financial statement captions indicates how the Group applied the accounting criteria and models set forth in the OIC to implement the materiality principle.
Each balance sheet, profit and loss account and cash flow statement captions presents the corresponding figures for 2018. Where necessary, the latter are adjusted for comparative purposes and the related effects are disclosed in the notes, if material.

ACCOUNTING POLICIES

The accounting policies used for the consolidated financial statements are usually the same as those adopted by the parent. Should certain asset or liability items included in the consolidated financial statements not be presented in the parent's financial statements, the accounting policies used by most of the consolidated companies will be applied thereto.

Intangible and tangible fixed assets

Intangible fixed assets are recognised at acquisition or development cost with the approval of the board of statutory auditors, where required. They are stated net of accumulated amortisation and any impairment losses. The acquisition cost includes the related transaction costs. The development cost includes all directly attributable costs and the reasonably attributable portion of other costs incurred from development up to when the asset is available for use.
Intangible fixed assets, comprising patents, intellectual property rights, concessions, licences and trademarks are recognised as assets only if they can be identified individually, the related future economic benefits will flow to the company, which can limit third party access to such benefits, and their cost can be estimated with sufficient reliability.
Intangible fixed assets are amortised systematically and the amortisation expensed each year reflects the allocation of the cost incurred over their entire useful life. Amortisation and depreciation begins when the asset is available for use. The amortisation pattern depends on how the benefits are expected to flow to the Group.

Intangible fixed assets are amortised at the following rates:

Categories	Rate
Start-up and capital costs	20%
Patents and intellectualproperty rights	33.33%
Concessions, licences, trademarks and similar rights	10%
Goodwill	10%
Other:	
- Software	33.33%
- Other	20%

If the carrying amount of an asset indicates an impairment loss at the reporting date, it is written down accordingly.
With the exception of goodwill and deferred costs, the original amount is reinstated in subsequent years if the reasons for such write-down cease to exist.
Tangible fixed assets are recognised at purchase or production cost, adjusted by accumulated depreciation and any write-downs. The acquisition cost includes the related transaction costs. The purchase cost is the cost actually incurred to purchase the asset and includes the related transaction costs. The production cost includes all directly attributable charges and the reasonably attributable portion of other costs incurred from production up to when the asset is available for use.
Ordinary maintenance costs related to recurring maintenance and repairs to keep assets in good working order to ensure their expected useful life, capacity and original productivity, are expensed to profit and loss when incurred.
Costs incurred to expand, modernise or improve structural elements of a tangible fixed asset, including changes made to make it more compliant with its intended use, are capitalised if they result in a significant and measurable increase in its production capacity, safety or useful life. If not, they are treated as ordinary maintenance costs and are expensed.
Tangible fixed assets of the parent and consolidated companies are revalued, to the extent of their recoverable amount, only if the law requires or permits so in the relevant country, as shown in annex.

The legal revaluations applied to assets still owned by the Group at 31 December 2019 are:

- Law no. 576 of 2 December 1975;
- Law no. 72 of 19 March 1983;
- Law no. 413 of 31 December 1991;
- Law no. 342 of 21 November 2000;
- Law no. 448 of 28 December 2001;
- Law no. 266 of 23 December 2005;
- Law no. 2 of 28 January 2009.

A further revaluation was made pursuant to article 16 of Presidential Decree 598, following the 1987 merger.
Depreciation is calculated systematically and on a straight-line basis, using rates held to reflect the asset's estimated useful life. Amortisation and depreciation begins when the asset is available

for use. In accordance with the principle of materiality set out in article 2423.4 of the Italian Civil Code and the applicable reporting standard, the depreciation rates are halved in the first year in which the asset is available for use.
Temporarily unused assets are also depreciated. The amount to be depreciated is the difference between the cost of the asset and, when it can be calculated, the residual amount at the end of its useful life which is estimated when the depreciation plan is prepared and periodically revised in order to check that the initial estimate is still valid. When the check shows that an asset's estimated residual value is equal to or higher than its carrying amount, the asset is no longer depreciated.

The amortisation rates used are as follows:

Categories	Rate
Operating buildings	3%
Plant and machinery	da 10% a 20%
Hydroelectric plant	7%
Photovoltaic systems	4%
Industrial and commercial equipment	18-25%
Other assets:	
- Office furniture and equipment	12%-20%
- Cars	25%
- Trolleys	20%

If, at the reporting date, there are indications of impairment losses on tangible and intangible fixed assets, the recoverable amount of such assets is estimated.
If the recoverable amount, being the higher of value in use and fair value less costs to sell, is lower than the corresponding carrying amount, the assets are written down.
The write-down is not maintained in subsequent years if the reasons therefore cease to exist. The write-down is reversed up to the amount the asset would have had if the write-down had never taken place, that is, net of the amortisation/depreciation that would have been recognised in the absence of the write-down. Write-downs of goodwill and deferred charges cannot be reversed.

Assets under finance leases
Assets under finance leases, for which most of inherent risks and rewards are transferred to the Group, are included under tangible fixed assets with a balancing entry representing the liability to the lease company under "Loans and borrowings from other financial backers" for the principal of the lease instalments due, using the amortised cost method. The profit and loss account will include the relevant portion of depreciation of the year and interest expense on the financing instead of the accrued lease payments.

Financial fixed assets
Equity investments, debt instruments and own shares which the Group intends and has the capacity to hold in the long term, are recognised under financial fixed assets. Otherwise, they

are recognised under current assets. Transfers in or out of the two categories are recognised in accordance with the accounting policies applicable to the portfolio which the asset comes from. Receivables are recognised under fixed or current assets depending on their intended use in relation to the company's ordinary activities that generate them. Accordingly, financial receivables are recognised under financial fixed assets, whereas trade receivables are recognised under current assets, regardless of their due date. They are measured as detailed below.

Inventory

Inventory is initially recognised at purchase or production cost and subsequently measured at the lower of cost and estimated realisable value based on market trends.

Purchase cost is the actual cost paid upon purchase including related charges, less borrowing costs. The purchase cost of raw materials includes their price, transport costs, customs and other duties and other directly attributable costs. Returns, commercial discounts, rebates and bonuses are deducted from costs.

Production cost is purchase costs plus manufacturing costs and includes all direct costs and the reasonably attributable portion of indirect costs incurred from production up to when the asset is available for use, based on normal production capacity. Production cost excludes general and administrative costs, distribution costs and research and development costs.

Cost is determined as the weighted average cost. Specifically:

- raw cotton, unbleached yarns, unbleached materials and finished fabrics are recognised at the weighted average cost of the year;
- work in progress and dyed yarns in stock and at third parties are measured based on their progress;
- stocks of consumables and spare parts are recognised at their weighted average cost for the year.

The estimated realisable value based on market trends is the estimate of ordinary sales prices of goods and finished products, net of estimated completion costs and direct sales costs. Obsolescence and turnover are also taken into account in calculating the estimated realisable value based on market trends. Obsolete and slow-moving items are written down to reflect their estimated possibility of use or sale.

Should the reasons for the write-down applied as an adjustment to the realisable value based on market trends cease to exist, in whole or in part, the write-down is reversed to the extent of the originally incurred cost.

Contract work in progress

If the Group has a binding agreement with the counterparty and is able to measure the contract profit or loss reliably, contract work in progress is recognised based on the stage of completion (or percentage of completion), whereby contract costs, revenues and profits or losses are recognised on the basis of the work performed. The Group measures the percentage of completion using the cost to cost method.

This method reflects the best estimate of work performed at the reporting date. The underlying estimates are updated regularly. Any resulting profits or losses are recognised in the profit and loss account when the update is made.

Contract revenues include all contractual consideration, as well as approved variations to work,

price escalation clauses, claims and incentives to the extent they can be determined reliably and their collection is reasonably certain.
Contract costs include all costs directly related to the contract, indirect costs attributable to the entire production process and attributable to the contract, as well as any other costs that may be specifically charged to the customers under the contract terms. The calculation of the percentage of completion excludes pre-operating contract costs and includes the costs to be incurred after the completion of the contract.
If the Group is unable to determine the outcome of a contract reliably, its carrying amount is calculated on the basis of the costs incurred, if their recovery is reasonably certain and, therefore, without recognising any profit. The Group recognises the consideration to which it is definitively entitled as revenue, while it recognises the change in contract work in progress, which is the difference between the opening and closing inventory for work carried out and not yet definitively settled, in the specific profit and loss account caption. Accrued revenues are recognised only when the Group is certain that it will definitively collect them as consideration for the work carried out. In the case of progress billings, since advances and payments on account are financial transactions, they do not affect revenue recognition and are always recognised as liabilities as they are not necessarily calculated on the basis of work carried out. Upon final billing, the Group reverses the relevant amount of advances and payments on account from liabilities.
When the total estimated costs of an individual contract are likely to exceed total estimated revenues, the contract is measured at cost and the probable loss to complete the contract is recognised as a decrease in contract work in progress when it is forecast, based on an objective and reasonable assessment of the existing circumstances and regardless of the contract's stage of completion. If the loss exceeds the carrying amount of contract work in progress, the difference is accrued in a provision for risks and charges.

Receivables

Receivables are rights to receive fixed or determinable amounts of cash or its equivalent from customers or other third parties at identified or identifiable due dates.
Receivables arising from the sale of goods and supply of services are recognised in accordance with the requirements set out in the section on revenues. Receivables arising for other reasons are recognised if they result in a right to a receivable, i.e., if they actually give rise to a third party obligation to the company.
Receivables are recognised at amortised cost, considering the time value of money and their estimated realisable value.
The amortised cost method is not applied when its effects are irrelevant, which is usually the case for current receivables or when transaction costs, commissions paid between the parties and any other difference between the original and recoverable amounts at the due date are insignificant. Receivables are initially recognised at their nominal amount, net of bonuses, discounts and allowances contractually provided for or, in any case, granted. They are subsequently measured at their nominal amount plus interest calculated at the nominal interest rate, reduced by principal and interest collected and net of estimated write-downs and expected credit losses recognised to adjust their carrying amount to their estimated realisable value.
Cash discounts and allowances, that were not included in the calculation of the estimated realisable value as they could not be determined when the receivable was originally recognised,

are recognised upon collection. The Group recognises these receivables at their estimated realisable value by writing down their carrying amount through the provision for bad debts, in order to provide for any risk of impairment. To this end, the Group considers specific indicators based on past trends and any other useful information about a probable impairment. The write-downs are estimated on an individual basis for significant receivables and collectively for the others, by calculating the expected impairment losses at the reporting date.
Receivables are derecognised when the contractual rights to the cash flows from the receivable are extinguished or title thereto is transferred along with nearly all the related risks. To verify transfer of risks, the Group considers all the contractual clauses.
When the above-mentioned conditions are met and the receivable is derecognised, any difference between the amount collected and the receivable's carrying amount is recognised as an impairment loss in the profit and loss account, unless another classification, including financial, may be identified based on the transfer agreement.

Derivatives

A derivative is a financial instrument or other contract with all three of the following characteristics:
a)its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, as long as, in the case of a non-financial variable, that the variable is not specific to a party to the contract (sometimes called the underlying);
b) it requires no initial net investment or an initial net investment that is smaller than that required for other types of contracts that would be expected to have a similar response to changes in market factors;
c) it is settled at a future date.
Derivatives include agreements to purchase or sell goods that give one of the counterparts the right to settle the agreement in cash or using another financial instrument except when the following conditions concurrently take place:
a) the contract is finalised or maintained to meet the requirement of purchasing, selling or using the goods;
b) the contract has had that purpose since it was finalised;
c) the contract is to be performed through delivery of the goods.
The Group initially recognises a derivative when it becomes party to its contractual provisions, i.e., when it signs the contract and is, therefore, subject to its rights and obligations. It recognises derivatives, including embedded derivatives, at fair value. Derivatives embedded in hybrid contracts are separated from the non-derivative host and recognised separately if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative provided for in OIC 32. The Group assesses whether it is required to separate an embedded derivative and recognise it separately only at the hybrid instrument's initial recognition or at the date when its contractual clauses are amended.

At each reporting date, the company measures derivatives at fair value and presents them in the specific balance sheet items as current or fixed (in the case of hedges of fixed assets or liabilities due after one year) assets, if their fair value is positive or under provisions for risks and charges, if

their fair value is negative. 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. The company measures the fair value of unlisted derivatives using adequate valuation techniques and the assumptions, parameters and fair value hierarchy levels required by the relevant OIC.
Fair value gains or losses on derivatives that do not meet the hedge accounting requirements are recognised in the specific profit and loss account captions.

Hedge accounting
A derivative qualifies for hedge accounting if all of the following criteria are met:
a) the hedging relationship consists only in eligible hedging instruments and eligible hedged items;
b) at the start of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge;
c) the hedging relationship meets the qualitative and quantitative hedge effectiveness requirements.
Therefore, if the Group uses derivatives as hedges from a management perspective but the hedging relationship does not fully meet hedge accounting requirements, it recognises them based on the general treatment described earlier.
The hedge effectiveness is documented at initial recognition and also on an ongoing basis. At each reporting date, the company assesses whether the hedging relationship is still effective.
If all the requirements mentioned above are met, hedging relationships may be accounted for using the following models.

Fair value hedges
If a derivative is designated as a hedge of the exposure to changes in fair value of a recognised asset or liability or a firm commitment that is attributable to a particular risk and could affect the net profit or loss, the gain or loss on both the hedging instrument and the hedged item attributable to the hedged risk is recognised in the specific profit and loss account caption, to the extent that the gain or loss on the hedged item does not exceed the fair value gain or loss of the hedging instrument. Any surplus is recognised in the profit and loss account caption affected by the hedged item. The fair value gain or loss attributable to the hedged risk adjusts the carrying amount of the hedged item in the balance sheet to the extent, for assets, of their recoverable amount.

Cash flow hedges
If a derivative is designated as a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability, a firm commitment or a highly probable forecast transaction and could affect the net profit or loss, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in the specific net equity reserve, whereas the ineffective portion of the gain or loss on the hedging instrument is recognised in the profit and loss account.
The gains or losses accumulated in the net equity reserve are reclassified to the profit and loss account in the year or over the years during which the hedged future cash flows affect the net profit or loss. If a firm commitment or a highly probable forecast transaction subsequently results in the recognition of a non-financial asset or liability, the associated gains or losses that were recognised in the specific reserve are reclassified from equity to the carrying amount of the asset (to the extent of its recoverable amount) or liability upon its recognition.

When the company discontinues hedge accounting for a cash flow hedge, but the hedged future cash flows are still expected to occur, the amounts that have been accumulated in the reserve remain in net equity until the future cash flows occur. If the hedged future cash flows are no longer expected to occur or the forecast transaction is no longer highly probable, that amount is immediately reclassified from the reserve to the profit and loss account.

The disclosures required by article 2427-bis.1 of the Italian Civil Code on the fair value of derivatives and those required by OIC 32 are provided in a specific section to these notes.

Liquid funds

These are the positive balances of bank and postal accounts and cheques, as well as the cash-on-hand and cash equivalents at year end.

Bank and postal accounts and cheques are recognised at their estimated realisable value, cash and revenue stamps at their nominal amount, while foreign currency is measured at the closing rate. Prepayments and accrued income and accrued expenses and deferred income. Accrued income and expense are respectively portions of income and expenses pertaining to the year but that will be collected/paid in subsequent years.

Prepayments and deferred income are respectively portions of expenses and income collected/paid during the year but pertaining to one or more subsequent years.

Accordingly, these captions comprise only portions of expenses and income relating to two or more years, whose amount varies on a time or economic accruals basis.

At each year end, the company analyses the conditions underlying their initial recognition and makes any necessary adjustments. Specifically, the balance of accrued income varies not only over time, but also based on the expected realisable value, whereas that of prepayments is based on the future economic benefits of the deferred costs arising therefrom.

Provisions for risks and charges

Provisions for risks and charges are recognised to cover specific liabilities that are certain or probable, but whose amount or due date is unknown at the reporting date. Specifically, provisions for risks relate to specific liabilities whose occurrence is probable and amount estimated, while provisions for charges relate to specific liabilities, whose occurrence is certain and amount or due date estimated, that arise from obligations already taken on at the reporting date but which will be paid in subsequent years.

Accruals to provisions for risks and charges are recognised in the profit and loss account section to which the transaction relates, privileging the classification of costs by nature.

The amount of the accruals to the provisions is based on the best estimate of costs, including the legal expenses, at each reporting date and is not discounted. If the measurement of the accruals gives a range of values, the accrual represents the best possible estimate between the upper and lower thresholds of the range.

The provision is subsequently used directly and solely for those costs and liabilities for which it was originally set up. If the provision is not sufficient or is redundant, the shortfall or surplus is recognised in the profit and loss account in line with the original accrual.

Risks for which a liability is only possible are disclosed in the notes without making an accrual to a provision.

- Agents' termination indemnity
  The agents' termination indemnity comprises accruals for the amounts due to agents in the event the Group withdraws from the agency agreement, in the event of the agent's death if the agent is a natural person, or on retirement. The criterion used by the Group to determine this amount differs for Italian and foreign agents. For Italian agents, the company has specific obligations set out in the national collective contract for agents and the accrual therefore represents the entire amount due under current legislation, including the amount based on performance. For foreign agents operating within the European Community, the accrual represents an annual amount calculated on the average commissions paid over the last five years, pursuant to the provisions of the Italian Civil Code.
- Tax provision, including deferred tax liabilities
  This caption includes deferred tax liabilities calculated on taxable temporary differences.
- Derivatives
  The caption shows derivatives with a negative fair value at the measurement date.
- Other provisions for risks
  These comprise the accruals made for the estimated contingent liabilities of the various Group companies.

Employees' leaving entitlement

The Italian employees' leaving entitlement (TFR) is the benefit to which employees are entitled in any case of termination of employment pursuant to article 2120 of the Italian Civil Code and considering the change in legislation introduced by Law no. 296 of 27 December 2006. The overall accrued benefit considers any type of continuous remuneration and is net of any payments on account and partial advances paid by virtue of national or individual labour contracts or company agreements which are not required to be repaid. The provision is shown net of advances paid and transfers made to the INPS (the Italian Social Security Institution) treasury fund and other supplementary pension funds for the relevant employees pursuant to legislation in force since 2009. The related liability is the amount that the company would have paid had all employees left at the reporting date.

Payables

Payables are specific and certain liabilities that are obligations to pay fixed or determinable sums of cash or its equivalent to financial backers, suppliers or other parties. Payables are classified on the basis of their nature (or origin) regardless of their due dates.

Payables arising from the purchase of goods are recognised when the production process for the goods has been completed and the substantial transfer of title has taken place, with the transfer of risks and benefits being the key parameter. Payables relating to services are recognised once the services have been delivered, i.e., when they have been carried out. Loans and borrowings and payables unrelated to the procurement of goods and services are recognised when the company has an obligation vis-a-vis the counterparty. Payables for advances from customers are recognised when the right to collect the advance arises.

Payables are recognised in financial statements at amortised cost, considering the time factor.

The amortised cost method is not applied when its effects are irrelevant, which is usually the case for current payables or when transaction costs, commission paid between the parties and any other

difference between the original and recoverable amounts at the due date are insignificant.
Moreover, pursuant to art. 12, par. 2, of Legislative Decree 139/2015, the company opted not to recognise payables arising before 1 January 2016 at amortised cost and did not discount them.
Those payables are initially recognised at their nominal value, net of bonuses, discounts and allowances contractually provided for or, in any case, granted. They are subsequently measured at their nominal value plus interest expense calculated at the nominal interest rate, reduced by principal and interest.
In the event of early settlement, the difference between the residual outstanding value of the payable and the overall outlay to settle the obligation is recognised in profit and loss as financial income/charge.
Cash discounts and allowances, that were not included in the calculation of the initial estimated value as they could not be determined when the payable was originally recognised, are recognised as revenue of a financial nature at time of payment.
Applying the amortised cost criterion, the initial recognition value is the payable's nominal value, except when discounting is needed as described below, net of transaction costs and all allowances, discounts, bonuses resulting directly from the transaction causing the payable.
Transaction costs, initial commission income and expense, charges, issue agio and disagio and any other difference between initial and nominal value at maturity are including in the amortised cost calculations using the effective interest criterion. Its rate is calculated when the payable is first recognised and maintained at subsequent measurements, except with contractually variable interest, parametrised at market rates.
When each year closes, the value of payables at amortised cost amounts to the current value of future cash flows discounted at the effective interest rate.
In the event of early settlement, the difference between the residual outstanding value of the payable and the overall outlay to settle the obligation is recognised in profit and loss as financial income/ charge.
Cash discounts and allowances, that were not included in calculation of the amortised costs as they could not be determined when the payable was originally recognised, are recognised at the time of payment as revenue of a financial nature.
Trade payables that are due after 12 months from initial recognition, that do not bear interest or with interest that is contractually significantly different to market rates, and the relative costs, are initially recognised at value calculated discounting future cash flows at the market interest rate. The difference between the initial recognition value of the payable thus calculated and end value is recognised to profit and loss as a financial expense for the debt duration using the effective interest rate criterion.
For financial debts, the difference between the liquid funds received and the current value of future cash flows, calculated applying the market interest rate, is recognised in financial revenues and charges in profit and loss at the time of initial recognition, unless the substance of the transactions or contract lead to attributing a different nature to that element, hence different processing in accounts.
Payables are eliminated in full or partially from the financial statements when the contractual and/ or legal obligation has been settled through compliance or other cause, or has been transferred.

Foreign currency transactions, assets and liabilities

Assets and liabilities generated by foreign currency transactions are initially recognised in the currency of the relevant Group company (in Euros for Italian companies), applying the transaction-date spot rate between the Euro and the foreign currency to the foreign currency amount.

Foreign currency monetary items are translated in the financial statements using the closing spot rates. Any resulting gains or losses are taken to the profit and loss account. Non-monetary foreign currency assets and liabilities are maintained in the balance sheet at the exchange rate ruling at their date of purchase; consequently, the exchange rate gains and losses do not give rise to an independent and separate recognition.

For the Italian companies, any unrealised net exchange rate gain on foreign currency monetary items forms part of the net profit or loss for the year and, when the financial statements and consequent allocation of the net profit or loss for the year are approved, it is recognised in a undistributable reserve for the part not used to cover the net loss for the year. Should the net profit for the year be lower than the unrealised net exchange rate gain, the amount recognised in the undistributable reserve is equal to the net profit for the year.

If foreign currency items are designated as hedged items or hedging instruments in a hedging relationship, the company applies the accounting treatment described in the "Derivatives" section.

Revenues and costs

Revenues and income, costs and charges are stated net of returns, allowances, discounts and premiums, as well as taxes directly related to the sale of goods or provision of services, in compliance with the accruals and prudence concepts. Revenues from the sale of goods are recognised when the production process for the goods has been completed and the exchange has already taken place i.e., upon the substantial rather than formal transfer of title, with the transfer of risks and benefits being the key parameter. Revenues from the provision of services are recognised once the services have been provided, i.e., when they have been carried out.

Revenues and income, costs and charges relating to foreign currency transactions are translated using the spot exchange rate ruling on the date of the relevant transaction.

Grants received

Grants pursuant to Laws 181/89 and 513/93

Grants received pursuant to Laws no. 181/89 and 513/93 by Tessitura di Mottola S.r.l. are treated as items that adjust the cost of the goods to which they relate; they are gradually taken to profit or loss over the useful life of such assets. The grants received are recognised under the profit and loss account caption, "Other revenues and income", in line with the depreciation rates of the assets to which they relate, and the portion pertaining to subsequent years under deferred income. The grant received to purchase land, which is not depreciated, has been deducted from the purchase cost of the land.

GSE grants and Eko Energia grants

The grants received from GSE (the company that manages energy services in Italy) for energy production by the photovoltaic system installed in Mottola are recognised in the profit and loss account on an accruals basis, considering the energy generated during the year.

Grants received for the Eko Energia program by Dietfurt S.r.o, allocated by the Ministry for Industry and Trade of the Czech Republic, are treated as items that adjust the cost of the assets to which they relate and are recognised as a reduction in the purchase cost of the relevant assets. The subsidiary's 2007-2012 investment plan for plant and machinery also benefited from an incentive scheme of the Czech Ministry for Industry and Trade funded by the European Community and aimed at the development of investments and new technologies in the textile sector. The investment plan has generated a tax credit which was partly used to reduce the tax charge for the year and for previous years from 2011 to 2015.

Other grants

The grants received by the subsidiary Cotonificio Albini S.p.A. for training projects are entered in the profit and loss account on an accruals basis, considering the training costs incurred during the year. The grants for export received by the Egyptian subsidiaries are taken to the profit and loss account for the portion of revenues accrued in the year.

Income taxes

Current income taxes for the year are calculated on the basis of a realistic forecast of the taxable profit under the relevant tax legislation in the country of reference and applying the enacted tax rates at the reporting date. The related tax payable is stated at its nominal amount in the balance sheet, net of payments on account, withholding taxes and tax receivables which may be offset and have not been claimed for reimbursement. A tax asset is recognised for payments on account, withholdings and receivables exceeding the taxes payable. Tax receivables and payables are measured at amortised cost, except when they are due within one year.

Deferred tax assets and liabilities are calculated on the accumulated amount of all temporary differences between the carrying amounts of assets and liabilities and their tax base that will reverse in subsequent years.

Deferred tax liabilities arising from taxable temporary differences relating to transactions giving rise to reserves taxable on distribution are always recognised unless the specific requirements provided for by the relevant standard are met.

Deferred taxes related to transactions that directly affect net equity are not recognised in the profit and loss account but are initially recognised in the provisions for risks and charges by reducing the matching net equity caption.

Deferred tax assets and liabilities are recognised when the temporary differences arise and are calculated at the tax rates that will be applicable in the year in which the temporary differences reverse, if they have already been established at the reporting date, otherwise at the enacted tax rates at the reporting date.

The deferred tax assets on deductible temporary differences and on the benefit connected with the carry forward of tax losses are recognised and maintained only when their future recoverability is reasonably certain, through the availability of future taxable profits against which the deferred tax assets may be used or the availability of sufficient taxable temporary differences to recover them in the years in which they reverse.

Deferred tax assets not recognised or impaired in prior years as the requirements for their recognition were not met, are recognised or reinstated in the year in which the relevant requirements are met.

Deferred tax assets and liabilities are offset if the relevant requirements are met (offsetting ability

and intention) and the resulting positive or negative balance is respectively stated under the specific captions of current assets or provisions for risks and charges.

The parent Albini Group S.p.A.as consolidating party, has renewed the Group taxation option pursuant to arts. 117-129 of presidential Decree 917 of 22 December 1986, (so-called "national tax consolidation scheme") for the 2017-2019 three-year period with Cotonificio Albini S.p.A. and Tessitura di Mottola S.r.l. and for the 2018-2020 period with I Cotoni di Albini S.p.A..
Under this option, the consolidated companies calculate their tax base and transfer it to the tax parent: the tax charge is then recognised in caption 20 (Income taxes, current and deferred) of the latter's profit and loss account. Deferred taxation is also shown under this caption. If the Group recognises a tax loss, the related amount paid by the consolidating company is likewise recognised under caption 20 of the profit and loss account.

Post-balance sheet events

These events modify conditions existing at the reporting date. They require adjustments to the carrying amounts of recognised assets and liabilities in accordance with the relevant accounting policy. They are recognised on an accruals basis to present their reporting-date effect on the company's financial position, financial performance and cash flows. The post-balance sheet events that modify situations existing at the reporting date but do not require adjustments to the carrying amounts under the relevant accounting policy as they relate to the subsequent year are not recognised but are disclosed in the notes if necessary to give a more complete view of the company's position. The date within which an event shall be considered a post-balance sheet event is the date on which the directors prepare the draft financial statements, unless events that take place during the period from such date to the date on which the financial statements are expected to be approved by the shareholders have a significant impact on the financial statements.

NOTES TO THE MAIN ASSET CAPTION

All amounts in the notes to the consolidated financial statements are in thousands of Euros, except otherwise specified.

FIXED ASSETS

The schedules prepared for intangible and tangible fixed assets are presented in the following pages, showing the historical cost, accumulated depreciation/amortisation, changes of the year, closing balances, and total revaluations at year end for each caption.specified.

Intangible fixed assets

The changes in historical cost, amortisation and the carrying amount of the items under this caption are shown below.

	HISTORICAL COST					ACCUMULATED AMORTISATION				CARRYING AMOUNT
	Balance at 31.12.18	Purchases	Riclass./ Dis.	Exchange rate fluctuation	Balance at 31.12.19	Balance at 31.12.18	2018 amortisation	Exchange rate fluctuation	Balance at 31.12.19	Intangible Fixed assets net as at 31.12.19
Industrial patents and intellectual property rights	2,986	255	97	-	3,338	(2,762)	(237)	1	(2,998)	340
Concessions, licences, trademarks and similar rights	1,374	11	-	-	1,385	(1,141)	(38)	-	(1,179)	206
Goodwill	761	-	-	-	761	(277)	(80)	13	(344)	417
Assets under development and payments on account	142	26	(128)	-	40	-	-	-	-	40
Other	12,435	120	16	-	12,571	(11,876)	(260)	(1)	(12,137)	434
Total	**17,698**	**412**	**(15)**	**-**	**18,095**	**(16,056)**	**(615)**	**13**	**(16,658)**	**1,437**

The item "Patent and intellectual property rights" increased by € 255 thousand in the year, mainly referred to the purchase of new IT licences for the product, commercial and marketing development areas; and the new maintenance software and the CRM software of Cotonificio Albini S.p.A..

Concessions, licences, trademarks and similar rights increased by € 11 thousand due to new costs to register the Group's trademarks.

The item "Assets under development and payments on account" increased by € 26 thousand for payments on account related to new software projects to manage the suppliers and shipments of Cotonificio Albini S.p.a. and the new energy streamlining software for Albini Energia S.r.l. During the year, the costs for works started the previous year to create software to control maintenance,

production and laboratory programming for Cotonificio Albini S.p.A. were also completed and hence allocated to the category "patent and intellectual property use rights" and "other intangible fixed assets".

The item "Other intangible fixed assets" increased by € 120 thousand mainly related to creating applications to optimise logistics, production programming and managing the shipments of Cotonificio Albini S.p.A..

Tangible fixed assets

Changes of the year are set out in the following table:

DESCRIPTION	B.II.1 Land and buildings	B.II.2 Plant and machinery	B.II.3 Equipment	B.II.4 Other assets	B.II.5 Assets under construction	TOTAL
Cost at 31.12.2018	77,145	107,382	1,314	4,608	1,265	191,714
Accumulated depreciation at 31.12.2018	(30,000)	(93,399)	(1,282)	(3,447)	-	(128,128)
Balance at 31.12.2018	**47,145**	**13,983**	**32**	**1,161**	**1,265**	**63,586**
Changes of the year						
Historical cost:						
- acquisitions	284	2,456	11	252	447	3,450
- exchange rate fluctuations	322	321	7	9	-	659
- reclassifications	110	975	-	-	(1,085)	-
- gross disinvestments	-	(2,492)	(3)	(2)	-	(2,497)
Accumulated depreciation:						
- depreciation of the year	(2,372)	(4,607)	(15)	(453)	-	(7,447)
- exchange rate fluctuations	(93)	(238)	(7)	(6)	-	(344)
- disinvestments	-	2,194	3	2	-	2,199
Total changes of the year	**(1,749)**	**(1,391)**	**(4)**	**(198)**	**(638)**	**(3,980)**
Cost as at 31.12.2019	77,861	108,642	1,329	4,867	627	193,326
Accumulated depreciation at 31.12.2019	(32,465)	(96,050)	(1,301)	(3,904)	-	(133,720)
Balance as at 31.12.19	**45,396**	**12,592**	**28**	**963**	**627**	**59,606**

The main increases of the year were as follows:

a) land and buildings (+€ 284 thousand), mainly relating to upgrades to the buildings in Albino and Brebbia. In the Albino industrial facility the main work was on brick works to install a new co-generation plant, whereas in Brebbia restructuring took place to adapt the buildings to the new fire-fighting systems installed. In the facilities of Borg El Arab and Dietfurt work was carried out

on buildings with special attention for environmental aspects and energy savings;

b) plant and machinery (€ 2,456 thousand), mainly relating to:

- new co-generation system in the Albino facility;
- new autoclaves for the Albino dyeing site;
- changes to the district heating network and implementation of fire-fighting systems in the buildings in Albino;
- continuous washing and drying line in the Brebbia facility;
- implementing a new emergency led lighting plant, a fire detection system with optical and acoustic signalling, redoing the company data network and expansion of the air renewal network in the Brebbia finishing department;
- work on the data networks of the Letohrad facility;
- air conditioning system and fire-fighting plant in the Mottola facility;
- fire-fighting system in the Borg El Arab facility;
- upgrading the production lines installed in the external spinning plant and purchase of newspinning units and accessories for I Cotoni di Albini S.p.A.;
- the purchase of new warping machinery at the Borg El Arab site.

A portion of the work that began in the previous year and completed in the year is included in the caption Reclassifications;

c) equipment (€ 11 thousand) purchased for the Albino and Brebbia facilities;

d) other assets for € 252 thousand mainly related to installing the new server in the Albino facility, to the purchase of goods handling equipment and to renew the electronic machines in the Albino, Mottola and Borg El Arab facilities. Investments were also made in furniture and hardware for the offices of the Hong Kong subsidiary and to fit out the new office of Albini Next at Kilometro Rosso in Stezzano;

e) assets under construction (€ 447 thousand) mainly related to plant and machinery projects for the Albino and Brebbia facilities and for the implementation of new renewable energy exploitation systems by the subsidiary Albini Energia S.r.l..

The disinvestments refer to the dismantling and sale of the old co-generation and air conditioning plants in the Albino facility, the sale of a water tank and the rameuse foulard plant in Brebbia. Two spinning units belonging to I Cotoni di Albini S.p.A. were also sold. These sales generated net gains of € 70 thousand. In order to optimise the production capacity of some machines, they were moved from their respective production plants and assigned to other Group company facilities.

The reclassifications mainly relate to the allocation of work in progress at the previous year end to plant and machinery, consisting of both buildings and plant and machinery, as described earlier.

Machinery, plant and equipment comprise yarn processing machinery, processing tubes and small tubes for the subsidiary I Cotoni di Albini S.p.A.'s spinning units, located at Filatura Prealpina S.r.l.'s facility.

Ordinary depreciation, disclosed in the relevant schedule at the beginning of these notes, was calculated using rates deemed to represent the residual useful lives of the related assets.

Pursuant to art. 10 of Law no. 72 of 19 March 1983 and art. 2427 of the Italian Civil Code, the following table describes the revaluations performed on assets still in the balance sheet at 31 December 2019, carried out by Cotonificio Albini S.p.A.:

a) Historical (gross) value of revaluations at 31.12.2019:

	Land and buildings	Plant and machinery	Total
Historical cost of the revalued assets	**13,509**	**16,208**	**29,716**
Monetary revaluations on assets recognised at year end:			
- pursuant to Law no. 576/1975	103	2	105
- pursuant to Law no. 72/1983	256	7	263
- pursuant to Law no. 413/1991	812	-	812
-pursuant to Law no. 342/2000	-	4,430	4,430
- pursuant to Law no. 448/2001	-	11	11
- pursuant to Law no. 266/2005	-	2,471	2.471
- pursuant to Law no. 2/2009	17,853	-	17,853
Economic revaluations on assets recognised at year end:			
- related to the 1987 merger	207	4	211
Total revaluations	**19,231**	**6,925**	**26,156**

b) Carrying amount of revaluations at 31.12.2019:

Monetary revaluations on assets recognised at year end:	**Land and buildings**
- pursuant to Law no. 413/1991	281
- pursuant to Law no. 2/2009	11,743
Total revaluations	**12,024**

No monetary or economic revaluations other than those set out above have been performed, nor were the exceptions as per articles 2423 and 2423-bis and ter of the Italian Civil Code applied.

There are mortgages from banks and other lenders on buildings in Albino, Brebbia and Mottola of the direct subsidiaries Cotonificio Albini S.p.A. and Tessitura di Mottola S.r.l. they guarantee the loans made to the Group, as specified under the loans section.

Financial fixed assets

Investments in associates and other companies

Investments in associates and other companies consist of the subsidiary Cotonificio Albini S.p.A.'s minority investment in Stil Novo Partecipazioni S.p.A. in liquidation, which has been written off.

Financial receivables from others

The € 3 thousand balance refers to the loan granted to Stil Novo Partecipazioni S.r.l. in liquidation for the completion of activities to wind up the company.

CURRENT ASSETS

Inventory

This caption is as follows at year end:

	31.12.2019	31.12.2018
Raw materials, consumables and supplies	29,959	27,866
Semi-finished products	18,216	20,615
Contract work in progress	222	209
Finished goods	21,708	24,730
Total inventory	**70,105**	**73,420**

The Group increased its raw material inventories by € 2.1 million, net of the provision for the write-down of stock obsolescence (€ 730 thousand) prudently allocated by the subsidiaries Cotonificio Albini S.p.A. and I Cotoni di Albini S.p.A.. The provision increased by € 15 thousand to take into consideration the risk of some yarns being obsolete or slow-moving. The reduction in the raw material stocks of Cotonificio Albini S.p.A. was then offset by an increase in the stock of the Egyptian subsidiaries and especially of I Cotoni di Albini S.p.a., linked to the significant increase in its turnover.

Finished product inventories are recognised net of the stock obsolescence fund for € 392 thousand set aside prudentially byCotonificio Albini S.p.A.. The significant drop in the finished products of Cotonificio Albini S.p.A. is linked to the ongoing action to optimise the inventory of finished fabrics of the part related to the "Service Program". The Group also continued its actions to decrease the number of yarn codes used and the dyeing colours.

Contract work in progress reflects the percentage accrued for engineering projects managed by the subsidiary Albini Energia S.r.l..

Receivables

Trade receivables

This caption was as follows at 31 December 2019:

	Amount Gross	Provision for bad debts	Net amount
Trade receivables due within one year	37,718	(1,029)	36,689
Total	**37,718**	**(1,029)**	**36,689**

The above provision for bad debts reflects the adjustment of the receivables' carrying amount to their estimated realisable value.

Changes for 2019 in the provision for bad debts were as follows:

	31.12.2018	Accrual	Utilisation	31.12.2019
Provision for bad debts	994	376	(341)	1,029

Trade receivables arise from normal sales transactions and relate to both foreign and Italian customers. The caption includes collection orders at the Group and with banks.

Trade receivables by geographical segment:

	31.12.2019	31.12.2018
Italian customers	15,922	13,670
EU customers	7,176	8,361
Non-EU customers	14,620	13,809
TOTAL GROSS RECEIVABLES	**37,718**	**35,840**

Tax receivables

Tax receivables may be analysed as follows:

	31.12.2019	31.12.2018
Net tax receivables	1,622	1,369
Tax credit for R&D costs as per Law no. 190/ 214	90	212
Other receivables	22	21
Total tax receivables due within one year	**1,734**	**1,602**
IRAP reimbursement claim pursuant to Law decree no. 201/2011	614	1,104
Total tax receivables due after one year	**614**	**1,104**

Tax receivables include VAT receivables of € 956 thousand. Tax receivables show receivables for the year resulting from tax payments on account made in the year net of tax payables for taxes accrued in the year by Italian and foreign subsidiaries.

Deferred tax assets

Deferred tax assets total € 1,593 thousand (31 December 2018: € 1,799 thousand) and mainly relate to Cotonificio Albini S.p.A., Tessitura di Mottola S.r.l., and I Cotoni di Albini S.p.A.. They refer to the tax effect of the temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the corresponding amounts recognised for tax purposes (mainly taxed provisions and differences between amortisation and depreciation recognised for statutory and tax purposes), whose future realisation appears reasonably certain. The caption also includes the tax effects of consolidation adjustments to leases and assets. The changes of 2019 were as follows:

Balance at 31.12.2018	**1,799**
Use of prior year deferred tax assets	(442)
Exchange rate differences and other changes	(4)
Deferred tax assets recognised in the year	240
Balance at 31.12.2019	**1,593**

Receivables from others

These amount to € 2,951 thousand (31 December 2018: € 2,255 thousand). They consist of advances to third parties of € 977 thousand, mainly for payments on account to take part in textile trade fairs in 2020 and advances paid to suppliers. Receivables from Inps for the Government-sponsored lay-off scheme amount to € 318 thousand, accrued by the subsidiaries Tessitura di Mottola S.r.l. and Cotonificio Albini S.p.A. referred to amounts paid to employees during the year as an advanced on the Earnings Equalisation Fund. The rest of the caption includes receivables for export subsidies accrued by the Egyptian subsidiaries for € 1,259 thousand, guarantee deposits for € 116 thousand, receivables accrued and recognised for the sale of white certificates of Albini Energia S.r.l. (for the quota accrued in the year in progress and previous ones and not yet realised) for € 31 thousand, by other various receivables for € 250 thousand.

CURRENT FINANCIAL ASSETS

Derivatives

The caption includes the measurement as at 31 December 2019 of the derivatives of Cotonificio Albini S.p.A. for € 117 thousand and Dietfurt Sro for € 10 thousand. The amount indicated represents the fair value of the forward instruments stipulated to hedge purchases and sales in currency (Usd, Yen and Gbp for Cotonificio and Euro with Czech koruna for Dietfurt) expiring in 2020.
The relevant deferred tax liabilities were allcoated for the quota recognised in the net equity reserve.

Liquid funds

These total € 8,572 thousand (€ 9,563 thousand in 2018) and include:

	31.12.2019	31.12.2018
- Bank deposits	8,552	9,544
- Cheques, cash-in-hand and cash equivalents	20	19
Total	**8,572**	**9,563**

Reference should be made to the cash flow statement for a greater understanding of the cash flows.

PREPAYMENTS AND ACCRUED INCOME

Prepayments and accrued income amount to € 186 thousand (2018: € 128 thousand) and mainly consist of adjustments made to correctly allocate costs relating to insurance, interest, machinery maintenance instalments, rents and personnel training to 2019 on an accruals basis. Prepayments and accrued income are as follows:

	31.12.2019	31.12.2018
- Maintenance/assistance instalments	64	28
- Interest in loans and factor advances	10	10
- Personnel training costs	17	23
- Rent expenses	10	-
- Insurance and other premiums	85	67
TOTAL PREPAYMENTS	**186**	**128**

NOTES TO THE MAIN LIABILITY CAPTIONS
NET EQUITY

Net equity changed as follows during the year:

Description	Share capital	Share premium reserve	Legal reserve	Revaluation reserve	Capital injection	Extraordinary reserve	Translation reserve	Cash flow hedging reserve	Undistributed profits of subsidiaries	Result for the year	Group Net equity	Minority interests	Consolidated net equity
Balance at 31.12.2017	**1,820**	**828**	**364**	**21,060**	**207**	**2,834**	**1,864**	**(408)**	**43,493**	**(1,989)**	**70,073**	**582**	**70,655**
Restatement of derivatives at 31/12/2018	-	-	-	-	-	-	-	307	-	-	307	-	307
Allocation of the net profit for 2017	-	-	-	-	-	-	-	-	(1,989)	1,989	-	-	-
Dividend distribution	-	-	-	-	-	-	-	-	(41)	-	(41)	-	(41)
Utilisation of the revaluation reserve to cover losses in 2017	-	-		(1,684)	-	-	-	-	1,684	-	-	-	-
Translation differences and other changes	-	-	-	-	-	(224)	579	-	203	-	558	50	608
Net profit for 2018	-	-	-	-	-	-	-	-	-	2,749	2,749	70	2,819
Balance at 31.12.2018	**1,820**	**828**	**364**	**19,376**	**207**	**2,610**	**2,443**	**(101)**	**43,350**	**2,749**	**73,646**	**702**	**74,348**
Restatement of derivatives at 31.12.2019	-	-	-	-	-	-	-	(97)	-	-	(97)	-	(97)
Allocation of the net profit for 2018	-	-	-	-	-	-	-	-	2,749	(2,749)	-	-	-
Dividend distribution	-	-	-	-	-	(591)	-	-	(155)	-	(746)	-	(746)
Translation differences and other changes	-	-	-	-	-		319	-	6	-	325	(4)	321
Net profit for 2019	-	-	-	-	-	-	-	-	-	(825)	(825)	(45)	(870)
Balance at 31.12.2019	**1,820**	**828**	**364**	**19,376**	**207**	**2,019**	**2,762**	**(198)**	**45,950**	**(825)**	**72,303**	**653**	**72,956**

The main net equity captions and changes there in are discussed below.

Share capital

The parent's share capital at 31 December 2019 is comprised of 3,500,000 ordinary shares with a nominal amount of € 0.52 each, for a total of € 1,820 thousand.

Share premium reserve

This caption is unchanged from the previous year end and equals € 828 thousand.

Legal reserve

The legal reserve amounts to € 364 thousand and is unchanged from 31 December 2018.

Other reserves

This caption is as follows:

	31.12.2019	31.12.2018
1. Extra-ordinary reserve	2,019	2,610
2. Capital injections	207	207
3. Revaluation reserve as per Law no. 342/00.	2,537	2,537
4. Revaluation reserve as per Law no. 266/05	4,592	4,592
5. Revaluation reserve as per Law no. 02/09	12,247	12,247
6. Translation reserve	2,762	2,443
Total	**24,364**	**24,636**

The revaluation reserves relate to the direct subsidiary Cotonificio Albini S.p.A. and comprise:

- the revaluation reserve for plant and machinery pursuant to Law no. 342 of 21 November 2000 (€ 9.94 million, net of the related substitute tax of € 2.33 million); € 5.72 million and € 1.68 million of this reserve were used in 2009 and 2017, respectively, to cover the losses of the subsidiary Cotonificio Albini S.p.A.;
- the revaluation reserve for plant and machinery pursuant to Law no. 266 of 23 December 2005 for € 4.59 million, net of the related substitute tax of € 612 thousand;
- the revaluation reserve for land and buildings pursuant to Law no. 2 of 28 January 2009 for € 12.25 million, net of deferred taxes of € 5.61 million (recognised under provisions for risks and charges at 31 December 2008 and changed starting from 2009 in line with the depreciation charged on buildings).

The extra-ordinary reserve decreased by € 591 thousand for its partial use by the Parent to distribute dividends and integration of those taken from the previous year result.

The translation reserve increased over the previous year due to the exchange rate fluctuations in the currencies of the foreign subsidiaries, particularly as relates to the US dollar and the Czech Koruna.

Hedging reserve

The hedging reserves, set up as from 2016, include fair value gains and losses on the effective portion of both currency and interest rate hedging derivatives.

The caption is comprised of:

	31.12.2019	31.12.2018
1. Reserve for currency hedges	(36)	(1)
2. Reserve for interest rate hedges	(162)	(100)
Total	**(198)**	**(101)**

These reserves are net of the related deferred tax liabilities presented under "Provisions for risks and charges".

Undistributed profits of subsidiaries

Undistributed profits of subsidiaries increased from € 43,350 in 2018 to € 45,950 in 2019. During the current year, this reserve increased to absorb the positive result of the previous year, partially reduced by distribution of dividends in 2019 and the exchange rate differences affecting the net equity of foreign investees.

Reconciliation between the parent's financial statements and the consolidated financial statements:

	2019	2018
Net profit (loss) for the year of Albini Group S.p.A.	**157**	**109**
- Elimination of net intercompany dividends	(300)	(247)
- Net profit (loss) for the year of the consolidated companies	(2,937)	2,406
- Write-downs/(write-backs) of investees	2,000	409
- Measurement of leases using the financial method	280	206
- Restatement of derivatives	11	5
- Elimination of intercompany transactions	(81)	(69)
Consolidated net profit (loss) for the year	**(870)**	**2,819**
(A) comprises:		
Net profit (loss) for the year attributable to the Group	(825)	2,749
Net profit (loss) for the year attributable to minority interests	(45)	70
Total	**(870)**	**2,819**
Net equity and net profit (loss) for the year of Albini Group S.p.A.	**5,395**	**5,938**
- Carrying amount of the consolidated equity investments	(21,602)	(23,578)
- Net equity and net profit (loss) for the year of the consolidated companies	87,815	90,831
- Allocation of the gain on the Mottola land, goodwill	322	322
- Effect of recognising leases using the financial method	1,232	954
- Restatement of derivatives	3	4
- Elimination of intercompany transactions	(209)	(123)
Consolidated net equity (A)	**72,956**	**74,348**
(A) comprises:		
Net equity attributable to the Group	72,303	73,646
Net equity attributable to minority interests	653	702
	72,956	**74,348**

PROVISIONS FOR RISKS AND CHARGES

The breakdown of and changes to these provisions are as follows:

	31.12.2018	Accruals	Reclassifications - Exchange rate differences	Utilisation/ Releases	31.12.2019
Pension and similar provisions	1,584	34	-	(228)	1,390
Deferred taxation	4,211	213	(18)	(452)	3,954
Derivatives	213	104	-	(81)	236
Provision for other risks and charges	447	65	-	(92)	420
Total	**6,455**	**416**	**(18)**	**(853)**	**6,000**

The provision for pension and similar provisions includes the agents' termination indemnity and the provision for agents' performance-based amount. The calculation is based on an estimate of the amount to be paid to the Group's agents. The utilisation of this provision reflects the amounts paid to agents no longer working with the Group and the release of the amount of the provision exceeding the indemnities vested.

The provision for deferred taxation is accrued for those captions whose tax burden is deferred over more than one year (mainly the deferral of realised gains, the non-deductibility of depreciation related to the revaluation of industrial buildings carried out only for statutory purposes in 2009, the deduction of fiscally-driven depreciation recognised in previous years, the deferred taxation on the elimination of the effects related to asset sales between Group companies and the deferral of exchange rate gains or losses generated by the adjustment of receivables and payable at closing rates). Utilisation in the year amounts to € 452 thousand. The reclassifications include a negative € 18 thousand for the deferred taxes recognised in connection with the hedging reserve set up under net equity and exchange rate differences.

Derivatives payable for € 236 thousand include the fair value measurement of interest rate volatility hedges agreed for the Group's loans at the year end, described in the note to "bank loans and borrowings" (€ 213 thousand) and the fair value measurement of currency hedges (€ 23 thousand).

The provision for other risks and charges includes accruals prudentially made for payments to third parties that were recognised during the year but whose amount and date are only estimated.

EMPLOYEES' LEAVING ENTITLEMENT

The changes in this caption were as follows:

Balance at 31.12.2018	**6,251**
Portion vested and accrued in the profit and loss account	1,744
Payments to pension/supplementary fund	(1,623)
Payments of the year	(312)
Tax on the revaluation of employees' leaving entitlement and other changes	(19)
Balance at 31.12.2019	**6,041**

The balance reported reflects the actual amount due to the employees of the Italian Group companies at 31 December 2019.

PAYABLES

The breakdown and changes of the year in the items making up this caption are discussed below.

Bonds

Bonds are detailed as follows:

- bonds for € 671 thousand redeemable in a single tranche on 31 December 2020, issued by Cotonificio Albini S.p.A.;
- bonds for € 1,033 thousand redeemable in a single tranche on 31 December 2020, issued by Cotonificio Albini S.p.A.;
- bonds for € 1,575 thousand redeemable in a single tranche on 31 December 2021, issued by Albini Group S.p.A.;
- bonds for € 878 thousand redeemable in a single tranche on 31 December 2021, issued by Cotonificio Albini S.p.A.;
- Unicredit Banca non-convertible bond for € 2,159 thousand net of the amortised cost for € 38,589 redeemable in 22 quarterly instalments from 21 June 2019 to 21 September 2024.

Convertible bonds

Convertible bonds are unchanged from the previous year end and are as follows:

- bonds of € 4,600 thousand redeemable in a single tranche on 31 July 2022, issued by Cotonificio Albini S.p.A. and convertible into shares of the parent, Albini Group S.p.A..

The issue is comprised of 400,000 bonds of a nominal amount of € 11.5, convertible into shares of Albini Group S.p.A. in the ratio of one share to each bond.

Bank loans and borrowings

Here below please find the breakdown of bank payables as at 31 December 2018:

	31.12.2019 Due				31.12.2018
	Total	within one year	from 1 to 5	after 5 years	Total
Overdrafts	2,947	2,947	-	-	3,463
Advances on exports	16,285	16,285	-	-	13,860
Loans - Unicredit Sace, ECB and EIB	-	-	-	-	625
Unicredit Loans	1,810	386	1,424	-	-
Mortgage loans - UBI Banca	7,149	728	4,494	1,927	3,044
Mortgage loans - Banco BPM and Sace	3,202	1,114	2,088	-	2,711
Mortgage loans - Intesa	3,056	1,111	1,945	-	4,278
Loans - Banca Popolare di Sondrio	4,405	951	3,454	-	3,164
Loan - Banca Sella	1,816	600	1,216	-	2,985
Loan - Banca Passadore	254	254	-	-	759
Mortgage loan - B.N.L.	1,428	571	857	-	2,000
Loan - Deutsche Bank	1,000	500	500	-	1,500
Amortised cost	(103)	(19)	(64)	(20)	(10)
Total	**43,249**	**25,428**	**15,914**	**1,907**	**38,379**

There are mortgages on the Albino, Brebbia and Mottola buildings to secure the loans that UBI Banca, Intesa, Banco BPM and B.N.L. have granted to Cotonificio Albini S.p.A..

During the year, Cotonificio Albini S.p.A., I Cotoni di Albini S.p.A. andAlbiniEnergia S.r.l. repaid loans for € 8.4 million.

New loans for a total of € 11.5 million have been taken out in the current year, in particular € 10.5 million for Cotonificio Albini S.p.A. (granted by UBI Banca, Banco BPM, Banca Popolare di Sondrio and Unicredit) and € 1 million for I Cotoni di Albini S.p.A. (granted by Unicredit).

As noted earlier, the terms of the interest rate swaps are consistent with the repayment schedules for the outstanding loans. The measurement of these rate hedging instruments at 31 December 2019 is included in the cash flow hedging reserve for € 162 thousand and in derivatives under liabilities for € 213 thousand.

Loans and borrowings from other financial backers

That caption amounts to € 7,213 thousand as at 31 December 2019 (at 31 December 2018 it was € 7,973 thousand) and includes payables to lease companies for contracts in progress and payables to factoring for customer invoices collected before the due date to be prepaid and those transferred without recourse still in force at year end.

A new € 471 thousand loan was underwritten during the current year with a lease company to purchase the co-generation plant.

Loans and borrowings from other financial backers analysed by due date are as follows:

	Due within one year	Due after 1 year	Due after 5 years	Total
Loans and borrowings from other financial backers	2,379	2,730	2,104	7,213

Payments on account

This caption totals € 752 thousand (31 December 2018: € 964 thousand) and includes advance payments made for the supply of goods.

Trade payables

The caption amounts to € 26,086 thousand (€ 32,306 thousand at 31 December 2018) and dropped by € 6,220 thousand against the last year. That considerable reduction is mainly linked to the drop in costs caused by both the reduction in revenues and by the costs reduction policy implemented by Group management.

Trade payables by geographical segment:

	31.12.2019	31.12.2018
Italian suppliers	17,134	18,747
EU suppliers	1,759	1,182
Non-EU suppliers	7,193	12,377
Total trade payables	**26,086**	**32,306**

Tax payables

This caption may be analysed as follows:

	31.12.2019	31.12.2018
Withholding taxes on:		
Income taxes net of payments on account	-	514
Employees' withheld taxes	1,045	1,196
Bond coupons	97	97
Consultants' remuneration and other sundry amounts	48	52
Total	**1,190**	**1,859**

Social security charges payable

This caption amounts to € 2 million, more or less in line with the previous year end, and relates to amounts due to social security institutions at year end for the relevant amounts with held from December wages and salaries, and the amounts due to supplementary pension funds for employees and agents.

Other payables

This caption may be analysed as follows:

	31.12.2019	31.12.2018
Employees	5,106	5,898
Bondholders for coupons to be paid	324	324
Insurers	123	203
Sundry	74	178
Total	**5,627**	**6,603**

Due date of payables due after one year

The due dates of payables due after one year are as follows:

			Due
	From 1 to 5 years	After 5 years	Total
Ordinary and convertible bonds to shareholders	7,053	-	7,053
Bonds	1,674	-	1,674
Bank loans and borrowings	15,914	1,907	17,821
Loans and borrowings from other financial backers	2,730	2,104	4,834
Total	**27,371**	**4,011**	**31,382**

ACCRUED EXPENSES AND DEFERRED INCOME

This caption amounts to € 1,622 thousand (31 December 2018: € 1,629 thousand) and breaks down as follows:

	31.12.2019	31.12.2018
Deferred grants	1,211	1,279
Interest expense	193	114
Deferred tax credit on investments	33	54
Accrued personnel expenses	15	20
Accrued costs due to FATF (Financial Action Task Force)	48	40
Other	122	122
Total accruals and deferrals	**1,622**	**1,629**

Deferred grants consist of the those related to income received by Tessitura di Mottola S.r.l. to purchase assets pursuant to Law no. 181/89 and recognised in proportion to amortisation performed every year.

NOTES TO THE MAIN PROFIT AND LOSS CAPTIONS

PRODUCTION REVENUES

Turnover from sales and services

This caption amounts to € 141 million, with an decrease of € 11 million (7%) compared to the previous year.
Revenues are analysed by business segment below:

	2019	2018
Fabric sales	115,379	130,348
Yarn sales and yarn processing	22,128	18,143
Energy (profit on white certificate trading, sale of energy and energy saving systems)	3,445	2,904
Consultancy and services	259	583
Shirt accessories	-	20
Total	**141,211**	**151,998**

The drop in net consolidated turnover was especially caused by the drop in fabric sales (-11.5%) already mentioned in the directors' report.

However, sales of yarn and raw materials increased (+22%), reflecting the positive trend of I Cotoni di Albini S.p.A. reaping the results of efforts made to improve and expand the product offer.

Revenues from the energy sector and consultancy services showed an improvement on the previous year due, above all, the increase in sales of complex treatment plants, exploitation of alternative energies and consultancies offered by the subsidiary Albini Energia S.r.l. to third party Group customers. The value of TEE sales dropped slightly linked to the progressive depletion of certificates available.

Turnover from sales and services is analysed by geographical segment below:

	2019	2018
Italy	44,575	49,154
EU countries (excluding Italy)	35,935	42,108
Non-EU countries	60,701	60,736
Total	**141,211**	**151,998**

Internal work capitalised
This caption amounts to € 11 thousand and includes the suspension of the cost of labour used to build plant and machinery during the year.

Other revenues and income
This caption totals € 3.3 million (2018: € 3.2 million), of which sundry income for € 2.5 million and grants for the period for € 0.8 million.
Sundry income mainly consists of the recovery of transport costsfor € 760 thousand, gains on the sale of assets for € 76 thousand, insurance reimbursements on receivables and other compensation for € 142 thousand, the sale of marketing materials and other consumables for € 289 thousand, contingent profits mainly due to the recognition of tax credits for research and development activities and closing old debt positions for € 974 thousand, income from TEE due to energy savings at the Group's production plants for € 75 thousand and lease income for € 54 thousand. The caption also includes other sundry income and cost adjustments related to previous years.

Grants related to income are as follows:

	2019	2018
Grant related to assets pursuant to Law no. 181/ 89	68	68
Export grants for the Egyptian subsidiaries	383	486
GSE grants related to energy and subsidies to high energy consumers	266	262
Fondimpresa grants for personnel training	58	62
Grants for energy-consuming companies and other	-	14
Total	**775**	**892**

In compliance with regulations on transparency on public grants introduced by article 1, paragraphs125-129 of Law no. 124/2017 as amended, please note that the Group received grants during the current year from Fondimpresa for € 48,746.07.

PRODUCTION COST

Costs of raw materials, consumables, supplies and goods
These amount to € 54.4 million, down by € 1.9 million on the previous year mainly referred to yarn, unbleached materials and dyeing products, with reference to the production reduction linked to the drop in turnover in the year. The caption comprises costs for the purchase of raw cotton, yarns and fabrics, as well as dyeing products, and other materials and packaging to be used in the production process. Purchases of raw materials refer to raw cotton and other natural fibres (e.g., linen), animal fibres (wool, silk, cashmere and vicuna) and artificial fibres (viscose) used in the production of innovative yarns. In 2019, the Group continued its policy of ensuring it procures high-quality raw materials, directly sourcing raw cotton from the best plantations. This enabled a direct control over yarn production by identifying selected spinning companies to process yarns of the required quality, including on a processing and consignment basis. For certain fabrics, projects have also commenced in conjunction with external suppliers to which the Group companies sell cotton and yarn and from which the Group then repurchases the unbleached or finished fabric. This enables the Group to maintain a close quality control over the entire production chain, including the outsourced stages.

Services
Services dropped 6.6%, from € 41 million at 31 December 2018 to € 38.3 million at 31

December 2019. This item includes outsourcing and transport costs, customs duties, fees, utilities and driving force.
There was a decided drop in costs for outsourced services plus the reduction in those for fees and consultancies and the general decrease in maintenance costs. In addition to the drop in turnover which led to a natural drop in some costs for services, the Group implemented decided containment and rationalisation of costs for services.
Services also include the portion of costs for temporary workers (the portion related to personnel expenses is recognised under the item of the same name), accruals to the provision for agents' leaving indemnities and directors' and statutory auditors' fees, which amount to € 584 thousand and € 80 thousand, respectively.

Use of third party assets
This caption amounts to € 779 thousand (31 December 2018: € 599 thousand) and mainly comprises lease instalments for employees and costs for civil buildings for € 69 thousand, lease expense of industrial buildings and third party storage for € 601 thousand and hire costs of € 109 thousand incurred by the Italian and foreign subsidiaries.

Personnel expenses
The breakdown of these costs is already provided in the profit and loss account. Personnel expenses went from from € 41 million in 2018 to € 37 million in 2019, down by € 4 million (-9.8%).
To handle the alternating order trend and cut costs in 2019 too, the Group again made use of the ordinary government-sponsored lay-off scheme for the Albino, Brebbia and Mottola production facilities for a total of 178,591 hours, a significant increase on the 31,220 hours of the previous year.

The Italian companies of the Group made limited use of temporary workers whose cost, included in the personnel costs item, decreased considerably on the previous year (-53%).

The changes of the year in the Group's workforce by category are as follows:

	31.12.2018	New hires	Departures	Transfers	31.12.2019	Average of the year
Managers	20	-	(1)	-	19	20
Junior managers and white collars	284	21	(22)	4	287	285
Blue collars and other employees	1,084	95	(127)	(4)	1,048	1,066
Total	**1,388**	**116**	**(150)**	**-**	**1,354**	**1,371**

Amortisation, depreciation and write-downs
Amortisation of intangible fixed assets for € 615 thousand increased on the previous year (€ 599 thousand) as an effect of new investments.
Amortisation of tangible fixed assets amounts to € 7.5 million (€ 7.4 million as at 31 December 2018). As required by the OIC, the Group calculated depreciation of tangible fixed assets even if they had not been used during the year.

Write-downs of current receivables and liquid funds include the € 376 thousand accrual to the provision for bad debts for the portion needed to adjust receivables to their estimated realisable value.

Other operating costs
This caption totals € 1.3 million (€ 1.3 million at 31 December 2018) and mainly relates to indirect taxes and duties of € 574 thousand, contributions to trade associations of € 189 thousand and

losses on sales of assets of € 6 thousand. Credit losses of € 124 thousand were recognised during the year, net of utilisation of the provision for bad debts.

FINANCIAL INCOME AND CHARGES

Other financial income

This caption includes interest income on bank accounts of € 5 thousand and other interest income of € 66 thousand.

Interest and other financial charges - Exchange rate gains and losses

Interest and other financial charges are comprised as follows:

	2019	2018
Interest expense and fees on loans and advances	921	851
Bank interest expense	71	60
Interest expense on bonds	626	625
Discounts and financial charges	460	565
Other financial charges	2	1
Total	**2,080**	**2,102**

The balance of net exchange rate gains and losses comes to € 0.07 million compared to a net profit of € 0.5 million at 31 December 2018.

ADJUSTMENTS TO FINANCIAL ASSETS

Write-backs

Write-backs of derivatives of € 326 thousand refer to the gains on the currency forwards on sales and purchases in USD, YEN, GBP; and CZK.

Write-downs

Write-downs of derivatives include € 16 thousand related to the expenses on the currency forwards on sales and purchases in USD, YEN and GBP.

INCOME TAXES

This caption is as follows:

	2019	2018
Current:		
Income taxes	(366)	(1,453)
Total current taxes	**(366)**	**(1,453)**
Income from participation in the national tax consolidation scheme	**508**	**31**
Deferred tax assets	240	585
Use of deferred tax assets	(442)	(394)
Deferred tax liabilities	(213)	(215)
Use of deferred tax liabilities	452	438
Total deferred taxes	**37**	**414**
Total income taxes of the year	**179**	**(1,008)**

The reconciliation between the theoretical tax charge shown in the consolidated financial statements and the effective tax charge (IRES corporate income tax and IRAP regional tax on productivity) is set out below:

Description	Amount		Tax
Pre-tax profit	(1,049)		
Reversal of net profit (loss) of foreign investees	(377)		
Net effect of consolidation adjustments	(1,994)		
Theoretical IRES tax base	(3,420)	(a)	
Theoretical tax charge:			
IRES (%)	**24%**	**(821)**	
Temporary differences:			
Capital gains and entertainment expenses	42		
Taxed amortisation/depreciation	613		
Accruals to various non-deductible provisions, net of utilisations	(531)		
Other changes	(111)		
Total temporary differences	13	(b)	
Permanent differences:			
Adjustments to equity investments and dividends	1,700		
Non-deductible taxes	190		
Deduction for super and hyper depreciation	(485)		
ACE (aid to economic growth) incentives and IRAP deductions of personnel expenses	(150)		
Reversal of negative tax bases	2,114		
Other changes	663		
Total permanent differences	4,032	(c)	
Taxable IRES (a + b + c)	**625**		
Net IRES	**24%**	**150**	**A**
Costs not deductible for IRAP purposes - Italian subsidiaries:			
Personnel expenses net of the deductible portions	749		
Write-downs of receivables and bad debts	500		
Financial income and charges	3,548		
Costs and revenues not deductible for IRAP purposes	307		
Use of net sundry non-deductible provisions	(41)		
Non-deductible taxes	363		
Reversal of negative tax bases	790		
Other changes	96		
Total IRAP adjustments	**6,312**	(d)	
IRAP (%) (a + d) PORTION 3.9%	2,892	**112**	**B**
IRAP (%) (a + d) PORTION 4.82%	-	-	**C**
ADJUSTMENT TO TAXES RELATIVE TO PRIOR YEARS		**(17)**	**D**
INCOME TAXES OF THE CZECH SUBSIDIARY		**119**	**E**
INCOME TAXES OF THE USA SUBSIDIARY		**2**	**F**
Total current taxes (A+B+C+D+E+F)		**366**	**G**
Tax credit on losses		**(508)**	**H**
Net taxes (G+H)		**(142)**	

COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

This section describes the Group's guarantees, commitments and contingent liabilities.
Third party assets - third party machinery installed at a subcontractor for production tests (€ 116 thousand).
Sureties granted to third parties – Sureties granted to third parties refer to guarantees issued to the Egyptian authorities (GAFI) for € 178 thousand (guaranteeing the customs operations of Egyptian subsidiaries) to the Province of Varese for hydroelectric concessions for € 39 thousand and to other parties for € 26 thousand.

POST-BALANCE SHEET EVENTS

At the end of February 2020, with more complex implications as of March, the Covid 19 epidemic, commonly called Coronavirus, spread through Italy.

In March and April, the Group concentrated on managing liquidity to guarantee the balance of incoming and outgoing cash flows related to bank debts and credit lines granted. Faced with a limited slowdown in customer payments, agreements were made with some suppliers to extend our payment due dates. With reference to Financial Institutions, Group companies made use of the possibility to postpone payment of mortgage instalments to the end of the amortisation period and to postpone some lease instalments. It also launched first contacts to use medium-term, state-backed loans. Trusting in a partial global economy recovery during May and June, we believe we can get through the year without financial problems.

As a whole, the Group has continued to focus on reducing and rationalising working capital and continues its control to reduce costs started in 2019 and continued more firmly in the first four months of the year.

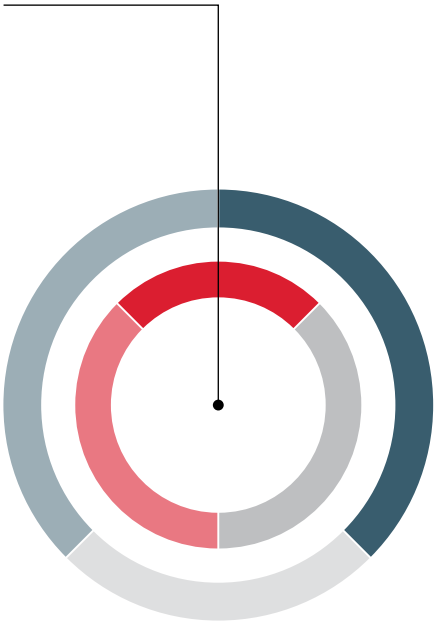
The emergency did not have an impact on the financial statements closed as at 31 December 2019. The future financial, capital effects cannot currently be estimated. However, please refer to the action taken and to be taken illustrated in the Directors' Report in the paragraph "Outlook".

Albino, 30 April 2020

On behalf of the board of directors
The Chairman
(Fabio Albini)

STATUTORY AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT



(Translation from the Italian original which remains the definitive version)

ALBINI GROUP S.p.A. with registered office in Via Dr. Silvio Albini 1, Albino (BG) - Share capital: € 2,028,000,00.= of which € 208,000,00.= reserved for the conversion of the convertible bonds of the subsidiary Cotonificio Albini S.p.A.; actual share capital: € 1,820,000,00.= fully paid-up - Bergamo company registry and tax code: 01736210160

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

Dear shareholders,

The consolidated financial statements are comprised, as per legislation, of a balance sheet, a profit and loss account, a cash flow statement and the notes thereto and are accompanied by a directors' report on the companies included in the consolidation scope.

The net loss for the year is made up of the following captions, whose amounts are given in thousands of Euros:

A.	Production revenues	139,224.=
B.	Production cost	138,640.=
•	Operating profit (A – B)	584.=
C.	Net financial expense	(1,943).=
D.	Adjustments to financial assets	310.=
•	Pre-tax profit (A - B + C + D + E)	(1,049).=
•	Income taxes, current and deferred	179.=
•	Net profit for the year before minority interests	(870).=
•	Minority interests	(45).=
•	Net profit for the year attributable to the Group	(825).=

We hereby state that no critical issues arose in relation to the consolidated financial statements, as stated in the auditors' report issued today.

After carrying out our checks and to the extent of our duties, we confirm the following:

- the consolidated financial statements were prepared on the basis of the financial

statements as at and for the year ended 31 December 2019 prepared by the directors of each group company;

- we concur with how the consolidation scope was determined; such scope includes the direct and indirect subsidiaries Cotonificio Albini S.p.A., Albini Energia S.r.l., Tessitura di Mottola S.r.L., I Cotoni di Albini S.p.A., Dietfurt S.r.o., Mediterranean Textile S.a.e., Delta Dyeing S.a.e., Albini Trading Shanghai Co. Ltd, Albini Hong Kong Ltd and Albini USA Corp., consolidated on a line-by-line basis;
- the accounting policies were correctly applied;
- the directors' report adequately describes:
  - the group's results of operations and cash flows and the risks to which it is exposed;
  - the 2019 performance;
  - the outlook.

Our examination confirmed that the directors' report is consistent with the consolidated financial statements.

The independent auditors, KPMG S.p.A., issued their report pursuant to article 14 of Legislative decree no. 39 of 27th January 2010 bearing today's date. Such report does not highlight any significant deviations, disclaimer of opinion or the impossibility to express an opinion or matters of emphasis. Accordingly, it expresses a clean opinion.

The shareholders are only required to consider the consolidated financial statements and related documents for information purposes as they are not subject to approval.

Bergamo, 15th May 2020

The Board of Auditors

(dr. Danilo Arici - President)

(dr. Lorenzo Gelmini – Regular Auditor)

(dr. Fabrizio Lecchi – Regular Auditor)

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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Albini Group S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Albini Group Group (the "group"), which comprise the balance sheet as at 31 December 2019, the profit and loss account and cash flow statement for the year then ended and notes thereto.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Albini Group Group as at 31 December 2019 and of its financial performance and cash flows for the year then ended in accordance with the Italian regulations governing their preparation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Albini Group S.p.A. (the "parent") 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.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the Italian regulations governing their preparation and, in accordance with the Italian law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the 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 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 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 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 group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10

The parent's directors are responsible for the preparation of the group's directors' report at 31 December 2019 and for the consistency of such report with the related consolidated financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report with the group's consolidated financial statements at 31 December 2019 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report is consistent with the group's consolidated financial statements at 31 December 2019 and has been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Bergamo, 15 May 2020

KPMG S.p.A.

(signed on the original)

Ivan Lucci
Director of Audit