2020

ANNUAL REPORT

Albini

GROUP

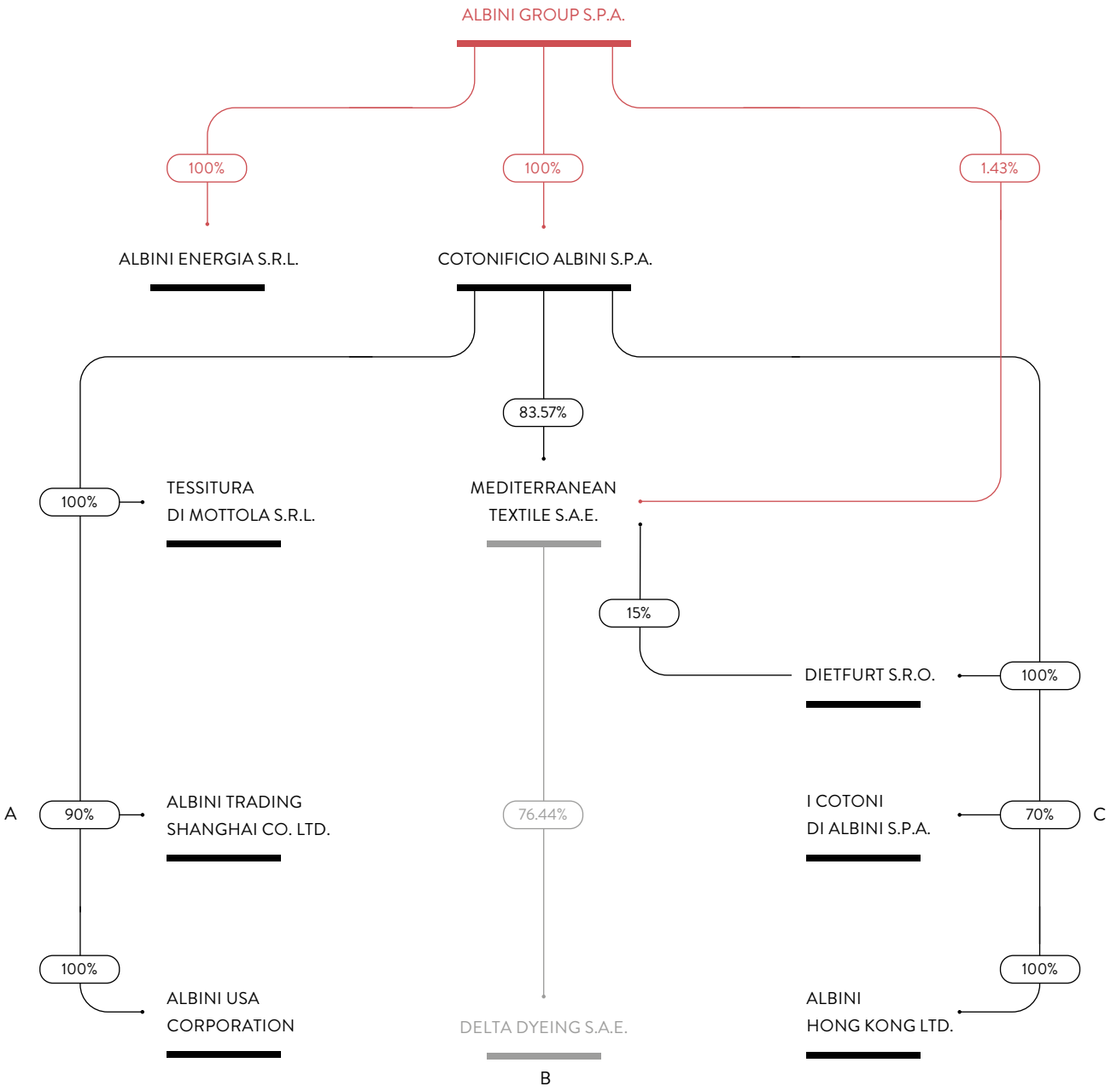
TABLE OF CONTENTS

DIRECT PRESENCE WORLDWIDE	4
GROUP STRUCTURE	5
ECONOMIC AND FINANCIAL INDICATORS	6
CORPORATE BODIES	7
OUR MISSION AND OUR VALUES	10
THE PRESIDENT'S LETTER	11
144 YEARS OF HISTORY	14
SUSTAINABILITY	17
ALBINI NEXT	26
RAW MATERIALS	30
HUMAN RESOURCES AND TRAINING	37
INTERNATIONALISATION	42
2020 INVESTMENTS	44
FOUR BRANDS	47
BESPOKE	54
MARKETING	56
ICA YARNS	62
ALBINI ENERGIA	66

DIRECTORS' REPORT	71
CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020	97
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	107
STATUTORY AUDITORS' REPORT	151
INDEPENDENT AUDITORS' REPORT	154

DIRECT PRESENCE WORLDWIDE

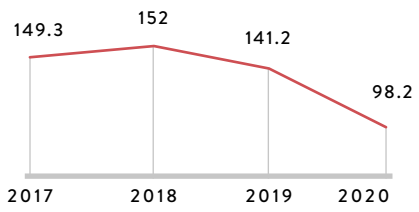
GROUP STUCTURE AS AT 31.12.2020



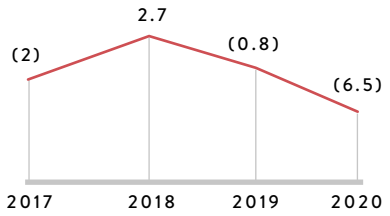
A Essence Trading Co. Ltd. 10%
B Setcore Spinning 11.31% - Alba Albin Breitenmoser Holding AG 12.25%
C Modern Nile Cotton Co. 30%

ECONOMIC AND FINANCIAL INDICATORS

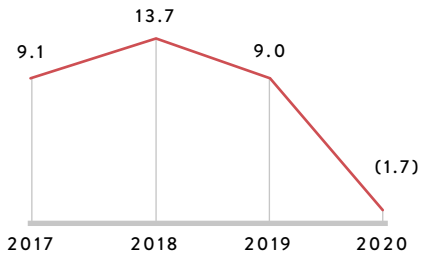
NET REVENUE
(in millions of euro)



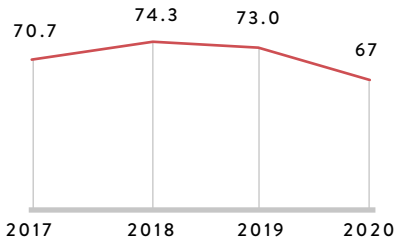
NET INCOME
(in millions of euro)



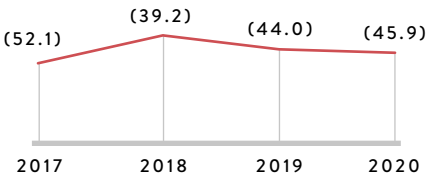
EBITDA
(in millions of euro)



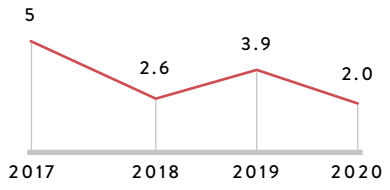
CONSOLIDATED SHAREHOLDERS' EQUITY
(in millions of euro)



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
VICE PRESIDENT	Stefano Albini
DIRECTORS	Giovanni Terzi Albini
	Giovanni Carlo 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 24/07/2020 - term of office until approval of the financial statements as at 31/12/2022

**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

We design and manifacture our products

for the International market,

guaranteeing the style innovation and quality

that distinguish the Made in Italy brand.

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

"The only menacing crisis is the tragedy of not being willing to overcome it"

Albert Einstein

THE PRESIDENT'S LETTER

In 2020 we experienced a crisis that was compared to a war by many. The deaths that this pandemic has caused in our territory in Bergamo, especially among the older generation, have touched us profoundly. Something that is not likely to be forgotten and that has left the less well-off classes with even more economic difficulties and also socially disoriented. The world economy slowed immediately and there is a definite uncertainty about future developments. Some sectors, however, have suffered more than others, and among them, the fashion textile sector has certainly been one of the most affected. The main causes are due to repeated closures of shops, the blocking of tourism and work travel bans, the impossibility of meeting at events and gatherings of any kind and, above all, to the widespread distrust and lack of propensity to spend. The formal clothing world collapsed, leaving even more room for casual and informal fashions.

Our Group has reacted strongly to this most difficult context, in line with Einstein's deep thought on the potentially positive value of crises, and from the first days of April in which we started smart working from home with the company gates closed, we strived to turn the situation into an opportunity to relaunch and strengthen the company.
After the 2008-2009 crises and, to a lesser extent, that of 2013, the Group had started, with our unforgettable Silvio, a rationalisation process involving the productions set-up and the structure of the costs during these years characterised by flat economic growth and strong competitive pressures. The Covid-19 pandemic gave a formidable, urgent and therefore imperative impulse to the evolution process in progress, with our full awareness of the

duties and responsibilities that the running of a Group that is so structured and rooted in the territories has from an ethical and social point of view.

Another important driver for us was the awareness of being an important industrial group strongly integrated in the global textile chain, with important partnerships both with suppliers and our main Customers.

In a world that has founded and planned its fundamental mission based on creativity, speed of reaction to markets and sustainability, we wanted to reaffirm and strengthen our role as a historical, authentic and important player at a global level in the textile sector using natural and sustainable fibres.

We closed the year 2020 in line with the decreases registered in the cotton-linen shirt manufacturing sector, while the segment dedicated to the sale of yarns and that dedicated to renewable energy and environmental sustainability managed to maintain a substantial turnover.

The Group has always had a comprehensive industrial vocation and the operating result was affected by the losses in efficiency of machinery and plant systems at all the production units, since they were largely underutilised and therefore penalised by the higher ratio of fixed costs. Despite these difficulties, we were able to significantly contain costs and, thanks to the enormous availability and dedication of all our personnel, we managed to curb the negative effects.

In this exceptionally delicate context, careful monitoring of the financial situation has allowed us to maintain the net financial position substantially unchanged compared to the previous year, even improving it from a qualitative aspect thanks to new long-term financing that has extended the average duration of maturity.

We continued to invest in product innovation and environmental sustainability issues such as yarns and fabrics, natural dyes, recycling of production waste and traceability of the supply chain, with a view to a circular economy: for some time now, every group decision has been taken based on all these aspects. A meaningful appreciation and important collaborations were established during the year between our "Albini Next" innovation hub and numerous Customers of international standing operating in the luxury segment. The strategic plan foresees that, as of 2021, we will also conclude the innovative digital transition and evolution process started last year, which will allow to equip the Group companies, in particular sales managers and sales staff, with faster and more effective tools in assessing and managing relations with Customers and suppliers.

My previous statements highlight the renewed spirit and positive and constructive attitude that I have witnessed in every Group enterprise, where every individual was involved and contributed with huge commitment to containing the damage and laying the foundations for a renewed development, growth and evolution process. This makes me think, with a hint of moderate optimism, that the worst is now behind us. In this context, I am confident that we will already see a gradual recovery in clothing consumptions in the second half of 2021, with positive effects on the income statement in the last few months of the year.

I would like to convey my sincere yet far from formal gratitude, to all the Group employees and collaborators who deserve enormous praise for the important work they accomplished, and also to the stakeholders for the confidence and effective support demonstrated at this difficult time. Lastly, I would like to give a special thought and my condolences to all our employees and collaborators whose families have been affected by this enormous tragedy.

On my part, I assure you all of my utmost commitment to protecting the health and safety of all of us and, at the same time, to safeguarding continuity, looking to the future and beyond in order to guarantee the future of the Group.

Sincere regards

The President of Cotonificio Albini S.p.A.
(Mr. Stefano Albini)

144 YEARS OF HISTORY

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

2008

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

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

2009-2010

2011

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

2012

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

The 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.

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 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

2020

The year was marked by the pandemic of Covid-19, during which the Albini Group has been able to resist the difficulties, by balancing its corporate strategy and strongly focusing on digital innovation.

SUSTAINABILITY
A GLOBAL APPROACH

Since 1876 the commitment of the 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, the 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. The 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.

SUSTAINABILITY
A GLOBAL APPROACH

TRACEABILITY

QUALITY

ORGANIC
RAW MATERIALS

ENVIRONMENTAL
PERFORMANCES

NO PRODUCTS
HAZARDOUS CHEMICALS

INTEGRATED
MANAGEMENT

INNOVATION SYSTEM

ETHICS

Traceability, a mandatory prerequisite

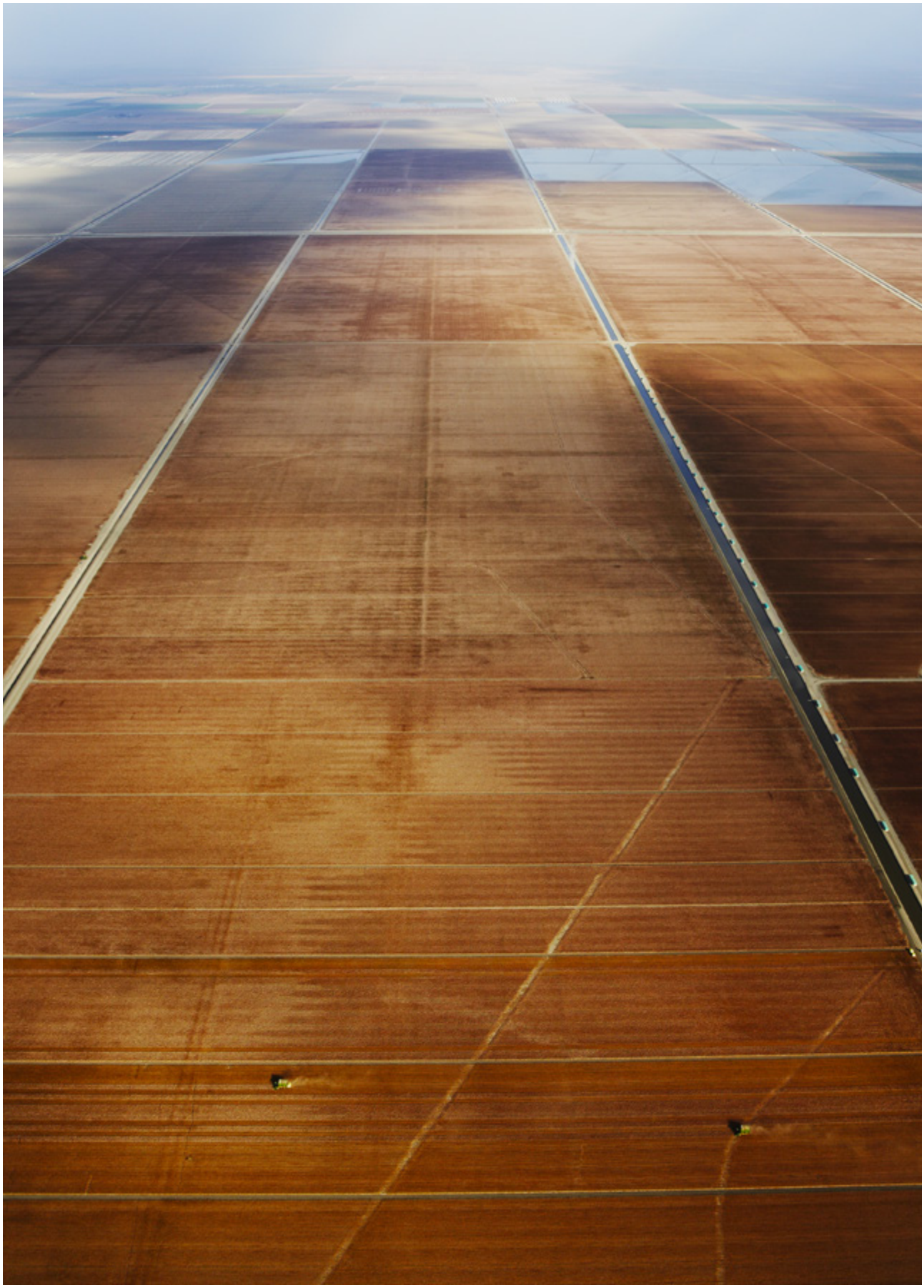
The partnership with Supima continues, the highly renowned association of US cotton growers, and Oritain, the world leader in forensic science, thanks to whom the very first 100% scientifically traceable fabric has now been launched. Sponsored by the Albini Group, this project contributes to giving life 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 2020, traceability technology was applied to all BIOFUSION® cottons, widely used in the collections presented during the year. In addition, procedures and studies have continued to extend its application to other raw materials supplied by the Group, from Egyptian cottons to Sea Island.

RE.ACT: Albini Group with UNIDO in a circularity project

The Albini Group is proud to continue its consistent collaboration with UNIDO which, as part of the 'Egyptian Cotton Project', it launched RE.ACT, a project aimed at promoting solutions for the recycling of denim in the Egyptian cotton textile industry, putting in place fundamental collaborations between Italy and Egypt. The latest trends show that, if there are no significant changes made to manufacturing methods, the negative impacts of the textile industry are set to increase by 2050. In this context, the RE.ACT project fostered the realisation of a recycled cotton capsule collection, thanks to the transformation of denim waste into new yarns and fabrics. The project aims to improve the quality and market opportunities for recycled denim yarns, by initiating partnerships between Italy and Egypt and sharing knowledge and expertise to test new technological opportunities in fabric recycling, moving towards an increase in circularity of textiles and an increasingly sustainable future.

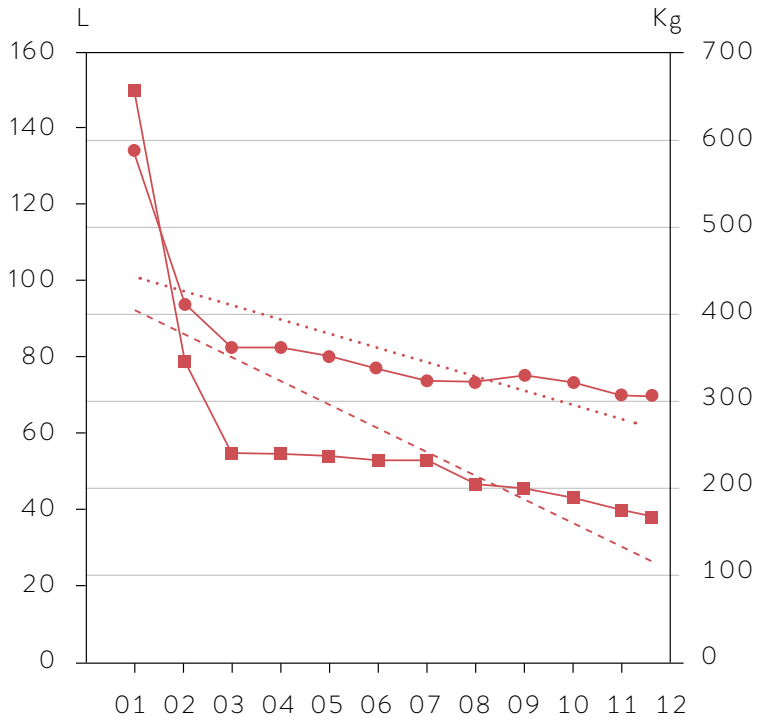
Concrete evidence of sustainability

The Albini Group pays utmost attention to saving electricity and water throughout all its processing phases, constantly monitoring its performance with defined KPIs (Key Performance Indicators) according to the reporting principles referred to the GRI international standard. The water and energy consumption of the Group's manufacturing facilities are constantly monitored and represent the starting point both for the defining of the objectives of reducing environmental impact and the creation of the Albini Group's sustainability roadmap.



Total water consumptions at the facilities having the most impact, where the dyeing and finishing processes are carried out and hence with higher expenditure in terms of consumption, have been reduced by 10% and 20% respectively. More specifically, in 2020, the specific consumption of water per kilo and metre of fabric decreased by 29% at the manufacturing facility where the dyeing process is located and by 20% where the finishing facility is located.

L/KG SPECIFIC WATER CONSUMPTION - 12 MONTHS



Dyeing mill specific water consumption
Finishing mill specific water consumption
Linear (Dyeing mill specific water consumption)
Linear (Finishing mill specific water consumption)

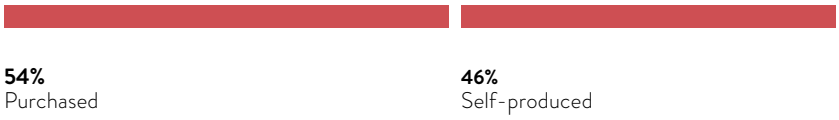
High environmental impact manufacturing facilities are able to self-produce electricity and recover thermal energy used to run the plant systems. The thermal energy recovered by the plant systems represents 36% of the total thermal energy consumed by the manufacturing facility where the dyeing process is located and 16% of total thermal energy consumed where the finishing facility is located. The recovery of thermal energy has made it possible to cut CO_2 emissions by 20% and 16% respectively.

DYEING MILL

FINISHING MILL

In order to reduce the environmental impact of energy consumptions in 2020, the Albini Group converted the purchase of energy from various sources, including non-renewable sources, to certified renewable source energy alone. The purchase of green energy alone allowed the Group to drastically reduce its environmental impact in terms of TonCO_2 equivalents. For the higher impact manufacturing facilities, the quantity of energy from certified renewable sources purchased corresponds to an average of 57% compared to self-produced electricity.

DYEING MILL



FINISHING MILL

This choice has reduced the environmental footprint of the highest impact manufacturing facilities, limited to the consumptions of the main manufacturing facilities, -1700 TonCO_2 eq., estimating a percentage reduction of TonCO_2

equal to 56%. Among the most significant environmental aspects, waste also has a marked impact and, for this reason, the Albini Group has always paid utmost attention to the correct separation and reduction of production waste. In 2020, the quantity of waste destined to recovery activities remained above the 95% threshold. 75% of the plastic produced and 30% of the textile waste produced was recycled and valued within the scope of a circular economy.

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. For this reason the 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, allows 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). The 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. For the year 2020, the level of implementation of the chemical management system reached 84% and production levels covered by the inventory of chemical products were equal to 93%. As for the analyses

carried out on waste waters, in 2020 98.4% of the MRSL ZDHC parameters searched for in waste waters were found to be compliant and the production volume covered by the tests conducted on waste waters was 93%.

Integrated management systems

In spite of the devastating crisis generated by the pandemic, in order to be able to proceed with the implementation, maintenance and updating of its sustainability strategy to the best of its ability, the Albini Group has supported the implementation of integrated management systems. 2020 was in fact a year of confirmations: the project aimed at extending the ISO 14001:2015 certification to all Albini S.p.A. facilities continued as planned.

ALBINI NEXT

THINK TANK FOR FABRICS OF THE FUTURE

For over 140 years, research and innovation have been key strategic elements for the Albini Group; every fabric manufacturing phase is turned into an opportunity to innovate. The Group has always been abreast of the times in terms of the study of new solutions, and it is with this spirit in mind that in 2019 it inaugurated Albini Next, the Think Tank born with the aim of overcoming barriers and exploring new frontiers on the international textile scene.

In 2020 Albini Next developed innovative projects putting in place a sustainable development plan in line with the ESG (*Environmental, Social, Governance*) parameters, with the objective of 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.

The continuous generation of ideas and the development of concrete projects are also conceived thanks to important academic and industrial partnerships, which aim to achieve new challenging goals in creativity, materials and applied technologies, whilst at the same time encouraging the dissemination of good sustainability practices.

In a year characterised by a global battle against the Coronavirus, the Albini Group was the first company to present fabrics characterised by a state-of-the-art performance, which prevents them from becoming a host surface for the spread of viruses, among which Sars-Cov2 and harmful bacteria, contributing to reduce the risk and speed of contamination and transmission. ViroFormula™ fabrics were born thanks to the ongoing research on innovation and new solutions that characterises Albini Next and the collaboration already in place with Heiq, a leading Swiss enterprise in technological innovation in the textile sector. These fabrics are actually able to provide protection against viruses and bacteria thanks to a state-of-the-art technology: Viroblock by Heiq, which allows the fabrics to actively inhibit and kill viruses and bacteria on contact with the surface in just minutes. The products used in the ViroFormula™ treatment are certified according to standards ISO 20743, ISO 18184 and AATCC 100 for their antibacterial and antiviral characteristics. They have also been tested for human safety, and are proven to be dermatologically non-irritant, harmless to the skin and body and environmental sustainability.


ALBINI
_next

Also during 2020, Albini Next continued its research on natural dyes, developing and industrialising over 30 natural colours obtained from 100% natural sources, such as plants, algae and soils, extracted and processed using sustainable methods and processes. In particular, it used the following:

- Black Alga: an ecological pigment originating from algae and produced by means of a virtuous and cycle-based manufacturing process. This bio-based pigment has a negative carbon footprint and is UV resistant.

- Mineral Colours: natural colouring soils composed of inert mineral pigments, originating from millenary sediments present in the Italian and European subsoil.

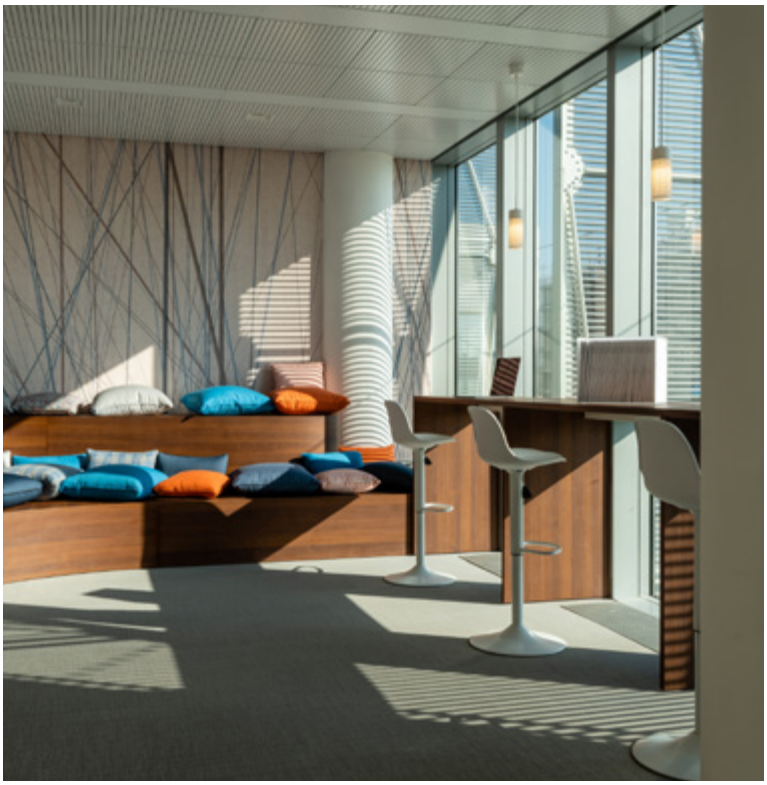
- Natural Indigo: a bio-based dye derived from the natural indigo plant. In collaboration with farmers, this plant is grown sustainably using techniques that improve the health of ecosystems and the population.

These projects bear witness to Albini Next's constant commitment to circularity and upcycling aspects which, when combined with creativity and functionality, make it possible to give life to completely new and incredibly innovative products, projects and processes.

In fact, 2020 marked the beginning of a further ambitious circular economy project, which is constantly evolving, for the recycling of the Group's textile waste and that of its Customers. The Albini Next team has started to study ad hoc solutions for the manufacturing of new superior quality recycled yarns and fabrics.

In addition to being a place of innovation, Albini Next is also a place of meeting and sharing. In accordance with all anti-Covid regulations and procedures, Albini Next hosted the "*How much CO2 are we wearing?*" and the "*0 impact*" project during the *Fashion Revolution Week - Bergamo*, with the common objective of creating a shared protocol to realise more sustainable solutions in the manufacturing of clothing.

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.



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.

2020 continues in this direction, following and in many cases anticipating the strong market drivers toward the ever increasing choice of organic cotton which, along with BIOFUSION® occupies an increasingly important part of the Group's range of products.

BIOFUSION®

The first project for the exclusive cultivation of BIOFUSION® organic cotton was launched thanks to the experience acquired by the Albini Group in the selection of the best raw materials, the direct cultivation of cotton and thanks to a close collaboration with six American farmers located in Texas, New Mexico and California. BIOFUSION® is scientifically traceable organic cotton, the result of a blend of two American organic cottons, specifically Supima®, the finest American Extra-Long Staple cotton, and Upland, a superior quality long-staple cotton. The Albini Group directly manages and controls its cultivation of BIOFUSION® in collaboration with American growers, with the objective of guaranteeing total compliance with regulations, high quality standards and traceability of the entire production chain. The enormous interest shown by the market and the relative commercial success, has allowed the Albini Group to extend its range of BIOFUSION® cotton, introducing the version made of 100% organic Supima®, naturally always scientifically traceable.

To be defined as "organic", a cotton must come from organic plantations that meet the following requirements:

- the cultivated land has produced exclusively organic products for the previous three years;
- the seed must be *OGM free*;
- chemical fertilizers, insecticides and pesticides are not used;
- the defoliation is natural.

The cultivation methods of BIOFUSION® cotton strictly follow all these requirements.

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® e SUPIMA® organico	Its lenght, resilience and finesse are above normal standards.
BIOFUSION®	Is a 100% organic blend characterised by long and resilient fibres.

BIOFUSION® cotton is scientifically traced by Oritain™, a third-party certifier and world leader in forensic science. This ensures the verification of the origin of the cotton and all stages of the production process.

The tracing process begins with collecting the cotton samples from the crop field. The samples are analysed by Oritain™ using forensic science to test the chemical properties of the cotton fibre. By means of statistical models, this information is transformed into a unique fingerprint for that cotton and for the environment in which it originates. The product can be checked at any stage of the production chain to verify that it is compatible with its original fingerprint: only an exact match proves that the product is authentic. Thanks to this process, the product is traced from the field to the fabric: not only a guarantee of its origin, but also of its quality and of an ethical and sustainable production.

During 2020, the demand for BIOFUSION® increased significantly, in line with the sector performance trends and the growing interest of brands and end consumers in sustainable and quality products. At the same time, the research and selection of the rarest and most valued raw materials in the world has obviously continued, as this is what has always allowed the Albini Group to distinguish itself for the superior quality of the fabrics it manufactures.

Giza 45

The finest 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®

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.

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.


I made
your
fabric
#WHOMADEMYCLOTHES
FASHIONREVOLUTION.ORG

HUMAN RESOURCES AND TRAINING

THE VALUE OF HUMAN RESOURCES

2020 was a complex year characterised by uncertainties and difficulties which had a harsh impact on the management of human resources. The pandemic caused by the SARS-Cov2 virus, which severely hit Val Seriana where the Albini Group headquarters are located, has altered many consolidated mechanisms within the company, hence making it necessary to put in place changes at an organisational and operational level to face the changes in the operational context with speed and determination.

In order to face the slowdown in office production and the progressive stoppage of industrial activities caused by the national lockdown, the Company took advantage of the social shock absorbers provided by the various government decrees.

As of March 2020, about 70% of the Group's employees started smart working from home. It was a "forced experimentation," which was supported by a number of preventive initiatives, including:

- a survey conducted with the participation of all employees to gather feedback on the ongoing experience, to optimise their work and define the guidelines of a smartworking project, to be realised at the end of the emergency phase;
- a training plan aimed at the contact persons of the various offices aimed at increasing the logic and purpose of smartworking whilst strengthening smart skills of workers, operating effectively and remotely in the management of their team;
- from an IT point of view, an essential precondition for smart working was the ability of the IT Department to identify and put in place technological solutions that would ensure business continuity.

From the first few days of the pandemic, a Corporate Crisis Committee was set up to assess and manage all the aspects and business problems that were arising in an integrated manner.

The team played a key role in controlling and containing the effects of the pandemic, putting in place all the health and safety measures needed to protect workers and, in compliance with the regulations, maintain the business operations necessary to meet the demands and needs of the Customers.

The Albini Group drafted its own "*Corporate Security Protocol*", which was first shared with the trade union organisations. The dissemination of these guidelines

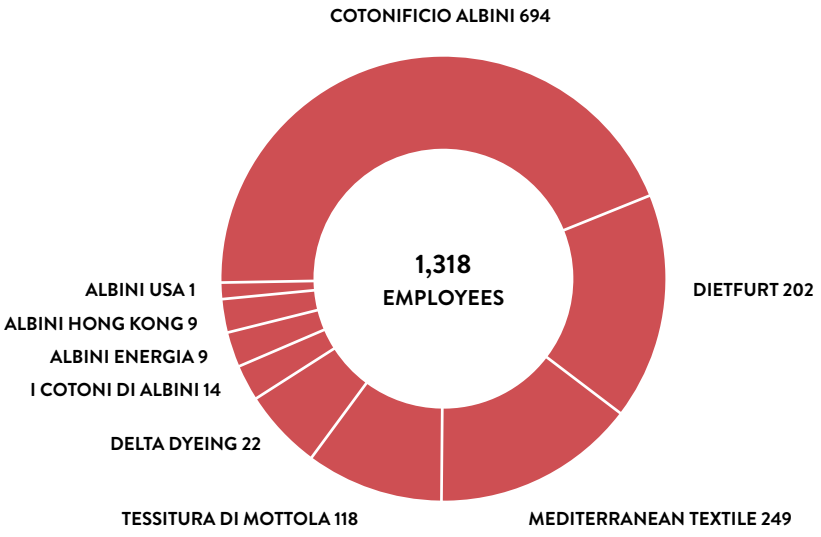
and procedures to workers made it possible to limit the spread of the virus in the company to just a few units.

At an organisational level, 2020 witnessed significant changes put in place to support the objectives of the strategic plan, which would have been necessary in any case to ensure the company's competitiveness.

As far as corporate governance issues are concerned, after defining the proxies and powers of attorney for individual corporate functions in 2019, the company – more specifically the Board of Directors – decided to implement the regulatory precept governed by Leg. Decree no. 231/2001. Following legal advice, the involvement of the Control Body and the Human Resources Department, the Albini Group adopted its own Organisational, Management and Control Model, updated its Code of Ethics and the Supervisory Body commenced its activities.

Moreover, the process of achieving compliance with EC Regulation no. 679/2016 on the protection of personal data, continued under the supervision of the Human Resources Department and the new position on the Italian legislative panorama of the Data Protection Officer (DPO) appointed for this purpose by the company.

At the start of the year the Supply Chain function was created, which integrates the industrialisation, quality, programming and logistics functions, so as to define, apply an improve the management methodologies of all industrial processes to ensure lead times, punctuality, quality and services that meet market requirements.




Grob
Grob

Finally, the office dedicated to the new "Everywear" collection was set up in the Product Style and Development department, thanks to the acquisition of specialised and targeted skills and experience. The fabrics developed by this area have led to the creation of a line with a heavier range of textiles, perfect for manufacturing jackets and trousers. They represent a further investment by the Albini Group in terms of product innovation, hence proposing a wider commercial range to the market.

Human Resource Development

Despite the constraints imposed by the pandemic, investment in employees continued,in line with the past.

The language training normally provided in classrooms, which for many years has involved a large number of employees, was provided in e-learning mode through the use of interactive collaboration platforms. Two collaborators took part in the 7th edition of the Master on Textile Chain Technology and Processes organised by the SDM School of Management of the University of Bergamo, a course that lasts 1 year and aims to provide technical and managerial skills and knowledge in the textile sector.

The internal course regarding the production process attended by weavers was also completed. Another important topic addressed in 2020 is that related to the Purchasing Function established in 2019; more than 20 employees involved in the purchasing process attended a training pathway aimed at extending aspects regarding workflows, negotiation techniques and the optimisation of procurement.

Sustainability also maintains its core focus among corporate strategies: as an example of the many initiatives organised, more than 100 employees took part in information meetings on "ZDHC-Certifications".

Safety protection and well-being

The pandemic Crisis Committee played a decisive role in putting in place all the security measures necessary to protect workers. In addition to the defining of the above-mentioned "Corporate Protocol" and the consequent information meetings on the virus and prevention measures, training and awareness-raising on the security issues of the various professional figures also continued. Initiatives involving more than 120 employees in 2020 alone.

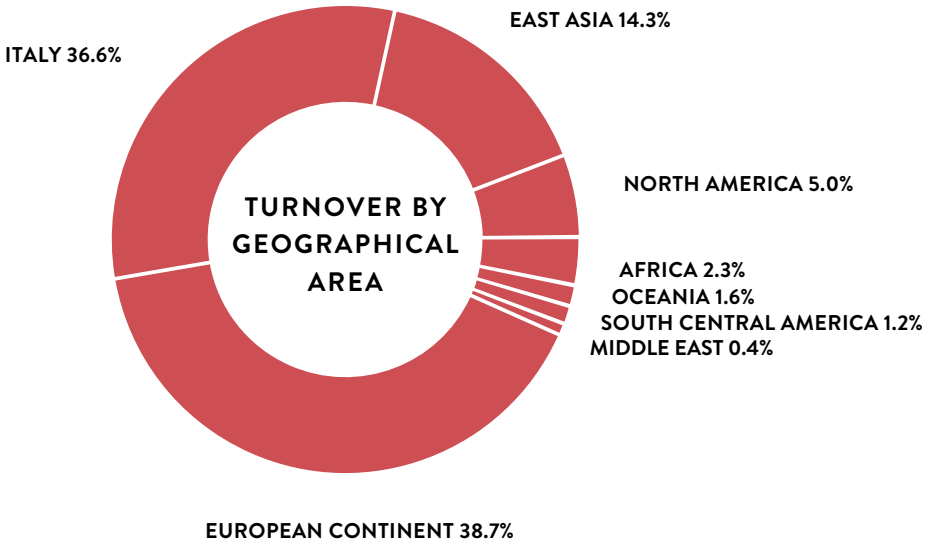
A bridge to the future

The professional growth of youngsters continues to remain a top priority for Albini Group. Even this year – despite the difficulties of being physically present – 17 internships were completed and confirm the Group's ability to attract and train youngsters from the Institutes and Universities in the local territory and that of the nearby Milan area. The "intern mobility" project was just as popular with job posting activities which allowed those who had an interest in new vacant roles to face the challenge of professional change.

INTERNATIONALIZATION

MADE IN ITALY, A GLOBAL STRATEGY

Italian roots and an international calling: this is the key to the success of the Albini Group, which in 2020 exported 63% of its turnover directly to 85 countries around the world. An internationalization strategy with a global approach which, starting from local investments and consideration, has allowed the Group to predict and respond more than efficiently to the needs of each individual market, even at a time of strong international crisis. The interruption of manufacturing and commercial activities has created a difficult situation for the textile sector, which has witnessed an unprecedented loss in the entire industry's turnover. Despite the critical situation, 2020's results confirm the leadership that the Albini Group holds on the European continent, which has confirmed itself as the target market, representing 38.7% of the total turnover. 2020 witnessed a large increase in the Group's growth and penetration in Italy, reaching 36.6% of the total turnover. This increase is partly caused by the pandemic, which has meant that the primary commercial force and strategic decisions were concentrated first in the Italian and then European markets. However, the Albini Group's presence in other international markets remains rather stable, demonstrating the Group's solidity and reliability even in a global crisis situation.

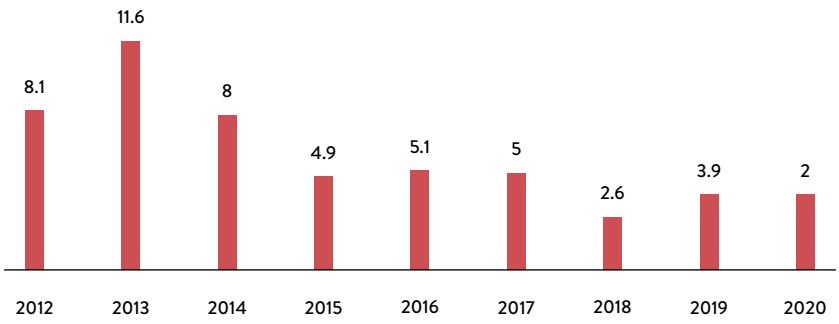


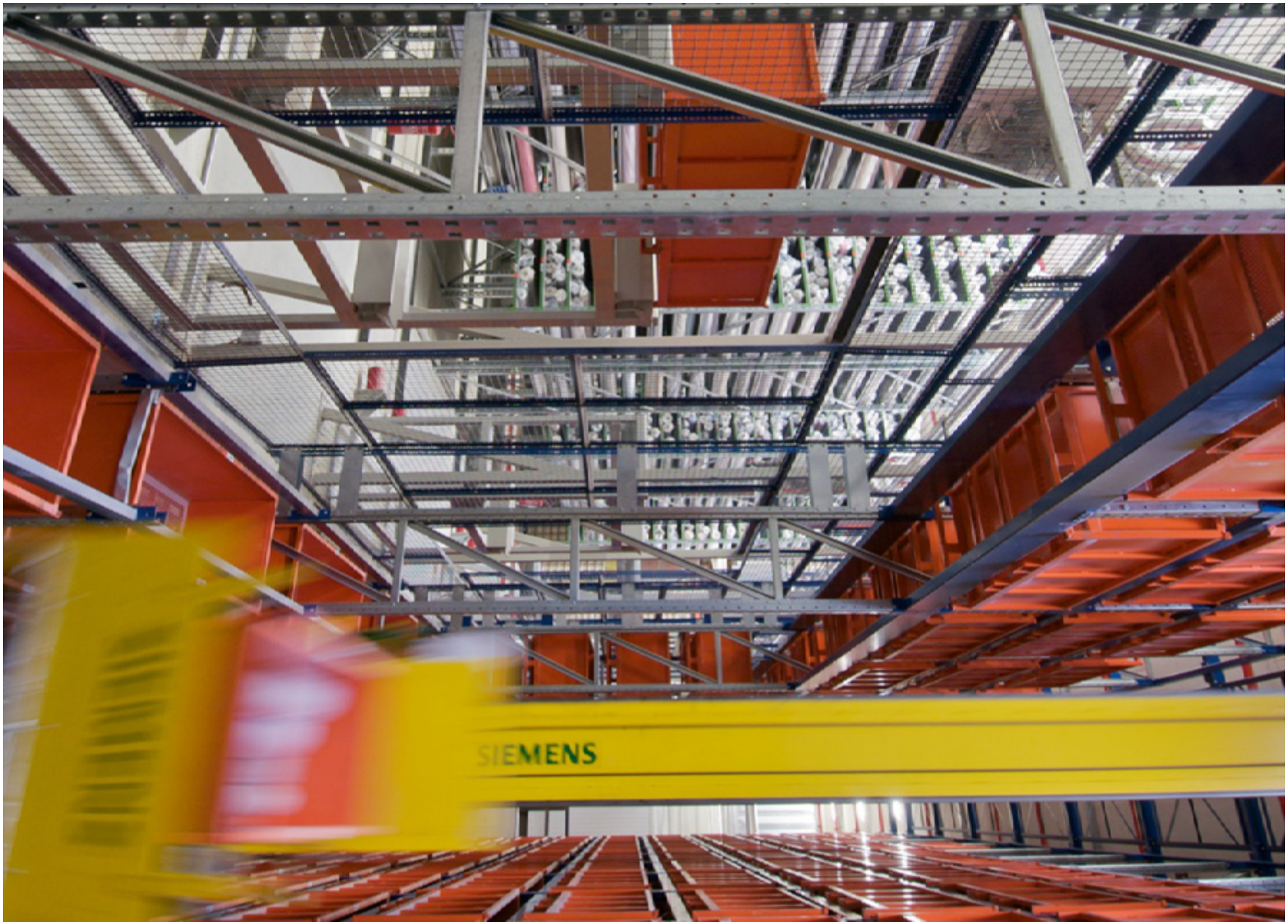
2020 INVESTMENTS
FOR A CUTTING-EDGE COMPANY

The Albini Group has always believed in the importance of constant investments both on the level of plants and manufacturing facilities, as well as in the field of Research and Development. Despite the crisis caused by the pandemic, during 2020 the Group continued on this course, for a total of about 2 million euros invested primarily in renovations and upgrading on the plants and technical machinery of the Group's manufacturing plants.
During the year, investments were also made to reinforce company networks and implement new software, which was also widely used for smart working practices. About 2.5 million euros in resources allocated to the purpose of R&D must also be added to these investments, with the objective of developing and obtaining new solutions and products that can ensure the company a competitive edge on the market.
The Albini Group plan is one of global investment, which involves every single area of the Group and allows the company to maintain its dominance as a leading group in the textile sector.

INVESTMENTS IN INTANGIBLE AND TANGIBLE FIXED ASSETS

(Millions of euros)




SIEMENS

Albini 1876

Albini, donna

THOMAS MASON 1796

ALBIATE 1830

WHITES

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.

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.

ALBINI 1876
Looking ahead
Constantly innovative
Cutting-edge
Perfectly Italian

ALBINI DONNA
Refined audacity
Refined
Audacious
Surprising

THOMAS MASON
Unconventionally iconic
Audacious creativity
Excellence
Timeless elegance

ALBIATE 1830
Beyond ordinary casual
Young
Casual
Explorer

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 2020 the 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.

Despite the particularly critical year for the sector, the Bespoke area proved to be a business of outstanding commercial interest and of fundamental importance for the company, allowing the Albini Group to position itself strategically also within this market.

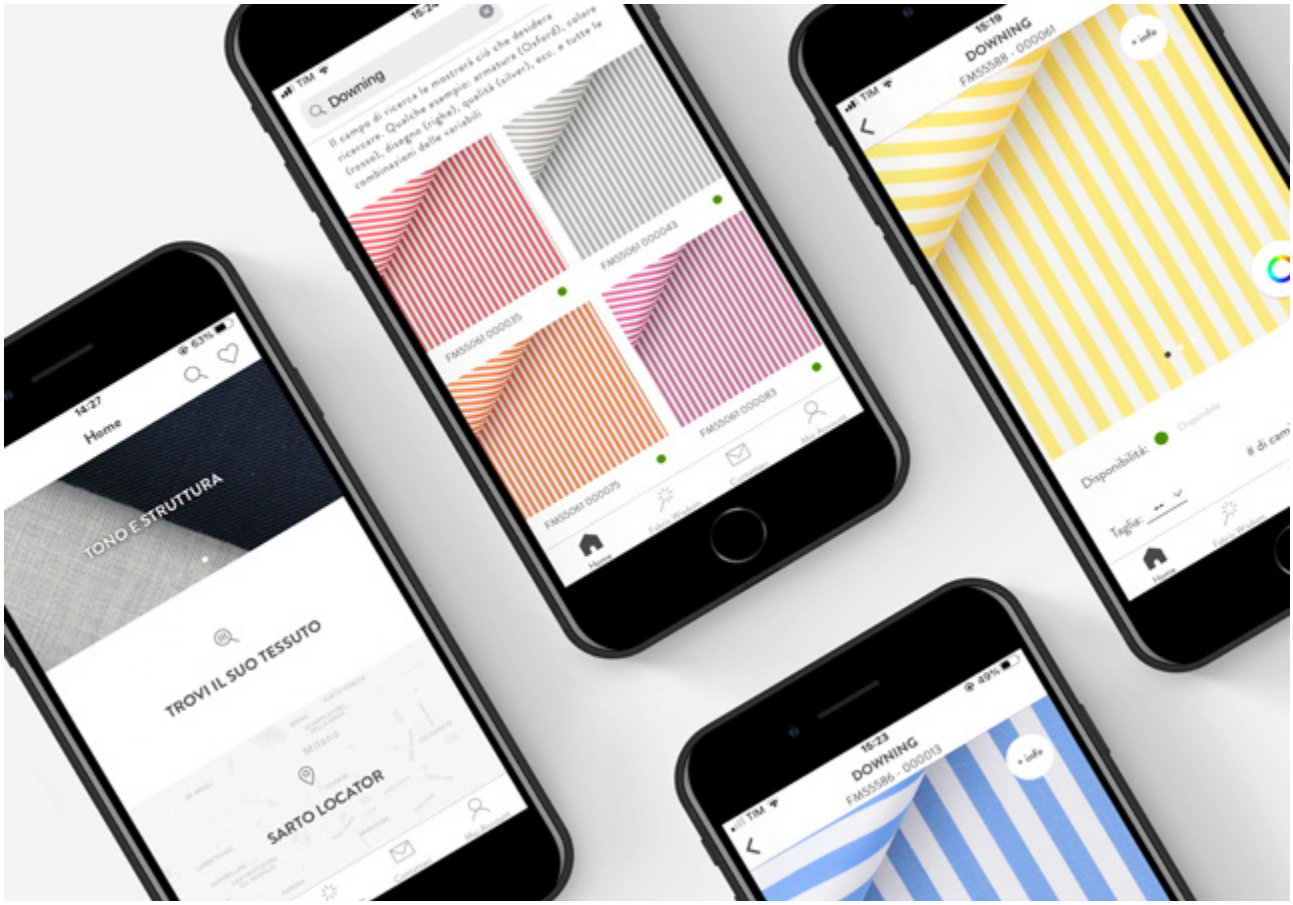
The Group's Bespoke service comprises two distinct lines: Thomas Mason Bespoke and Albini Su Misura, the lines with which the Albini Group gives tailors and shirt makers the opportunity to choose from a wide range of superior quality products, guaranteeing delivery in 24/48 hours from receiving the order.

2020 confirmed the importance and success of the seasonal collections, proposed every six months, which continue to be highly appreciated and sold by national and international Customers.

What makes the Albini Group's Bespoke service so different is also the attention paid to the communication aspects of the lines, from specific texts to ad hoc images and newsletters. These tools require considerable effort in terms of design, preparation and realisation by Albini, but the company is fully rewarded by the value that Customers attribute to our fabrics and to our company also in relation to this aspect. 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. Due to the pandemic and repeated international lockdowns, 2020 recorded a huge rise in on-line shopping requests, thus confirming the importance of the digital channel within this market sector.

2021 will see a renewal and a relaunch of the entire digital area, with the transition to the new Oracle platform that will allow us to offer Customers even more advanced and exclusive tools.


Downing
DOWNING
Home
TONO E STRUTTURA
TROVI IL SUO TESSUTO
SARTO LOCATOR

MARKETING
AN OMNICHANNEL STRATEGY

For an enterprise with a long history of success and a product par excellence, it is important to be able to effectively communicate its core values and its distinctive elements to all current and potential Customers and Stakeholders. In order to achieve this objective, the Albini Group continues to focus on targeted investments, which this year mainly focused on the digital sector, making the group's strategy even more varied and dynamic.

In fact, the Covid-19 emergency has highlighted at an international level the need to put in place profound transformation pathways in the textile sector, as well as in all mature sectors. Lockdowns across many countries accelerated the consolidation of online commerce and new consumer habits, resulting in the need to implement an organisational model transformation and rethink the go-to-market strategy in terms of tools and timelines for all enterprises.

Due to the pandemic, most of the appointments planned for 2020 were obviously cancelled. The only sector events that were possible during the year, to which the Albini Group was invited and managed to participate in person, were the WSM Fashion Reboot, the first event entirely dedicated to sustainable innovation and fashion design, and the Milan Unica edition held in February 2020, just before the national lockdown. From then on, all planned projects and events were realised online.

It has certainly been a year of challenges, but looking back we can say that we are proud of the steps taken and the projects we have brought to life, some of which born out of necessity and others because we were able to grasp and make the most of the potentials of the digital channel and the online world.

It required remarkable team work, with the active collaboration of several offices and corporate functions, all united by the shared desire to find a valid alternative in order to be able to continue to offer Customers the quality and attention to services that has always distinguished the Albini Group.

Virtual Showroom

During the first lockdown in March we had the exceptional ingenious insight to use the DAM – Digital Asset Management – process, not only as a centralised repository for the organisation, management and distribution of the company's digital assets, but also as an actual virtual showroom.

The sales network, obviously unable to visit Customers and show them the physical collection, used the DAM process to provide a digital presentation of the fabrics, with photographs, datasheets and all related fabric details available at the click of a button. Each Customer can also request access to the DAM process to view our brand collections autonomously from a remote location, and request colour charts and samples. This tool has undoubtedly been of enormous support to the Group's sales strategy and has offered Customers a valid alternative, something which continues to be highly appreciated and used by many Italian and international Customers.

Marketplace

The main objective of the 2020 communication strategy was without doubt the strengthening of Customer relations, trying to ensure they perceive our constant presence and availability, despite the difficult situation for the sector. This is one of the main reasons that prompted the Albini Group to participate in the digital marketplaces organised by the main sector trade fairs: Milano Unica, Prèmiere Vision and Kingpins.

Digital Symposium

The Albini Group has demonstrated its closeness to Customers, stakeholders and sector enthusiasts also with the re-planning of events previously organised to be carried out with in-person participants and now, due to the pandemic, organised in online mode. One of the major events was definitely the first Online Symposium entitled "*Luxury Menswear: how the luxury menswear industry can become more digital*", organised in collaboration with Simon Crompton of Permanent style.

Given the growing presence of e-commerce and the temporary impossibility of organising trunk shows, the Albini Group decided to focus the discussion on the importance of digital transformation in the luxury industry with international experts in the sector. This event was attended by numerous style lovers, industry colleagues and Customers from across the globe.

New websites

Two new websites were also launched during the year: Thomas Mason and ICA Yarns.

Thomas Mason's website is an actual editorial platform with style articles, interviews with experts, enthusiasts and the most influential protagonists on the menswear scene. This website aims to actively engage Customers and become a reference point for international menswear fashion.

The ICA Yarns website, totally dedicated to the Group's yarn company, was launched after a meticulous re-branding operation and the realisation of a communication plan and strategy designed and tailored to suit their business model.

The digital roadmap

2020 also saw the completion of the product master file review process which began back in 2019. In addition to facilitating a more precise and suitable classification of the fabrics using names, categories and attributes recognisable by the company processes, this project forms the basis of the birth of the new e-commerce project. In fact, the Albini Group has embarked on a specific digital roadmap: a road first taken in 2010, with the launch of the first e-commerce dedicated to the Bespoke world via which 90% of the Bespoke line business operates. The creation of the Fabric Butler app and an approach over time which is increasingly digital-oriented on the market has strengthened this project. In this context, and after over 12 months of extensive analysis studies, an agreement was reached in the Spring of 2020 between the Albini Group and Oracle, the leading multinational in the tech and cloud world, for the creation of a revolutionary new integrated B2B platform. The platform foresees a complete go-live in 2021 and will launch all the Group's business areas online, from the Bespoke world to the Service Programs, from seasonal collections to stock, which will facilitate access and order processes for Customers. This multi-channel platform will change the user experience on the market, both at the business-to-consumer level, and at a service and quality level, by making products and processes more efficient and effective. The platform will in fact have significant impacts on the commercial aspects, with the possibility of having digital catalogues customised to suit individual Customers, to display 3D renders of shirts starting from the proposed Albini fabrics and much more, providing a complete digital experience for Customers. Moreover, a fully comprehensive approach will improve service and quality levels, confirming the leadership of the Albini Group on the market.

Customer service is therefore the key focus of every digital and marketing strategy. It is precisely for this reason that the decision was taken to invest in the purchase of Vizoo, a new generation scanner that allows us

to transform any fabric into a digital and three-dimensional format. This hardware executes repeated scanning operations which allows us to obtain different layers of images, for an incredibly realistic final result. These images, recoded via a dedicated software, can simulate views and entire shirts in 3-D mode and send them to the Customers, but above all they will be the basis for the realisation of the 3D renders, available and accessible by Customers in the product fact sheets of the new e-commerce.

The Albini Group Digital Wave 2.0 continues, in parallel with the implementation of the new e-commerce platform, with the development of a new CRM, once again with Oracle. For the correct development of this new tool, necessary in turn to achieve a perfect and customised use of the e-commerce platform, it was essential to initiate an internal review and restructuring process of the Customer master file and all the business processes connected to the same.

2020 is therefore Albini Group's year of digital evolution, whose main focus has undoubtedly been Customer proximity. Using these tools will allow us to engage in even closer relations with our Customers by offering them a better and more customised service. This digital evolution is bringing and will continue to bring enormous advantage also to the physical world: in order to be ready to respond to increasingly more immediate demands dictated by the speed of the digital world, it was in fact necessary to start to rethink the organisation of the entire Supply Chain. We are already appreciating the initial results, reaffirming us once again as a reliable partner for the top fashion houses, shirt makers and retailers across the world.

The physical temporary showrooms

Digital innovation does not penalise the importance of human contact: During the year, paying particular care and attention to all relative security measures, the Albini Group has strengthened its presence in the most strategic cities in the world such as Paris, Barcelona, New York and Tokyo, with dedicated showrooms that become essential meeting places with all the Customers that cannot travel at the moment, introducing a complete omni-channel strategy.


THOMAS
MASON

ICA YARNS
RESEARCH, INNOVATION AND QUALITY

ICA Yarns, an Albini Group company known as "I Cotoni di Albini", deals with the production and development of high-quality yarns made with the world's most valuable raw materials. Research, product innovation, excellent quality and attention to sustainability are the trademark values of production, meeting the growing market demand for increasingly higher performing yarns made fully respecting the environment and people. In this context, ICA has also allowed the Group to perfect 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, requirements increasingly appreciated and requested by international Customers.
ICA embarked on a rebranding path in 2020: the name and logo evolved from "I Cotoni di Albini" to "ICA Yarns". This path ended with the launch of a new website where the company's yarn product range may be viewed. The site will be constantly updated with all the latest developments from ICA: from launching new innovative yarns to the emergence of new partnerships.

A process that generates value
In terms of results, 2020 was undoubtedly a year characterised by the pandemic emergency, although with different connotations that manifested at three different time periods in the year. The first two months registered a 36% increase compared to 2019. The arrival of the pandemic in the world, the closing of stores and production units in April characterized a period of significant slowdown and a decrease in turnover that continued until September. The following period witnessed a constant upswing fuelled mainly by the sale of knitting yarns for underwear, a trend that continued in the first months of 2021. Despite being an extraordinarily complicated year, turnover has substantially maintained itself, registering only a small 5% loss compared to 2019.

Even in such a difficult year, ICA Yarns has continued to invest in new projects and partnerships, while also expanding its commercial and manufacturing network. During 2020, new production lines in fact were opened up in Hungary, which allowed the company to optimize production processes and expand its product range. Melange yarns are certainly one of the most important new developments in terms of product: this is a project that started up towards the end of 2019 and in 2020 witnessed the introduction of 5 new charts, which have received excellent commercial feedback from Customers.

Investments and attention to sustainability issues continued, as shown by the presentation of BIOFUSION® yarn on the market. Originating as a blend of organic American cottons, BIOFUSION® is an organic thread


231157 SPIAGGIA
G
231160 NOCCIOLA
H
231161 MARRONE
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1106 ROVERE
H
1112 MEREGON
231167 ARGILLA
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G
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ICA
YARNS
BRAND BOOK

that is 100% scientifically traceable, owing to technology developed in collaboration with Oritain (for further information refer to page 30). The incredible commercial demand of this product bears witness to the growing interest of the market with regard to the world of sustainability, to which ICA Yarns has responded in an active and innovative way, thus improving the degree of Customer loyalty and its own market positioning. These recent developments have confirmed ICA once more as a benchmark for Customers in the middle-high end segment of the market, who differ greatly in terms of business models and target sector: ranging from circular knitwear to flat knitwear, and including even furnishings, thus testifying to the incredible quality and versatility of the yarns that are produced.

Innovation and research are the values that distinguish the production of ICA Yarns, which shares with the Albini Group the philosophy and strategy that have allowed it to be widely recognized as a benchmark for providing yarns of high-quality content.

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 and realising low environmental impact industrial solutions. In particular in 2020 Albini Energia further expanded its range of services/products.

Energy consulting services
Albini Energia core business is the implementing and managing of efficiency measures aimed at reducing energy consumption.

In particular, numerous audits were carried out in 2020 at the facilities of a range of Customers, in order to identify possible interventions to improve production lines, especially in contexts which are subject to volume reductions.

Engineering services
During 2020 Albini Energia supported its Customers in the study of industrial plants to be realised using "turnkey" solutions. On these interventions, that follow up the energy audits mentioned above, Albini Energia offers a complete service, starting from detailed project design, through to the supply and installation of fully automated plants.

The Albini Energia proposals maximise energy efficiency, cutting consumptions and costs, thanks to the study of effective construction methods and a conscious use of available energy resources.

Environmental engineering services
Protecting the environment and use of eco-sustainable processes was the primary objective of Albini Energia, which in 2020 worked on the executive design of purification, fume treatment and industrial waste water recovery plants.

Albini Energia has always stood apart for its ongoing commitment to providing support to its Customers in the choice of the solutions that best suit their requirements and, within the scope of providing a totally integrated service, it also guarantees the activities necessary to obtain environmental authorisations and certifications.

Industrial plants

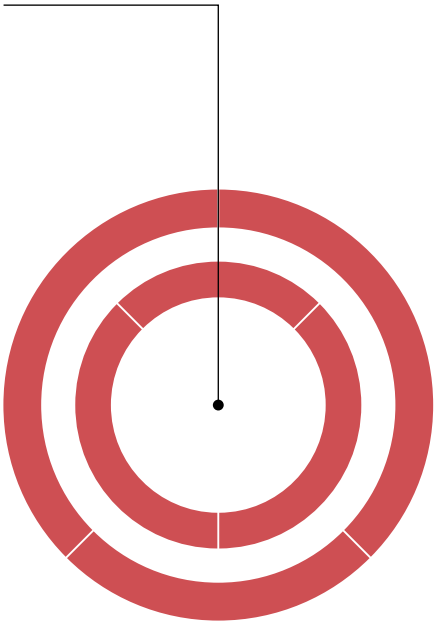
Albini Energia provides industrial plant design and supply services, tailored to meet the energy and production demands of its Customers.

High efficiency plants were designed and installed in 2020 for the production of steam, as well as photovoltaic systems operating within an "on-site exchange" regime and co-generation plant systems.

It also designed and supplied distribution systems for the main heat transfer fluids (diathermic oil, steam, water, condensate etc.).

ALBINI GROUP S.P.A.

DIRECTORS' REPORT



Registered office: 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 €98 million in 2020, a 30% decrease on the €141 million of 2019.
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 the group's activities.

The group recorded a net loss for the year of €6.5 million, compared to €0.8 million in 2019. Amortisation and depreciation of the year totalled €5.2 million, down from €8.1 million in 2019 as Cotonificio Albini S.p.A. and Tessitura di Mottola S.r.l. exercised the option provided by Decree law no. 104/2020 to expense a portion of amortisation and depreciation. EBITDA was a negative €1.7 million and cash flows were also a negative €1.6 million, compared to €7 million in 2019.
Net financial indebtedness at 31 December 2020 amounted to €46 million, up €2 million on the previous year end.

Cotonificio Albini S.p.A. exercised its right to revalue tangible and intangible fixed assets under Law no. 126 of 13 October 2020. To recognise the effect of the revaluation for tax purposes the company increased net equity by €2.1 million and recognised a substitute tax of €357 thousand in the profit and loss account. With regard to the directors' obligations, it is noted that:

- the revaluation was made using the "fair value" method based on the substance of the assets, their production capacity and actual possibility of use in the business;
- this method was used as it was deemed to most accurately represent the value of the assets being revalued;
- the revalued amount of the buildings and archives does not exceed the limit, i.e., their economic value.

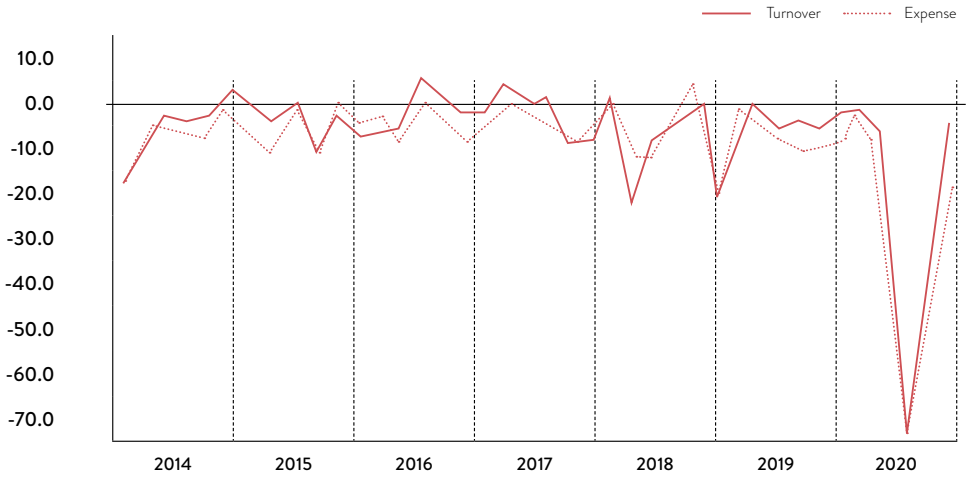
Both the historical cost and accumulated depreciation of the revalued industrial buildings were increased, while the historical cost of the revalued trademarks and archives was increased.

OPERATIONS AND DEVELOPMENTS

The shirting fabrics and cotton-linen clothing market had already shown signs of flagging in 2019, as end customers leaned towards a more casual way of dressing and favoured knitwear and techwear. With the outbreak of the pandemic in March 2020, the Italian textile and fashion industry fell hard and fast, plummeting -69% at the end of June (fig.1), and then rose in the summer and the second half of the year. With shops closed, restrictions imposed on people's movement globally and domestically and, for certain periods, production fully shut down, consumer buying was severely hampered and at times completely blocked, thus inevitably causing a slump in orders from the group's customers.

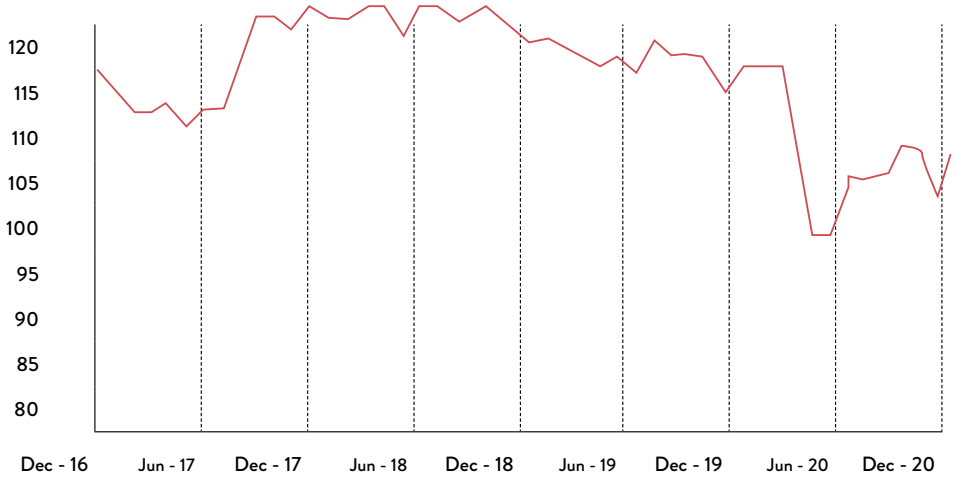
Similarly, according to ISTAT (the national statistics institute) surveys, after the recovery seen in the summer months, the confidence of Italian households remained well below 2019 levels due to the fresh wave of the virus in the winter (fig. 2).

Fig. 1
The trend in consumption of Textile-Fashion
(% trend bimonthly)



Source: Confindustria Moda su dati Sita Ricerca

Fig. 2
The trust of Italian families
(Index 2005=100)



Source: ISTAT

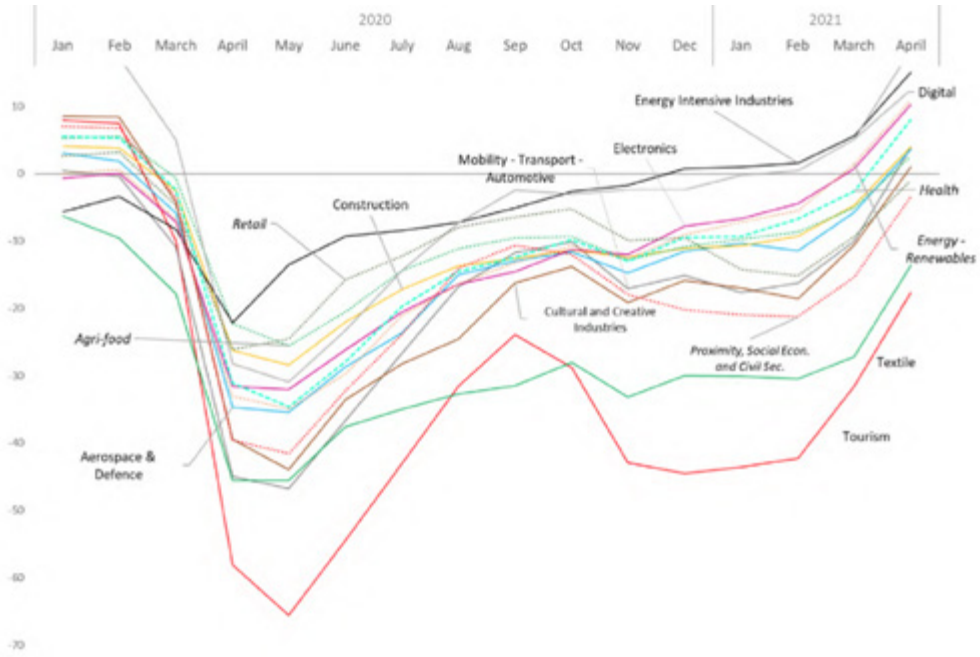
A detailed analysis of the Confindustria Moda study[1] on the sell-out of the spring/summer 2020 season, and looking at the different product types, shows that sales of men's and women's shirts dropped roughly 43% in amount and 39% in volume, compared to the general average of the textile and fashion industry which saw a 36% fall in amount and 30% in volume.

To complete the analysis, below is a graph from a European Commission study showing the level of confidence of the main ecosystems for 2020 and the first quarter of 2021.

[1] Consumi_Marzo2021" Confindustria Moda report on March 2021 consumption

Also at European level the textile industry was second only to the tourism industry as worst hit by the pandemic. However, there is a positive sign in the sharp growth curve seen in the first few months of 2021, similar to that of the other ecosystems, though starting from a lower base level.

Evolution of the Confidence Indicator



Source: Ecosystem (Annual Single Market Report 2021: European Commission)

The group companies reacted immediately to this unpredictable, tough situation by giving the utmost priority to protecting the health of their employees, following the instructions issued by the Italian government and the World Health Organization. At the same time, though partially idle due to the lack of orders, the production departments were kept up and running by implementing the safety protocols provided by the Ministry of Health and in agreement with the trade unions.

Each group company acted swiftly to meet the market demands of their customers, suppliers and, in general, all of their stakeholders, despite the obstacles to movement and communication. To this end, the group obtained cutting-edge digital tools to best manage these relations. This key investment in the latest technology and training on how to use the digital tools will be invaluable even after the return to normal and will boost efficiency in communicating internally and with customers. However, we believe that meeting with our customers to present collections and designs will become a fundamental asset once again.

With shops closed, restrictions imposed on people's movement globally and domestically and, for certain periods, production fully shut down, consumer buying was severely hampered and at times completely blocked, thus inevitably causing a slump in orders from the group's customers. The company most impacted by this stoppage was the industrial sub-holding Cotonificio Albini S.p.A., whose turnover dropped 34%, along with the group companies that provide weaving and dyeing services to Cotonificio Albini S.p.A..

Therefore, the net loss for 2020 was a result of the fall in orders which made it impossible to fully use the plants' production capacity. These factors prevented the group from absorbing the overheads generated by its structures.

Finally, the general slide in the length of average production lots led to lower yields from machinery and, considering the same quantities produced, a related higher percentage of industrial overheads.

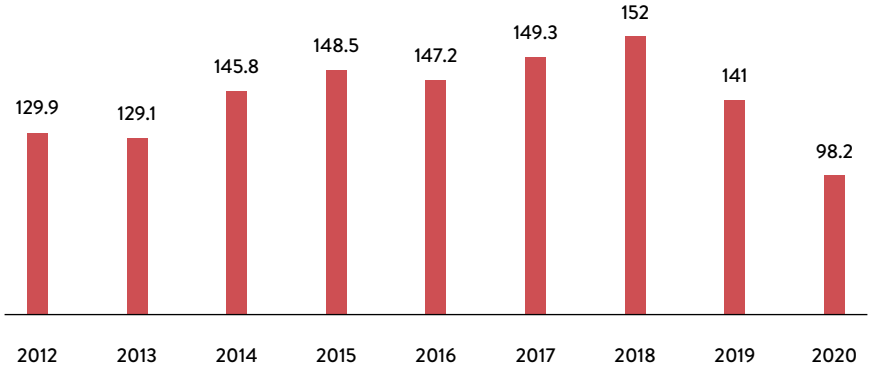
The subsidiary I Cotoni di Albini S.p.A. achieved a better performance on the other hand. As it sells yarn to third parties for the knitwear market, it operates in a sector which, as mentioned earlier, suffered less than the shirts sector. The new US scientifically traceable organic cotton yarn Biofusion® enjoyed notable success during the year.

The group sole non-core business company, Albini Energia S.r.l., which operates in the energy and renewable resources sector, also kept its turnover at similar levels to 2019 and considerably improved its profit margins.

Trends in the group's turnover from sales and services from 2012 to 2020 are shown below. Cotonificio Albini (€72.2 million), I Cotoni di Albini (€20 million) and Albini Energia (€4.6 million) were the main contributors to turnover in 2020.

NET REVENUES

(€ millions)



Specific ameliorative actions were quickly taken to tackle this sudden, sharp drop in net revenues (-30%). Personnel expenses were reduced by 28% on 2019 partly thanks to the income support measures provided by Decree law no. 18/2020 for cases of suspended or reduced work activities attributable to the COVID-19 epidemiological emergency.

To a lesser degree than the decrease in turnover, though still significant, costs for services were cut (-24%), demonstrating the group's strong control over its management structure.

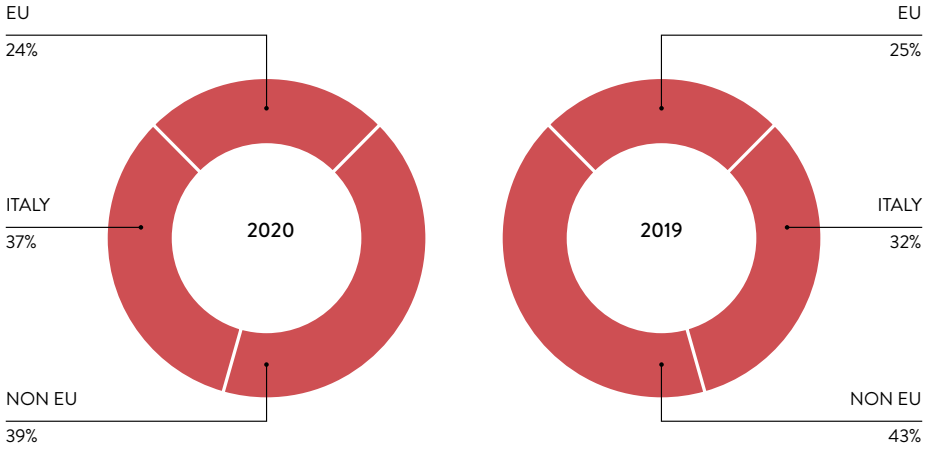
In compliance with the regulations issued by the Italian government to handle the emergency and in line with the lower usage of plant and machinery, depreciation rates for the assets of the Albino facility were reduced by 50%, for the finishing machinery of the Brebbia facility by 30% and for the assets of the Mottola facility by 80%. The latter facility only operated for three months in 2021 and then had to suspend production.

As illustrated in the graphs below, the breakdown of the group's turnover by geographical segment changed in 2020 as the pandemic impacted different areas of the world in different ways. The greatest decrease was seen in the non-EU markets, especially in the US and Asia. Looking at the breakdown by customer type, the largest decrease was in premium and retail customers, while luxury customers were least affected.

Though more contained, the yarns segment also recorded a decrease in exports to non-EU markets, with Italian and EU markets increasing.

The following graphs show a comparison of turnover by geographical segment:

TURNOVER BY GEOGRAPHICAL SEGMENT



With regard to style and product trends, the pandemic also cemented the pre-existing movement towards more casual, comfortable and certainly less formal clothing. The innovative fabrics market continued to climb with its quality and functional performance breaking new ground in terms of comfort, easy-care and lightness. In addition, the growing attention to responsible consumption provided greater stimulus to ethical and environmental sustainability, where products using organic raw materials saw a surge in sales, especially with luxury customers.

Accordingly, the group companies worked on important, innovative projects regarding both organic raw materials, directly followed by the group from the source, and the crucial issue of production chain transparency and guaranteed traceability. The group's organic cotton Biofusion® is unique at global level. It is traced and guaranteed by our exclusive partner, the independent verification company Oritain UK Ltd, in order to offer customers absolute scientific certainty of the cotton's composition and origin, hugely boosting customer loyalty as a result. Unfair practice is becoming increasingly more common with respect to both the certification process and cotton cultivation methods that disregard sustainable development.
In addition, the demand for organic cotton is also on the rise outside the formalwear sector, in the casual and prints sectors.

Innovation and research activities continued at the Open Innovation centre of the "Albini Next" division located at the Km Rosso innovation district in Bergamo.
A small group of our young talents are collaborating with leading research centres, universities, suppliers and customers all over the world to develop innovative products, test new natural dyes, and study recycling production scraps to create a circular economy and engage in virtuous reuse. The group has developed top-quality recycled yarn called Retwist® with external partners and used it in its latest collections with great success.

With regard to raw materials, an analysis of A Index prices for short fibre cotton in 2020 and early 2021 shows a downwards trend starting from March 2020 which then rose steadily up to March 2021 when it reached up to USD87 per pound, up over 10% on pre-COVID prices. Price trends for extra long staple cotton (the fibre used by the group) show a much sharper rise, from a historical low in January 2020 to a roughly 48% increase in early April 2021[2] . This will lead to the prices of our fabrics being revised upwards for upcoming collections.

The subsidiary Albini Energia S.r.l. made a significant contribution to the group's sustainability rating. With turnover of €4.6 million and net profit margin of 7.5% in 2020, the subsidiary's business is mostly focused on developing the sale of turnkey systems, including complex ones (new power stations, cooling and conditioning systems, cogeneration systems, purification systems, photovoltaic systems, etc.). The subsidiary also installs and gets the systems up and running and provides support to customers in obtaining the mandatory authorisations. However, its revenues from the sale of white certificates fell further in 2020. The subsidiary's support was extremely valuable to all Italian and foreign group companies in developing projects aimed at boosting energy efficiency. The subsidiaries whose main or exclusive business is performing weaving and dyeing processes for the group saw their volumes reduced in 2020, with some even incurring significant losses due to the reduced yield of the plants. After an uncertain first quarter, the subsidiary Tessitura di Mottola was forced to shut down production as a fallout of Cotonificio Albini S.p.A. no longer receiving orders from customers.
This shutdown was then extended to the end of the year and is also continuing through the first few months of 2021.

The growth prospects for the group's sector are shadowed in uncertainty, thus leading management to doubt that enough volumes will be recovered in the medium term to reach a suitable level of profitability.
In this situation, restarting the subsidiary's production seems uncertain and therefore, after a series of exhaustive discussions, the board of directors has contemplated selling the production site to third parties, leaning on the specific reindustrialisation expertise of a qualified advisor, Vertus S.r.l. based in Milan.
The reindustrialisation consists in finding new investors and new company types that can take over the industrial site, retaining its value in terms of workforce and plant.
The subsidiary simultaneously began discussions with the employees and the trade unions, giving them a detailed account of the roadmap to handle the change. The initial reports from Vertus on the activities recently begun show interesting prospects. Protecting jobs will be a priority during the process.

[2] https://supima.com/industry-resources/market-reports

The subsidiary and operating sub-holding Cotonificio Albini S.p.A. continued its structural change begun in 2018 after the passing of Silvio Albini, head of the subsidiary and the group for such a long time.
The supply chain functions were also strengthened for better coordination between production sites and the sales management was overhauled in order to separately manage the three customer categories: retail, premium and luxury.
As mentioned earlier, a specific space was dedicated to certifications and traceability which are being requested more and more by our most significant customers.
Cotonificio Albini has always followed a philosophy based on corporate values, managing its business with efficiency, integrity and honesty in every daily work process. During the year, it set up an Organisational, management and control model as per Legislative decree no. 231/01, which introduced a corporate criminal liability regime for companies for all of the crimes set out in the decree, adjusting and integrating its own organisational system to the provisions of such legislation. The Organisational, management and control model as per Legislative decree no. 231/01 was definitively approved by the board of directors with its resolution of 15 June 2020.
The principles, provisions and rules set out in the model are binding for directors, employees and all parties that work on behalf and in the interest of the company. Furthermore, the company drew up a Code of Ethics defining all of the values it recognises, accepts and shares, at all company levels, in carrying out the company's business.
The principles and provisions of the Code of Ethics set out the general obligations of diligence, integrity and honesty to guide the performance of work duties, conduct in the workplace and the company's business. The Code of Ethics was adopted by the board of directors with the aforementioned resolution.
Furthermore, with the same board of directors' resolution, in compliance with article 6.1.b) of Legislative decree no. 231/01, Cotonificio Albini set up and appointed a Supervisory board with autonomous powers of action, control and spending. The board is in charge of supervising the functioning of and compliance with the model and updating it as necessary.

Finally, the company continued to invest in upgrading and revamping its digital platform to be able to manage the numerous different fabric varieties in a quick and easy manner for online sales. It partnered with Oracle to implement a new CRM to help the sales force interact more efficiently with end customers and internal structures. A new and evolved e-commerce system will be rolled out in 2021 for the sale of the entire fabric range related to the Service Program, stocks and third grade materials and the "Bespoke" business.

INVESTMENTS

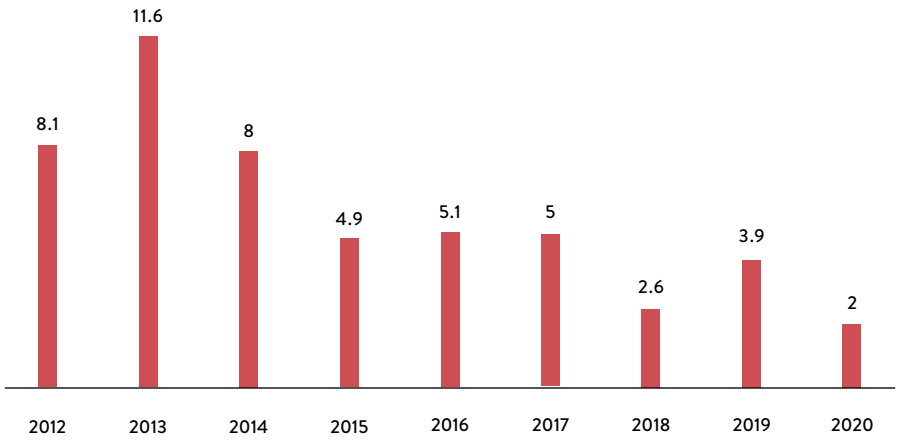
Investments in 2020 came to €2 million and mainly related to the restructuring of plant and buildings at the Albino, Brebbia, Mottola, Letohrad (Czech Republic) and Borg El Arab (Egypt) facilities and the purchase of a new photovoltaic system and a new warping machine under lease by the subsidiary Cotonificio Albini S.p.A..

Investments were also made to upgrade company networks and implement software to enable employees to work from home for both Italian and foreign subsidiaries. The group also continued to upgrade its production structures to improve their energy consumption and compliance with environmental and safety legislation.

The following graph shows investments in intangible and tangible fixed assets from 2012 to 2020:

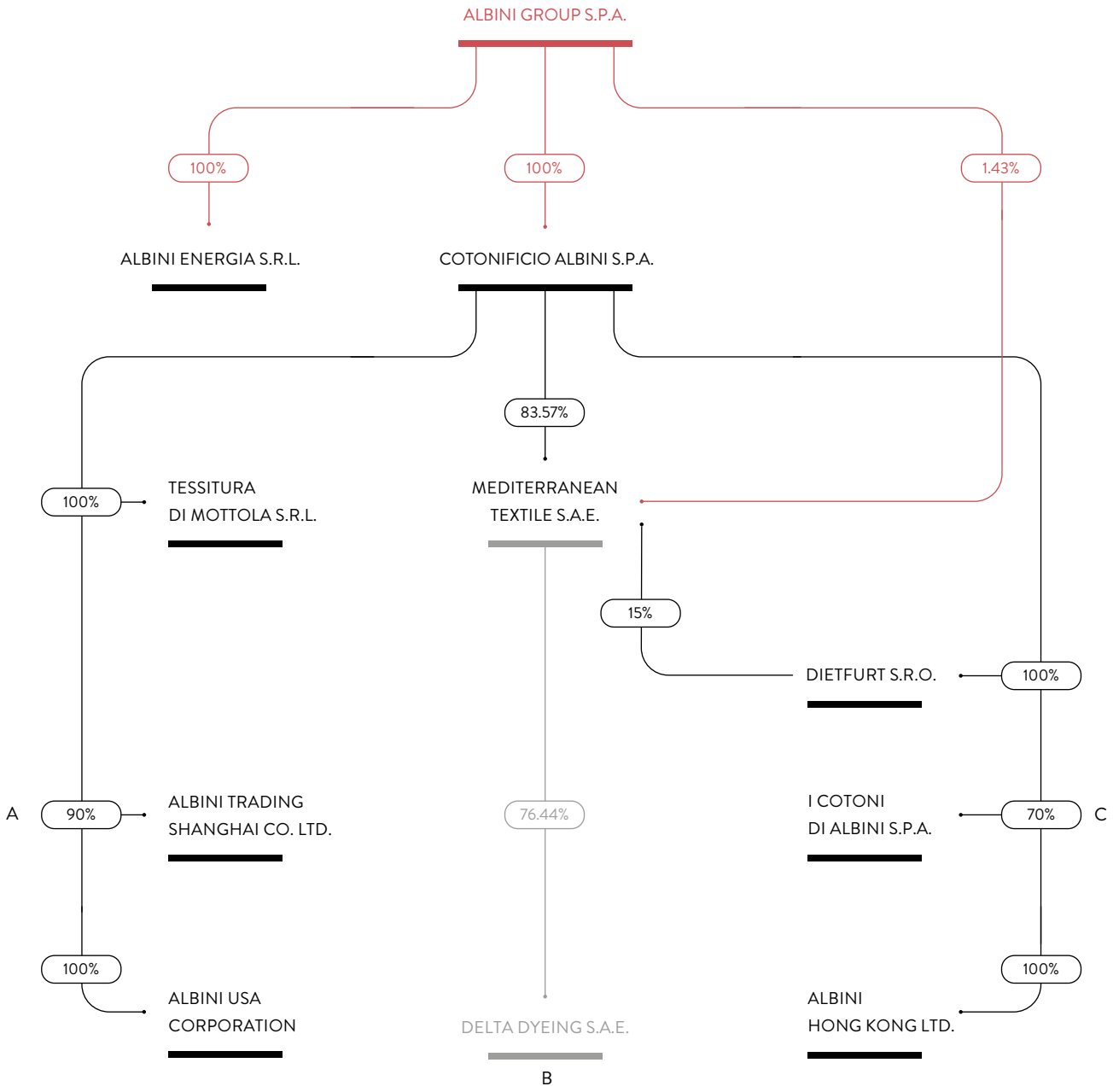
INVESTMENTS IN INTANGIBLE AND TANGIBLE FIXED ASSETS

(€ millions)



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

THE GROUP STRUCTURE AT 31 DECEMBER 2020



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 direct subsidiary and industrial and operating sub-holding recognised a net loss for the year of €2 million, compared to a net loss for 2019 of €3 million, after reduced amortisation and depreciation of €2 million, compared to €4.3 million in 2019.

Net turnover came to €78 million, down 33.8% on 2019 (€117.9 million). This decrease was mainly due to the COVID-19 pandemic which devastated the textile and fashion industry, causing the extended closure of sales outlets and a general contraction in consumption. The slackening in orders meant lower production efficiency of the subsidiary's facilities causing a huge impact on operating profit despite the significant efforts to cut personnel expenses (by availing of the government-sponsored lay-off scheme) and the general reduction of operating costs. The subsidiary posted net cash outflows of €0.3 million, compared to net inflows of €2.9 million in 2019. The subsidiary reversed deferred taxes accrued in previous years for €2.8 million, net of the substitute tax of €357 thousand, due to the realignment of the tax bases of revalued items to their carrying amounts with regard to Law no. 126 of 13 October 2020. Its capital expenditure in 2020 totalled €1 million.

During the year, in a departure from article 2426 of the Italian Civil Code and in compliance with article 110 of Decree law no. 104 of 14 August 2020, converted into Law no. 126 of 13 October 2020, the company exercised its right to revalue certain tangible and intangible fixed assets, also for tax purposes, for €1.2 million and €1.0 million, respectively.

Furthermore, as provided for by Law no. 126/2020, the subsidiary opted not to perform part of the amortisation/depreciation of certain categories of assets in consideration of the lower volume of operations and lower usage of plant in 2020.

Tessitura di Mottola S.r.l.

This subsidiary, which is wholly-owned through Cotonificio Albini S.p.A., recognised turnover for processing performed for the group companies of €0.7 million, down significantly on €3.6 million in 2019.

It recognised a net loss for the year of €563 thousand (2019: €713 thousand), after reduced amortisation and depreciation of €65 thousand (2019: €329 thousand) and no current income taxes due to the loss. Net cash outflows for the year amount to €523 thousand, compared to €457 thousand for 2019. This subsidiary purchased new plant and other assets of €36 thousand.

Details on the company's development and situation are provided in the section on Operations and developments.

Furthermore, as provided for by Law no. 126/2020, the subsidiary opted not to perform part of the amortisation/depreciation of certain categories of assets in consideration of the lower volume of operations and lower usage of plant in 2020.

Dietfurt S.r.o.

The Czech company is also a fully-owned subsidiary of Cotonificio Albini S.p.A.. It recognised a net loss for the year of €780 thousand (2019: net profit of €49 thousand), after amortisation and depreciation of €652 thousand (2019: €866 thousand).

Turnover from processing totalled €3.9 million in 2020, down from €5.2 million in 2019, and relates to processing carried out for its parent, Cotonificio Albini S.p.A.. The company invested €75 thousand in buildings and new plant and machinery. As it is an industrial company that operates at the service of its parent, its performance is directly linked to that of the latter.

Mediterranean Textile S.a.e.

The Egyptian company is wholly owned (1.43% directly by Albini Group S.p.A. and the remainder indirectly via the subsidiaries Cotonificio Albini S.p.A. (83.57%) and Dietfurt S.r.o. (15%)).
The subsidiary recognised a net loss for the year of €556 thousand, compared to a net profit of €397 thousand in 2019. It recognised amortisation and depreciation of €729 thousand (2019: €920 thousand). Turnover was €8.2 million, compared to €12.7 million in 2019, exclusively for fabric sales to its parent, Cotonificio Albini S.p.A.. The company invested €168 thousand in buildings, machinery, electronic machinery and industrial patents during the year.
That mentioned above for Dietfurt also applies to this subsidiary's performance.

Delta Dyeing S.a.e.

Indirectly owned (76.44%) through Mediterranean Textile S.a.e., Delta Dyeing S.a.e. posted a net loss for the year of €633 thousand, compared to €381 thousand in 2019. 2020 turnover totalled €0.8 million and related to the sale of yarns and dyeing on behalf of the group and third parties, compared to €1.7 million in 2019. This subsidiary recognised amortisation and depreciation of €363 thousand (2019: €416 thousand) and invested €7 thousand in buildings and equipment.

Albini Energia S.r.l.

A direct subsidiary of Albini Group S.p.A., this company successfully continued its research, study, design, construction and operation of industrial plant, developing its own industrial automation software. During the year, it also continued supplying engineering consultancy services, including complex services, and industrial plant design services in Italy and abroad, and developed projects focused on boosting energy efficiency. It provides these services to both group companies and third party customers. The company posted a net profit for the year of €362 thousand, compared to €266 thousand in 2019. Turnover for 2020 came to €4.8 million, compared to €4.6 million in 2019. The increase in turnover was due to the surge in sales of turnkey systems (new power stations, cooling and conditioning systems, cogeneration systems, purification systems, photovoltaic systems, etc.), including installing and getting the systems up and running and providing support to customers in obtaining the mandatory authorisations. Capital expenditure in 2020 (€9 thousand) related to new plant.

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 from the sale of cotton, raw yarns and dyed yarns in Italy and abroad came to €27.1 million, compared to €28.5 million in 2019. It consists of both sales to its parent and third parties in Italy and abroad, with the percentage of sales to third party customers up again in 2020. The subsidiary posted a moderate net loss for the year of €246 thousand compared to a net profit of €169 thousand in 2019, after amortisation and depreciation of €258 thousand (2019: €242 thousand). Investments made during the year (€287 thousand) mostly related to new spinning machinery and upgrades to production lines.
Details on the company's operations and positive development are provided in the section on Operations and developments.

Albini Trading Shanghai Co. Ltd.

The company is 90% owned by Cotonificio Albini S.p.A.. It provides sales and marketing support for its parent's sales on the Chinese market. Due to the pandemic, turnover from fabric sales showed a nil balance in 2020, down 100% compared to €152 thousand in 2019. The company recorded a net loss for the year of €61 thousand, compared to €58 thousand in 2019. It continued its cost cutting actions also considering the particular market situation in 2020. There are plans to relaunch the company in the future as direct support to sales on the Asian markets.

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 sales and marketing support for its parent's sales in Hong Kong and Southeast Asia. In 2020, it continued to reinforce the group's coverage of the local market, consolidating it. Its net profit for the year came to €59 thousand, compared to €307 thousand in 2019. Turnover from fabric sales dropped from €2.1 million in 2019 to €1.2 million in 2020, partly due to issues linked to the pandemic, though providing a positive contribution to group turnover.

Albini USA Corporation

Wholly-owned by Cotonificio Albini S.p.A., this company is based in New York and acts as agent for its parent on the North American market. It recorded turnover from income on sales of its parent's fabrics of €408 thousand compared to €803 thousand in 2019. It posted a net loss for the year of €126 thousand, compared to a net profit of €44 thousand in 2019. The subsidiary streamlined and reduced its cost structure during the year, focusing its efforts on agency activities for its parent and further helping bring the group closer to its 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 2020 financial statements and the previous two years.

Highlights	2018	2019	2020
Net revenues (€ millions)	152.0	141.2	98.2
GOP (€ millions)	29.2	26.1	13.8
EBIT (€ millions)	5.5	0.6	(7.6)
EBITDA (€ millions)	13.7	9.0	(1.7)
Net profit/(loss) for the year attributable to the group (€ millions)	2.7	(0.8)	(6.5)
Personnel expenses (€ millions)	41.0	37.5	27.1
Cash flows from operating activities (€ millions)	11.8	7.0	(1.6)
Bank loans and borrowings (€ millions)	(39.2)	(44.0)	(45.9)
Consolidated net equity (€ millions)	74.3	73	67
Turnover per employee (€ thousands)	109	103	74
Personnel expenses per employee (€ thousands)	29.3	27.3	20.3
Average number of employees in the year	1,398	1,371	1,336
Earnings (loss) per share (€)	0.8	(0.2)	(1.9)

Net current and non-current bank loans and borrowings increased from €44 million to €45.9 million. The non-current portion was 80% at 31 December 2020, compared to 55% at the previous year end. Indeed, the group's banks issued the group loans for €15.7 million guaranteed by Sace and Mediocredito Centrale in the second half of 2020.

The main performance indicators compared with the previous two years are shown below:

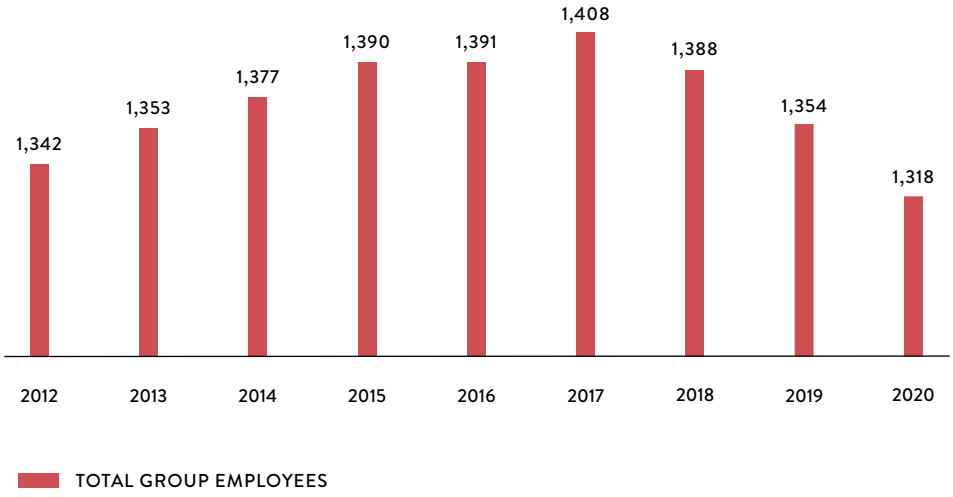
Performance indicators	2018	2019	2020
Return on equity (ROE)	3.7%	(1.1)%	(9.8)%
Return on sales (ROS)	3.6%	0.4%	(7.7)%
Return on investment (ROI)	4.1%	0.4%	(5.8)%
Equity ratio	0.39	0.40	0.37
NFD/Net equity	0.53	0.60	0.69
EBIT margin	3.6%	0.4%	(7.7)%
EBITDA margin	9.0%	6.4%	(1.7)%
Bank loans and borrowings/EBITDA	2.9	4.9	(27.3)
Cash flows as a percentage of sales	7.7%	4.9%	(1.7)%
Net working capital as a percentage of sales	45.1%	53.7%	72.9%
DSO	83.68	94.83	112.89
Inventory turnover	178	185	251
Research and development costs as a percentage of sales	3.1%	3.5%	2.6%

WORKFORCE

Group employees totalled 1,318 at 31 December 2020, 36 less than at 31 December 2019. They are distributed across the various group companies as follows:

	2019	2020
Cotonificio Albini S.p.A.	715	694
Tessitura di Mottola S.r.l.	119	118
Albini Energia S.r.l.	9	9
I Cotoni di Albini S.p.A.	12	14
Albini Trading Shanghai Co. Ltd.	-	-
Albini Hong Kong Ltd.	9	9
Dietfurt S.r.o.	203	202
Mediterranean Textile S.a.e.	261	249
Delta Dyeing S.a.e.	24	22
Albini USA Corporation	2	1
Total employees	**1,354**	**1,318**

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.

Information on the environment and the workforce

Cotonificio Albini S.p.A. operates in compliance with ruling legislation on the environment, health and safety and has adopted an environmental policy and a health and safety policy which are adopted by all group companies.

Management considers the safety of its people its top priority, with the safety of the facilities coming in second. Accordingly, the company is careful to eliminate all health and safety risks or reduce them to a minimum.

With regard to safety in the workplace, the company is very diligent about developing the skills of the workforce.
It ensures that its workers constantly refresh their skills via ongoing training cycles internally and/or at specialised structures, in all company areas.

Furthermore, as soon as the pandemic broke out, the company adopted precautions to curb the possibility of infection at the company, including:

- informing employees on how to act and what precautions to take at work;
- informing third parties to limit their presence at the company to the bare minimum;
- enabling employees to work from home as much as possible;
- increasing social distancing at the company and reducing the amount of people in company spaces;
- providing personal protective equipment and sanitising materials;
- sanitising work environments using specialised companies.

The policies implemented by the board of directors to protect the environment include adapting plant to comply with the highest eco-compatibility standards and adopting waste disposal procedures in line with ruling legislation.

OTHER INFORMATION

Pursuant to article 2428.2.6-bis of the Italian Civil Code, we set out 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 the key risks is focused on the subsidiary Cotonificio Albini S.p.A. and the companies that have invoiced external customers, 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 operating 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 the 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 expanding and which will 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 with improvement actions under way and the modern production hub in Egypt. 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 a good marketing strategy, to defend our position in our three market segments: retail, premium and luxury. 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 a 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, and our partnerships with some strategic yarn suppliers are increasingly close. 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.

As mentioned earlier, the conditions of the global economic situation are still currently uncertain, but starting to recover. The sudden emergency generated by the COVID-19 pandemic starting from February/March 2020 had a huge impact on the results for the year and continues to have an effect in early 2021 in terms of reduced revenues and uncertain results. In light of this, the group reacted by rolling out economic and structural actions to align production to demand and cut both variable and fixed costs.

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

The group is also exposed to health and safety in the workplace issues, consisting of the risk of 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 difficulties of making collections from customers during the year due to the sharp economic downturn. The subsidiaries Cotonificio Albini S.p.A. and I Cotoni di Albini S.p.A. are most exposed to credit risk. Accordingly, during the year, they adopted and implemented new procedures for managing receivables via more active collaboration between the administrative department and the sales network. Credit management systems more suited to quickly and accurately analysing individual receivables were introduced, separating the different reasons for non-payment.

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 act to recover any unpaid amount. With reference to trade receivables, the provisions for bad debts accrued in the financial statements of the subsidiaries are adequate to cover bad debts, also in light of the dispute under way and possible forecasts considering the outbreak of the COVID-19 public 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 counterparties deemed solvent by the market. IRS contracts hedged approximately 46.1% 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 subsidiary Cotonificio Albini S.p.A.'s net exposure in US dollars was partially hedged in 2020 via forward sales agreements, while its net exposure in pounds sterling and Japanese yen was partially hedged via forward purchase agreements. A portion of net exposure in US dollars and Japanese yen regarding invoices due in 2021 was also hedged.

Liquidity risk

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 2020.

Cotonificio Albini S.p.A. focused on the study and development of new fabrics characterised by innovative aesthetic solutions and using unique materials for the shirting fabrics segment, to act as a real driver of innovation in the fashion industry. In addition, the company continued to analyse, study, design and test new technologies aimed at improving the eco-sustainability of the fabrics, specifically designed on the basis of technological features in fabric production. The "Albini Next" think tank project continued in 2020, aimed at developing and acquiring new knowledge on technological solutions that can boost the eco-sustainability of the fabrics. These key projects are aimed at developing tested technologies and, thus, the possibility to steer future research and development investments towards producing highly eco-sustainable fabrics.

Carrying on from 2019, I Cotoni di Albini S.p.A. continued its research and development activities during the year, specifically focusing on the analysis, study, design, prototyping and testing of new yarns characterised by innovative spinning processes, including innovative mixtures of cotton and other fibres to adapt them for use in other segments apart from shirting fabrics, mainly knitwear. Specifically, the company planned the study and introduction of mélange yarns into Prealpina spinning and continued to research developing organic cotton in parts of the world other than the US. This project is part of a product diversification strategy that will expand the portfolio of customers interested in high quality products, synonymous with the excellence of "Made in Italy".

Research and development activities took place at the Albino, Brebbia and Gandino facilities, at the Albini Next division located at the Km Rosso district in Stezzano, Bergamo and some supplier production sites. They also involved the assistance of external consultants and collaborators.

The expense incurred, totalling €2.5 million (2.6% of net turnover), mainly includes personnel expenses for employees involved in research, consultancies for the development of new projects and the costs incurred for research into new materials and process testing, as well as the depreciation and maintenance of machinery and equipment used directly in these activities.

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

The subsidiaries intend to apply for the R&D tax credit provided for research, development, technological innovation, design and aesthetic design as per article 1.198-209 of Law no. 160 of 27 December 2019 for these costs that increase the value of assets and to use this credit as allowed by the law. They will continue their research activities in 2021.

OUTLOOK

At the end of 2020 it was clear that crisis of the textile and fashion industry would persist through the first half of 2021 at least. The fresh wave of the virus that broke out in the winter led to shuttered shops and restrictions to people's movement all over the globe, dampening any hopes of Cotonificio Albini's customers of a return to shopping any time soon. Hence, incoming orders were lower than expected, keeping turnover in the first four months of 2021 in line with 2020 and continuing negative results. In recent weeks, however, the effect of the vaccination programmes rolled out in Italy and more industrialised countries such as the US and European nations is showing some positive signs, with the pace steadily picking up. The new mood is having a favourable impact, with orders rising in recent weeks, a trend that is expected to continue in coming months due to the new confidence detected among our main customers. We expect to meet the €83 million budget for 2021 starting from the third quarter of the year. Bucking the trend, I Cotoni di Albini's turnover came to €15.3 million at the end of April, compared to €9.3 million in 2020 (+66%), with excellent profitability. Albini Energia also recorded good turnover, in line with 2020, and a net profit for the period.

The other companies that provide weaving and dyeing services to Cotonificio Albini continue to suffer the weak market demand and the resulting issues in putting production plan to use. A structured support plan - especially for technical support - was rolled out by Cotonificio Albini management to boost the subsidiaries' weaving capacity and reach optimal efficiency with more complex items that are also smaller than the average warp beam.

Actions were put in place to tackle the sector crisis in 2020 and will continue with fine-tuning and determination in 2021. The 2021-2026 budget was revised prudently regarding sales and considering a series of actions aimed specifically at cutting costs. As mentioned earlier, with regard to sales, the group is vertically integrating the product chain to offer customers more innovative and sustainable products. I Cotoni di Albini is playing a key role in producing mélange and dyed yarns for knitwear using organic raw materials. Furthermore, we strive to be partners for our customers, creating projects encompassing all the values that the Albini Group can express: innovation, design, service and quality. We are particularly focusing on global luxury fashion brands and the main players in the premium and retail segment. All of our efforts are concentrated on products for men's and women's fashion along with trousers and jackets made with medium weight fabrics.

As part of its endeavours to cut costs and streamline industrial structures, the group plans to invest in the spinning phases to support I Cotoni di Albini and bolster production capacity and customer service in this aforementioned current positive stage of expansion and profit-making. With regard to the weaving phases, on the other hand, efforts were focused on containing production overcapacity in order to align it to future market prospects. In the dyeing and finishing phases, whose costs are largely dependent on volumes produced, the group is taking action to create strategic alliances aimed at reaching minimum use of plant.

The group is also engaged in reducing inventories, already achieving considerable results in 2020. This important activity will continue in 2021, emphasising attempts to reduce and simplify the use of basic raw materials and streamline collections.

The group aims to maintain a balanced financial position, leading to good results in the first few months of 2021 with collections from customers carefully monitored. The goal for this new year is to further postpone the average due dates of medium to long-term debt to help channel liquid funds to investments to be made over the next three years, which we hope will see the group return to pre-COVID volumes. To achieve this goal, the group is currently negotiating a bond issue with a leading bank.

In light of the above, we are confident that the group's prospects are verging on renewed growth in turnover and a return to profitability in the next two years. The group's financial soundness and cost-cutting actions, as well as the excellent, constructive relationship built with banks over the years, will allow it to meet its recently revised 2021-2026 budget. Therefore, we believe that its ability to continue as a going concern is guaranteed.

Albino, 18 May 2021

On behalf of the board of directors
The chairman
Fabio Albini

Annex 1

RECLASSIFIED BALANCE SHEET

(€'000)	**31.12.2020**	**31.12.2019**
Intangible fixed assets	2,421	1,437
Tangible fixed assets	56,344	59,606
Financial fixed assets	3	3
Provisions and employees' leaving entitlement	(8,885)	(12,041)
Net working capital	71,655	75,862
Net other medium-term receivables	156	857
Net invested capital	**121,694**	**125,724**
Net financial debt	**(45,920)**	**(44,011)**
Bonds - shareholders	**(8,757)**	**(8,757)**
Consolidated net equity	**67,017**	**72,956**
of which		
- attributable to the group	66,583	72,303
-attributable to minority interests	434	653
Net working capital	**31.12.2020**	**31.12.2019**
Inventory	65,113	70,105
Trade receivables	30,370	36,689
Trade payables	(21,407)	(26,086)
Other net payables	(2,469)	(4,846)
Total	**71,607**	**75,862**
Net financial debt	**31.12.2020**	**31.12.2019**
Bank loans and borrowings	(57,118)	(43,249)
Bonds - banks	(1,674)	(2,121)
Loans and borrowings from other financial backers	(6,337)	(7,213)
Bank deposits and cash and cash equivalents	19,209	8,572
Total	**(45,920)**	**(44,011)**

Annex 2

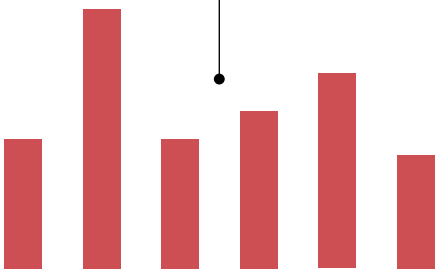
RECLASSIFIED PROFIT AND LOSS ACCOUNT(*)

(€'000)	**2020**	**2019**
Net revenues	98,197	141,211
Cost of sales	(84,349)	(115,149)
Gross operating profit	**13,848**	**26,062**
Sales costs	(9,711)	(13,088)
Product research costs	(2,797)	(4,732)
Administrative costs and overheads	(9,237)	(8,011)
Other operating income	297	353
Operating profit/(loss) (EBIT)	**(7,600)**	**584**
Net financial charges	(2,592)	(1,633)
Net extraordinary income/expense	-	-
Pre-tax loss	**(10,192)**	**(1,049)**
Income taxes	3,416	179
Net loss for the year, including minority interests	**(6,776)**	**(870)**
Net loss for the year attributable to minority interests	**(229)**	**(45)**
Net loss for the year attributable to the group	**(6,547)**	**(825)**
As a % of net revenues		
Gross operating profit	14.1%	18.5%
EBITDA margin	(1.7)%	6.4%
EBIT margin	(7.7)%	0.4%
Net loss for the year attributable to the group	(6.7)%	(0.6)%
Cost of sales	86%	82%
Sales costs	10%	9%
Product research costs	2.8%	3.4%
Administrative costs and overheads	9.4%	5.7%

(*) reclassified by allocating costs to cost centres

ALBINI GROUP S.P.A.

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020



CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31.12.2020

BALANCE SHEET ASSETS

ASSETS	31.12.2020		31.12.2019	
(€'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		301		340
4) Concessions, licences, trademarks and similar rights		1,203		206
5) Goodwill		310		417
6) Assets under development and payments on account		139		40
7) Other		468		434
Total		**2,421**		**1,437**
II. Tangible fixed assets				
1) Land and buildings		44,186		45,396
2) Plant and machinery		11,063		12,592
3) Industrial and commercial equipment		22		28
4) Other assets		867		963
5) Assets under construction and payments on account		206		627
Totale		**56,344**		**59,606**
III. Financial fixed assets				
2) Financial receivables				
d bis) From others		3		3
Total		**3**		**3**
Total fixed assets		**58,768**		**61,046**
C) Current assets				
I. Inventory				
1) Raw materials, consumables and supplies		28,598		29,959
2) Work in progress and semi-finished products		14,793		18,216
3) Contract work in progress		400		222
4) Finished goods		21,322		21,708
5) Payments on account				
Total		**65,113**		**70,105**

ASSETS	31.12.2020		31.12.2019	
(€'000)	partial	total	partial	total
II. Receivables				
1) Trade receivables		30,370		36,689
due within one year				
due after one year				
5bis) Tax receivables due within one year		1,307		1,286
Tax receivables due after one year		18		614
5ter) Deferred tax assets		2,814		2,041
5quater) From others due within one year		1,502		2,835
From others due after one year		125		116
Total		**36,136**		**43,581**
III. Current financial assets				
1) Investments in subsidiaries				
2) Investments in associates				
3) Investments in parentsi				
3bis) Investments in subsidiaries of parents				
4) Other equity investments				
5) Derivatives		13		127
6) Other securities				
Total		**13**		**127**
IV. Liquid funds				
1) Bank and postal accounts		19,192		8,552
2) Cheques on hand		-		1
3) Cash-in-hand and cash equivalents		17		19
Total		**19,209**		**8,572**
Total current assets		**120,471**		**122,385**
D) Prepayments and accrued income				
- prepayments and accrued income		159		186
Total prepayments and accrued income		**159**		**186**
Total assets		**179,398**		**183,617**

CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31.12.2020

BALANCE SHEET ASSETS

LIABILITIES	31.12.2020		31.12.2019	
(€'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	2,177		2,019	
- Capital injections	207		207	
- Revaluation reserve as per Law no. 342/00	-		2,537	
- Revaluation reserve as per Law no. 266/05	4,111		4,592	
- Revaluation reserve as per Law no. 02/09	12,247		12,247	
- Revaluation reserve as per Law no. 126/20	2,135		-	
- Translation reserve	1,491	22,368	2,762	24,364
VII. Hedging reserve		(239)		(198)
VIII. Retained earnings of consolidated companies		47,989		45,950
IX. Net loss for the year		(6,547)		(825)
X. Reserve for own shares				
Total net equity attributable to the group		**66,583**		**72,303**
Net equity attributable to minority interests		663		698
Net loss for the year attributable to minority interests		(229)		(45)
Total net equity attributable to minority interests		434		653
Total consolidated net equity		**67,017**		**72,956**
B) Provisions for risks and charges				
1) Pension and similar provisions		1,261		1,390
2) Tax provision, including deferred tax liabilities		753		3,954
3) Derivatives		538		236
4) Other provisions		453		420
Total provisions for risks and charges		**3,005**		**6,000**
C) Employees' leaving entitlement		**5,880**		**6,041**
D) Payables				
1) Bonds				
due within one year		2,899		2,151
due after one year		2,932		4,127
2) Convertible bonds				
due within one year				
due after one year		4,600		4,600

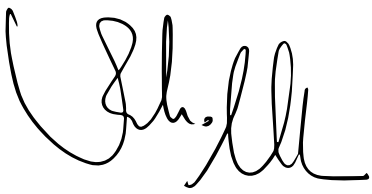
LIABILITIES	31.12.2020		31.12.2019	
(€'000)	partial	total	partial	total
3) Shareholder loans				
due within one year				
due after one year				
4) Bank loans and borrowings				
due within one year		26,944		25,428
due after one year		30,174		17,821
5) Loans and borrowings from other financial backers				
due within one year		1,053		2,379
due after one year		5,284		4,834
6) Payments on account due within one year		676		752
7) Trade payables				
due within one year		21,407		26,086
due after one year				
8) Commercial paper				
due within one year				
due after one year				
12) Tax payables due within one year		1,253		1,190
13) Social security charges payable due within one year		794		2,003
14) Other payables due within one year		3,815		5,627
Total payables		**101,831**		**96,998**
E) Accrued expenses and deferred income				
- accrued expenses and deferred income		1,665		1,622
Total accrued expenses and deferred income		**1,665**		**1,622**
Total liabilities		**112,381**		**110,661**
Total net equity and liabilities		**179,398**		**183,617**

PROFIT AND LOSS ACCOUNT

	31.12.2020		31.12.2019	
(€'000)	partial	total	partial	total
A) Production revenues				
1) Turnover from sales and servicesi		98,197		141,211
2) Change in work in progress, semi-finished products and finished goods		(3,757)		(5,327)
3) Change in contract work in progress		178		13
4) Internal work capitalised		4		11
5) Other revenues and income:				
- sundry	1,500		2,541	
- grants related to income	726	2,225	775	3,316
Total production revenues (A)		**96,848**		**139,224**
B) Production cost				
6) Raw materials, consumables, supplies and goods		39,716		54,379
7) Services		28,964		38,303
8) Use of third party assets		912		779
9) Personnel expenses:				
a) Wages and salaries	18,996		26,697	
b) Social security contributions	6,218		8,794	
c) Employees' leaving entitlement	1,721		1,744	
d) Pension and similar costs				
e) Other costs	128	27,063	229	37,464
10) Amortisation, depreciation and write-downs:				
a) Amortisation of intangible fixed assets	408		615	
b) Depreciation of tangible fixed assets	4,829		7,447	
c) Other write-downs of fixed assets				
d) Write-downs of current receivables and liquid funds	684	5,921	376	8,438
11) Change in raw materials, consumables, supplies and goods		967		(1,995)
12) Provisions for risks		40		
13) Other provisions				
14) Other operating costs		865		1,272
Total production cost (B)		**104,448**		**138,640**
Operating profit/(loss) (A-B)		**(7,600)**		**584**
C) Financial income and charges				
16) Other financial income:				
d) Other income:				
- Other	84	84	71	71
17) Interessi e altri oneri finanziari:				
- Other	(1,861)		(2,080)	
17bis) Net exchange rate gains (losses)	(401)	(2,262)	66	(2,014)
Net financial charges (15+16-17+17-bis)		**(2,178)**		**(1,943)**

	31.12.2020		31.12.2019	
(€'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	15	15	326	326
19) Write-downs:				
a) Investments				
b) Financial fixed assets which are not equity investments				
c) Securities classified as current assets				
d) Derivatives	(429)	(429)	(16)	(16)
Total adjustments (18-19)		**(414)**		**310**
Pre-tax loss (A-B±C±D)		**(10,192)**		**(1,049)**
20) Income taxes				
- current	(456)		(366)	
- deferred	3,551		37	
- income from participation in the national tax consolidation scheme	321		508	
Total current and deferred taxes		**3,416**		**179**
21) Net loss for the year before minority interests		(6,776)		(870)
Net loss for the year attributable to minority interests		(229)		(45)
21 bis) Net loss for the year attributable to the group		**(6,547)**		**(825)**

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



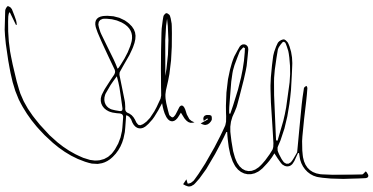
CASH FLOW STATEMENT

(indirect method)

(€'000)	2020	2019
A. Cash flows from operating activities		
Net loss for the year	(6,731)	(870)
Income taxes	(3,416)	(179)
Net interest expense	1,506	896
Dividends	-	-
Gains on the sale of assets	(174)	(70)
1. Loss for the year before income taxes, interest, dividends and gains/losses on the sale of assets	**(8,815)**	**(223)**
Adjustments for non-monetary elements that did not affect net working capital		
Increase in provisions	2,760	2,140
Amortisation and depreciation	5,237	8,062
Write-downs for impairment	-	-
Write-downs of derivatives that did not involve cash flows	163	(128)
Other non-monetary adjustments	(832)	-
2. Cash flows before changes in net working capital	**(687)**	**9,851**
Changes in net working capital		
Decrease/(increase) in inventory	4,992	3,300
Decrease/(increase) in trade receivables	6,244	(1,878)
Increase/(decrease) in trade payables	(4,679)	(6,750)
Decrease/(increase) in prepayments and accrued income	27	(58)
Increase/(decrease) in accrued expenses and deferred income	43	(7)
Other changes in net working capital	(3,297)	(3,727)
3. Cash flows after changes in net working capital	**2,643**	**731**
Other adjustments		
Interest paid	(1,499)	(896)
Income taxes paid	(84)	(30)
Dividends collected	-	-
Utilisation of provisions for risks	(1,103)	(856)
Other collections/payments	-	-
Cash flows used in operating activities (A)	**(43)**	**(1,051)**
B. Cash flows from investing activities		
Tangible fixed assets		
Investments	(1,587)	(2,920)
Proceeds from sales	(283)	368
Intangible fixed assets		
Investments	(422)	(412)
Proceeds from sales	-	15
Financial fixed assets		
Investments	-	-
Disinvestments	-	-
Current financial assets		
Investments	-	-
Proceeds from sales	-	-
Cash flows used in investing activities (B)	**(1,726)**	**(2,949)**

(€'000)	2020	2019
C. Cash flows from financing activities		
Third-party funds		
Increase in current bank loans and borrowings	1,935	3,493
New loans	17,367	11,398
Repayment of loans	(6,732)	(11,115)
Own funds		
Capital increase against payment	-	-
Dividends and interim dividends paid	-	(746)
Cash flows from financing activities (C)	**12,571**	**3,030**
Increase (decrease) in liquid funds (A ± B ± C)	**10,802**	**(970)**
Exchange rate effect on liquid funds	(165)	(21)
Net increase (decrease) in liquid funds	**10,637**	**(991)**
Liquid funds at 1 January	**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
Liquid funds at 31 December	**19,209**	**8,572**
including:		
Bank and postal accounts	19,192	8,552
Cheques on hand	-	1
Cash-in-hand and cash equivalents	17	19

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



ALBINI GROUP S.P.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Registered office: 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 the Albini Group (the "group"), comprised of a balance sheet, a profit and loss account, a cash flow statement and these notes, have been prepared in compliance with article 2423 and following articles of the Italian Civil Code and the provisions of Legislative decree no. 127/91, interpreted in the context of and integrated by the reporting standards issued by the Italian Accounting Standard Setter (Organismo Italiano di Contabilità, OIC) (the "OIC").

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

The amounts presented in the balance sheet, profit and loss account and cash flow statement are in Euros, without decimal points, while those disclosed in the notes are expressed in thousands of Euros, except as 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's and the group's net equity and net profit/loss for the year;
- the statement of changes in net equity.

Reference should be made to the directors' report that accompanies these consolidated financial statements for information on the group's activities.

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 STRUCTURE, CONSOLIDATION SCOPE

These consolidated financial statements include the financial statements of Albini Group S.p.A. (the "parent"), with registered office in Albino (Bergamo), and those of the subsidiaries which the parent controls pursuant to article 26 of Legislative decree no. 127/91.

Below is a list of the group companies consolidated on a line-by-line basis:

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

(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 2020.

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 FINANCIAL STATEMENTS TO BE CONSOLIDATED

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

BASIS OF CONSOLIDATION

These 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, with the exception of the accounting policy applied for assets under finance lease as detailed later on.

Asset and liability items in the group companies' financial statements with names and contents that are the same as or similar to those in the consolidated financial statements where they will be consolidated are measured using the same criteria.

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.

Line-by-line consolidation involves the following steps:

- adjustments for alignment with the group accounting policies and any other consolidation adjustments, such as reclassifications;
- combination of the financial statements or financial information to be consolidated, irrespective of the investment percentage. The profit and loss accounts of companies acquired or sold during the year are consolidated for the period held by the group;
- elimination of the carrying amount of investments in consolidated companies against the corresponding portion of the group's portion of the subsidiary's net equity at the acquisition date.

Any positive difference is allocated, where possible, to the acquired identifiable asset to the extent of such asset's present value up to its recoverable amount, and to the assumed identifiable liability, including the related tax effects. Any positive difference not fully allocated to the separately identifiable assets and liabilities acquired is allocated to the intangible fixed assets caption Goodwill, unless it must be expensed in full or in part. The remaining difference is only allocated to goodwill if all the requirements for recognition as such are met under the relevant accounting standard.

Any residual amount that cannot be allocated to the assets and liabilities or goodwill is expensed under Other operating costs.
Where possible, any negative difference is recognised as a decrease in assets recognised at higher carrying amounts than their recoverable amounts and liabilities recognised at lower carrying amounts than their settlement amounts, net of the related tax effect. If it cannot be attributed to forecast losses but, rather, to a good deal, any residual negative difference is recognised in the specific Consolidation reserve under equity.
Any residual unallocated negative difference fully or partly related to forecast losses is recognised under the Provisions for future risks and charges which will be used in future years to reflect the assumptions made upon acquisition irrespective of whether the forecast losses actually occur.
Retained earnings and other equity-related reserves of the subsidiaries, as well as any other changes in equity captions of the subsidiaries after the date of acquisition are, to the extent attributable to the group, accounted for as an increase in consolidated net equity, usually in the caption "Retained earnings of consolidated companies", except for differences arising from exchange rate gains or losses of the foreign investees, which are treated as described below;

- elimination of the balances and transactions between consolidated companies and internal or intragroup profits or losses;
- recognition of any deferred tax assets and/or liabilities;
- elimination of dividends received from the consolidated companies and the write-downs of equity investments in the consolidated companies, so that they are not counted twice;
- calculation of minority interests in consolidated net equity and net profit or loss for the year, which are shown separately in the consolidated financial statements;
- measurement of unconsolidated subsidiaries, associates and entities under common control using the equity method;
- analysis and correct representation of the acquisition of additional investments in already consolidated companies and the sale of investments with or without loss of control, as well as other changes to the consolidation scope;
- preparation of the consolidated financial statements.

Financial statements or financial information of foreign investees drawn up in currencies other than the Euro are translated into Euros after any adjustments necessary to align such financial statements/financial information with group accounting policies. They are translated using:

- the spot rate at the reporting date for assets and liabilities;
- the average exchange rate of the year for profit and loss account captions;
- the historical exchange rate ruling at the time of their formation for the net equity reserves (except for the translation reserve).

The net translation effect is shown under the "Translation reserve" under consolidated net equity. This reserve is reclassified, in whole or in part, to an available reserve if the foreign company is sold in whole or in part.

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

Currency	Exchange rate at 31.12.2020	Average exchange rate - 2020	Exchange rate at 31.12.2019	Average exchange rate - 2019
Czech koruna	26,242	26,455	25,408	25,671
US dollar	1,227	1,142	1,123	1,120
Chinese renminbi	8,022	7,874	7,821	7,736
HK dollar	9,514	8,858	8,747	8,771

Profits or losses on large-amount transactions between consolidated companies and any significant unrealised intragroup profits on transactions with third parties are eliminated considering the related tax effect, if necessary.

BASIS OF PREPARATION

The financial statements captions have been measured in accordance with the general principles of prudence and accruals on a going-concern basis. They are presented considering the substance of the transaction or contract, in compliance with the Italian Civil Code and the OIC. The company has also complied with the principles of measurement consistency, materiality and comparability of information.

As a result:

- The group measures the individual assets and liabilities separately, in order to avoid offsetting profits on certain items against losses on other items. Specifically, the group recognises profits only if realised before the reporting date, whereas it considers risks and losses on an accruals basis, even when they become known after the reporting date.
- The group recognises income and charges on an accruals basis regardless of their collection or settlement date. Accruals-based accounting affects the timing with which income and expense are taken to profit or loss in order to determine the net profit or loss for the year.
- The directors performed a forward-looking assessment of the group's ability to operate a business that will generate profits for the foreseeable future, or at least twelve months from the reporting date. The assessment showed that there are no significant uncertainties with respect to the group's ability to continue as a going concern.
- Identifying rights, obligations and conditions of transactions was based on their contractual terms and conditions and by comparing them with the accounting standards to check that the balance sheet and profit and loss account items were correctly recognised or derecognised.
- The accounting policies are the same as those applied in the previous year, with the exception of that detailed below, in order to measure the group's results consistently over time.

During the year, no exceptional cases arose that would have made departure from the accounting policies, as allowed by article 29.4 of Legislative decree no. 127/91, necessary to allow a true and fair view of the group's financial position and results of operations.
Certain categories of assets were revalued as per Law no. 126/2020 during the year, as described in detail in the specific section.

Furthermore, as provided for by Law no. 126/2020, Cotonificio Albini S.p.A. opted not to perform part of the amortisation/depreciation of certain categories of assets, as detailed in the specific sections, in consideration of the lower volume of operations and lower usage of plant in 2020.
The materiality of the financial statements captions was assessed considering the financial statements as a whole and both qualitative and quantitative factors.
Under the principle of materiality set out in article 29.3-bis of Legislative decree no. 127/91, these notes do not include disclosures on the financial statements captions whose amount or related disclosure are immaterial for the purposes of giving a true and fair view of the group's financial position, results of operations and cash flows, including those specifically required by article 38 of Legislative decree no. 127/91 or other provisions.
The accounting policies section describes how the group applied the accounting treatments required by the OIC based on the principle of materiality.
Each balance sheet, profit and loss account and cash flow statement caption presents the corresponding figures of the previous year. 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.
Deferred charges are recognised when their future use can be demonstrated, they can be objectively matched to the related future benefits available to the group and their recoverability can be estimated with reasonable certainty.
Leasehold improvements are recognised under other intangible fixed assets when they cannot be separated from the related assets, otherwise they are recognised under the relevant tangible fixed assets captions.
Payments on account to suppliers for intangible fixed assets are recognised when the related payments are due. Assets under development are recognised when the initial costs to develop the asset are incurred and they include the related internal and external costs.
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 group, 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 begins when the asset is available for use. The amortisation pattern depends on how the benefits are expected to flow to the group.

Assets under development are not amortised. The amortisation process begins when these assets are reclassified to their relevant intangible fixed asset caption.

Intangible fixed assets are amortised at the following rates:

Category	Rate
Industrial patents and intellectual property rights	33.33%
Concessions, licences, trademarks and similar rights	10%
Goodwill	10%
Other:	
- Software	33.33%
- Other	20%

The subsidiary Cotonificio Albini S.p.A. availed itself of the option to apply reduced amortisation/depreciation rates in 2020, as described in detail in the specific section.
Intangible fixed assets are revalued, to the extent of their recoverable amount, only if the law requires or permits so. Certain categories of assets were revalued as per Law no. 126/2020 during the year, as described in detail in the specific section.

Tangible fixed assets are recognised at purchase or production cost, adjusted by accumulated depreciation and write-downs. 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 repair to keep assets in good working order to ensure their expected useful life, capacity and original productivity, are expensed when incurred.

Extraordinary maintenance costs incurred to expand, modernise, replace or improve an asset are capitalised within the limits of its recoverable amount if they result in a significant and measurable increase in its production capacity, safety or useful life.

The tangible fixed assets of the parent and the consolidated companies are revalued, to the extent of their recoverable amount, only if special laws of the relevant countries require or permit so.

Certain categories of assets were revalued as per Law no. 126/2020 during the year, as described in detail in the specific section.

The legal revaluations made to assets still owned by the group at 31 December 2020 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;
- Law no. 126 of 13 October 2020.

A further revaluation was made pursuant to article 16 of Presidential decree no. 598, following the merger which took place in 1987.

Depreciation is calculated systematically and on a straight-line basis, using rates held to reflect the asset's estimated useful life. Depreciation begins when the asset becomes 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 depreciation rates used are as follows:

Category	**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%

The subsidiaries Cotonificio Albini S.p.A. and Tessitura di Mottola S.r.l. availed themselves of the option to apply reduced amortisation/depreciation rates in 2020, as described in detail in the specific section.

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 therefor 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 group'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, as follows:

- 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.

Raw materials and supplies used in manufacturing finished goods are not written down if the realisable value of such goods is expected to be equal to or higher than their production cost. Moreover, should the price of raw materials and supplies decrease and the cost of finished goods exceed their realisable value, the raw materials and supplies are written down to their net realisable value, assumed to be the best estimate of their market price.

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 group.

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.

Furthermore, pursuant to article 12.2 of Legislative decree no. 139/2015, the group opted not to recognise receivables arising before 1 January 2016 at amortised cost and did not discount them.

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.

When the group recognises receivables at amortised cost, their carrying amount at initial recognition is their nominal amount, unless discounting is necessary, as described later on, net of any bonuses, discounts and allowances, as well as any directly attributable transaction costs.

The amortised cost calculation using the effective interest method includes transaction costs, commissions and any other difference between the receivables' initial carrying amount and the nominal amount at their due date. The effective interest rate is calculated upon initial recognition and maintained for subsequent measurements, except when variable rates indexed to market rates have been contractually agreed.

At each reporting date, the carrying amount of receivables measured at amortised cost is the present value of future cash flows, less impairment losses recognised to bring them into line with their estimated realisable value, discounted using the effective interest rate.

Trade receivables due after one year upon initial recognition that do not bear interest or bear contractual interest at rates that significantly differ from market rates, and the related revenues, are initially recognised at their present value by discounting future cash flows using market interest rates. The difference between the carrying amount at initial recognition and the terminal value is recognised in the profit and loss account as interest income over the receivable's life, using the effective interest method.

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 the 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, provided 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 counterparties 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 agreed or maintained to meet the requirement of purchasing, selling or using the goods;
b) they have had that purpose since when they were entered into;
c) their expected performance is the delivery of the non-financial item.

The group 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 group measures derivatives at fair value and presents them in the specific balance sheet captions 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 group 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 of eligible hedging instruments and eligible hedged items;
b) at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the group'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 group 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.

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 group discontinues hedge accounting for a cash flow hedge, but the hedged future cash flows are still expected to occur, the amount that has been accumulated in the reserve remains 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 of 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 or in previous years 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 group 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.

Net equity

Transactions between the parent and its owners (acting as owners) may result in receivables/payables from/to them. The parent recognises a receivable when its owners take on an obligation and a payable when it takes on an obligation to them.

Capital injections with no repayment obligation are recognised under the relevant net equity caption, while shareholder loans with a repayment obligation are recognised under payables.

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 the Italian agents, the group 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
  This provision includes accruals for the risk of fair value losses on non-hedge currency transactions at year end, as detailed in the section on derivatives.
- 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.

The amount due to employees who had already left the company at the reporting date but that will be paid in the following year is reclassified to payables.

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 group 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 at amortised cost, considering the time value of money.

The amortised cost method is not applied when its effects are irrelevant, which is usually the case for current payables or when transaction costs, commissions paid between the parties and any other difference between the original and settlement amounts at the due date are insignificant.

Furthermore, pursuant to article 12.2 of Legislative decree no. 139/2015, the group opted not to

recognise payables arising before 1 January 2016 at amortised cost and did not discount them. Such payables 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 paid. In the event of early settlement, the difference between the residual outstanding amount and the outlay to settle the obligation is recognised as financial income or charges.
Cash discounts and allowances that were not included in the calculation of the carrying amount at initial recognition as they could not be determined when the payable was originally recognised, are recognised upon settlement as financial income.
When the group recognises payables at amortised cost, their carrying amount at initial recognition is their nominal amount, unless discounting is necessary, as described later on, net of any bonuses, discounts and allowances, as well as any directly attributable transaction costs.
The amortised cost calculation using the effective interest method includes transaction costs, initial commission income and expense, issue costs, premiums and discounts and any other difference between the initial carrying amount and the nominal amount at the payable's due date. The effective interest rate is calculated upon initial recognition and maintained for subsequent measurements, except when variable rates indexed to market rates have been contractually agreed.
At each reporting date, the carrying amount of payables measured at amortised cost is the present value of future cash flows discounted using the effective interest rate.
In the event of early settlement, the difference between the residual outstanding amount and the outlay to settle the obligation is recognised as financial income or charges.
Cash discounts and allowances that were not included in the calculation of the amortised cost as they could not be determined when the payable was originally recognised, are recognised upon settlement.
Trade payables due after one year upon initial recognition that do not bear interest or bear contractual interest that significantly differs from market rates and the related costs are initially recognised at their present value by discounting future cash flows at market interest rates. The difference between the carrying amount at initial recognition and the terminal value is recognised in the profit and loss account as interest expense over the payable's life, using the effective interest method.
With regard to loans and borrowings, the group recognises the difference between the cash received and the present value of future cash flows calculated using the market rate as financial income or charges upon initial recognition, except when the transaction's or contract's substance requires its allocation to another caption and a different accounting treatment.
Payables are derecognised, in whole or in part, when the relevant contractual and/or legal obligations are extinguished for settlement or other reasons, or are 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 items are translated at the closing spot rates, and the related gains and 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/coverage 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 group 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 of 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 no. 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

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

Government relief grants

The grants received by Italian and foreign subsidiaries from their respective governments as relief from the negative effects of the COVID-19 pandemic are taken to the profit and loss account on an accruals basis.

Other grants

The grants received by the subsidiary Cotonificio Albini S.p.A. for training projects are taken to 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 been not 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 tax parent, Albini Group S.p.A., renewed the option to participate in the national tax consolidation scheme pursuant to articles 117-129 of Presidential decree no. 917 of 22 December 1986 for the 2020-2022 three-year period, along with Cotonificio Albini S.p.A. and Tessitura di Mottola S.r.l., and for the 2018-2020 three-year 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.

Use of estimates

The preparation of consolidated financial statements requires management to make estimates that affect the carrying amount of assets and liabilities and the related disclosures. Actual results

may differ. Estimates are revised regularly and the effect of any changes, if not due to errors, are recognised in the profit and loss account when the estimates are changed, if they affect just one year, and also in the following years, if they affect both the current and subsequent years.

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 group's financial position, results of operations 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 group'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 CAPTIONS

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.

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 at31.12.19	Purchases	Reclass./ Disinv.	Reval.	Balance at 31.12.20	Balance at 31.12.19	Amort.	Exchange rate fluctuation	Balance at 31.12.20	Net intangible fixed assets at 31.12.2020
Industrial patents and intellectual property rights	3,338	153	6	-	3,497	(2,998)	(195)	(3)	(3,196)	301
Concessions, licences and archives	1,385	17	-	1,000	2,402	(1,179)	(20)	-	(1,199)	1,203
Goodwill	761	-	-	-	761	(344)	(79)	(28)	(451)	310
Assets under development and payments on account	40	120	(21)	-	139	-	-	-	-	139
Other	12,571	132	15	-	12,718	(12,137)	(114)	-	(12,250)	468
Totale	**18,095**	**422**	**-**	**1,000**	**19,517**	**(16,658)**	**(408)**	**(31)**	**(17,096)**	**2,421**

Industrial patents and intellectual property rights increased by €153 thousand in 2020, mainly related to the purchase of new software licences by the subsidiary Cotonificio Albini S.p.A..

"Concessions, licences, trademarks and similar rights increased by €1,017 thousand. €17 thousand is due to new costs to register and protect the group's trademarks and €1 million to the revaluation of the historical Thomas Mason e Dietfurt archive owned by Cotonificio Albini S.p.A. and containing old volumes of important historical collections. Supported by an appraisal issued by a third-party valuation company, such revaluation was recognised as an increase in the asset's historical cost. The relevant substitute tax on such amount was taken to the profit and loss account and the relevant non-distributable reserve recognised under net equity.

Assets under development and payments on account increased by €120 thousand, related to new software projects of the subsidiary Cotonificio Albini S.p.A. and new energy efficiency software of the subsidiary Albini Energia S.r.l.. The projects to build software for maintenance control, production planning and the laboratories of the subsidiary Cotonificio Albini S.p.A., which had begun in 2019, were completed during the year and the relevant costs allocated to "Industrial patents and intellectual property rights" and "Other" intangible fixed assets.

The €132 thousand increase in "Other" is mainly due to building applications dedicated to optimising logistics, production planning and delivery management of the subsidiary Cotonificio Albini S.p.A..

Cotonificio Albini S.p.A. amortised its intangible fixed assets at reduced rates in 2020: 50% less for the assets at the Albino and Gandino facilities and 30% for those at the Brebbia facility.
This led to lower amortisation being recognised in the profit and loss account (€201 thousand). Had full rates been applied, amortisation would have amounted to €609 thousand.

Tangible fixed assets

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

	B.II.1 Land and buildings	B.II.2 Plant and machinery	B.II.3 Industrial and commercial equipment	B.II.4 Other assets	B.II.5 Assets under construction	TOTAL
Cost 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 at 31.12.2019	**45,396**	**12,592**	**28**	**963**	**627**	**59,606**
Changes of the year						
Historical cost:						
- acquisitions	246	1,160	6	119	56	1,587
- exchange rate fluctuations	(1,418)	(1,141)	(30)	(39)	(6)	(2,634)
- reclassifications	19	405	-	26	(450)	-
- gross disinvestments	-	(1,193)	-	(34)	(21)	(1,248)
Accumulated depreciation:						
- depreciation of the year	(1,766)	(2,814)	(9)	(240)	-	(4,829)
- exchange rate fluctuations	509	949	27	38	-	1,523
- revaluation	1,200	-	-	-	-	1,200
- disinvestments	-	1,105	-	34	-	1,139
Total changes of the year	**(1,210)**	**(1,529)**	**(6)**	**(96)**	**(421)**	**(3,262)**
Cost at 31.12.2020	76,708	107,873	1,305	4,939	206	191,031
Accumulated depreciation at 31.12.2020	(32,522)	(96,810)	(1,283)	(4,072)	-	(134,687)
Balance at 31.12.2020	**44,186**	**11,063**	**22**	**867**	**206**	**56,344**

Land and buildings increased €1.2 million following the revaluation of Cotonificio Albini S.p.A.'s industrial building located in Brebbia. Supported by an appraisal issued by a third-party valuation company, such revaluation was recognised as a decrease in the asset's accumulated depreciation. The relevant substitute tax on such amount was taken to the profit and loss account and the relevant non-distributable reserve recognised under net equity.

The directors deemed it reasonable to lengthen the useful life of such building by six years; accordingly, the depreciation rates will not be increased in subsequent years.

The main increases of the year were as follows:

a) land and buildings (€246 thousand), mainly related to upgrades to the buildings in Albino and Brebbia. The main upgrade at Albino involved installing a photovoltaic system. Works were carried out on buildings at the Borg El Arab and Dietfurt facilities with a particular focus on the environment and energy savings;

b) plant and machinery (€1,160 thousand), mainly related to new plant installed at the Brebbia, Albino facility, the Egyptian facilities and in the Czech Republic.

The acquisitions include a new leased warping machine installed at the Albino facility which was included under tangible fixed assets due to its recognition using the finance method;

c) equipment (€6 thousand) acquired for the facilities in Albino and Egypt;

d) other assets (€119 thousand), mainly related to upgrading IT devices for remote working. These investments allowed employees to continue working and facilities to remain connected during the pandemic. The main increases referred to the Italian and Egyptian facilities;

e) assets under construction (€56 thousand) mainly related to plant and machinery designed for the Albino and Brebbia facilities.

The projects completed during the year were classified in the respective tangible fixed asset category, as mentioned earlier.

The main disinvestments relate to the dismantling and sale of the old Babcock bleaching machine from 1988 at the Brebbia facility. In addition, four looms were sold to the subsidiary Dietfurt S.r.o. and a winder was sold to the subsidiary I Cotoni di Albini S.p.A.. These sales generated net gains of €87 thousand. In order to optimise production capacity, these machines were moved from their respective production plants to other facilities of group companies.

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 the Filatura Prealpina S.r.l. and the Ritorcitura Rossi S.r.l. facilities.

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 article 10 of Law no. 72 of 19 March 1983 and article 2427 of the Italian Civil Code, the following table discloses the revaluations performed on those assets still in the balance sheet at 31 December 2020 carried out by Cotonificio Albini S.p.A.:

a) Historical (gross) value of revaluations at 31.12.2020:

	Land and buildings	Plant and machinery	Other assets	Total
Historical cost of the revalued assets	**13,509**	**15,565**	**46**	**29,119**
Monetary revaluations on assets recognised at year end:				
- pursuant to Law no. 576/1975	103	3	-	106
- pursuant to Law no. 72/1983	256	7	-	263
- pursuant to Law no. 413/1991	812	-	-	812
- pursuant to Law no. 342/2000	-	4,304	-	4,304
- pursuant to Law no. 448/2001	-	11	-	11
- pursuant to Law no. 266/2005	-	2,205	-	2,205
- pursuant to Law no. 2/2009	17,853	-	-	17,853
- pursuant to Law no. 126/2020	1,200	-	1,000	2,200
Economic revaluations on assets recognised at year end:				
- related to the 1987 merger	207	4	-	211
Total revaluations	**20,431**	**6,533**	**1,000**	**27,964**

b) Carrying amount of revaluations at 31.12.2020:

Monetary revaluations on assets recognised at year end:	Land and buildings	Other assets
- pursuant to Law no. 413/1991	260	-
- pursuant to Law no. 2/2009	11,416	-
- pursuant to Law no. 126/2020	1,200	1,000
Total revaluations	**11,676**	**1,000**

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

As discussed in the section on loans, there are mortgages in favour of the banks and other lenders that grant the group loans on the Albino, Brebbia and Mottola buildings of the direct subsidiaries Cotonificio Albini S.p.A. and Tessitura di Mottola S.r.l..

Cotonificio Albini S.p.A. depreciated its tangible fixed assets at reduced rates in 2020: 50% less for the assets installed at the Albino and Gandino facilities and 30% for those at the Brebbia facility. In addition, Tessitura di Mottola S.r.l. depreciated its assets at rates reduced by 80%. 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. Applying reduced rates led to lower depreciation being recognised in the profit and loss account (€1,513 thousand). Had full rates been applied, depreciation would have amounted to €3,255 thousand.

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 may be analysed as follows at year end:

	31.12.2020	31.12.2019
Raw materials, consumables and supplies	28,598	29,959
Semi-finished products	14,793	18,216
Contract work in progress	400	222
Finished goods	21,322	21,708
Total inventory	**65,113**	**70,105**

The group decreased raw materials by €1 million, net of the provision for the write-down of inventory (€730 thousand) prudently set up by the subsidiaries Cotonificio Albini S.p.A. and I Cotoni di Albini S.p.A.. The decrease in raw materials was mainly a result of the reduction of Cotonificio Albini S.p.A.'s inventory. Indeed, the group continued its actions to decrease inventory by using accurate forecasts designed to increase inventory turnover.

Finished goods are shown net of the provision for the write-down of inventory (€392 thousand) prudently set up by the subsidiary Cotonificio Albini S.p.A.. The decrease in the finished goods of the subsidiary I Cotoni di Albini S.p.A. was due to its continued actions to optimise the stocks of finished fabrics in relation to the Service Program.

The provision for the write-down of inventory remained unchanged from the previous year end.

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 2020:

	Gross amount	Provision for bad debts	Net amount
Trade receivables due within one year	31,474	(1,104)	30,370
Total	**31,474**	**(1,104)**	**30,370**

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

Changes of the year in the provision for bad debts were as follows:

	31.12.2019	Accrual	Utilisation	31.12.2020
Provision for bad debts	1,029	684	(609)	1,104
Total	**1,029**	**684**	**(609)**	**1,104**

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:

	31.12.2020	31.12.2019
Italian customers	13,369	15,922
EU customers	6,150	7,176
Non-EU customers	11,955	14,620
Total Gross Receivables	**31,474**	**37,718**

Tax receivables

Tax receivables may be analysed as follows:

	31.12.2020	31.12.2019
Net tax receivables	1,141	1,174
Tax credit for R&D costs as per Law no. 190/214	157	90
Other receivables	9	22
Total tax receivables due within one year	**1,307**	**1,286**
Tax authorities for IRAP reimbursement claim pursuant to Decree law no. 201/2011	18	614
Total tax receivables due after one year	**18**	**614**

Tax receivables include VAT receivables of €814 thousand. The payments on account made during the year are shown net of the tax payables of the Italian and foreign subsidiaries.

Deferred tax assets

Deferred tax assets total €2,814 thousand (31 December 2019: €2,041 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, as well as the tax benefit linked to the tax consolidation scheme.

The changes of 2020 were as follows:

Balance at 31.12.2019	**2,041**
Use of prior year deferred tax assets	(355)
Exchange rate differences and other changes	97
Deferred tax assets recognised in the year	716
Tax benefit on losses from the tax consolidation scheme	315
Balance at 31.12.2020	**2,814**

Receivables from others

These amount to €1,627 thousand (31 December 2019: €2,951 thousand) and consist of advances to third parties of €108 thousand, mainly for payments on account and advances made to suppliers. Receivables from INPS (the Italian social security institution) amount to €815 thousand, accrued by the subsidiary Tessitura di Mottola S.r.l. and Cotonificio Albini S.p.A. for advances paid to employees during the year under the government-sponsored lay-off scheme. The residual balance is comprised of receivables of €272 thousand for export subsidies due to the Egyptian subsidiaries, guarantee deposits of €125 thousand and other sundry receivables of €307 thousand.

CURRENT FINANCIAL ASSETS

Derivatives

This caption comprises the derivatives of Cotonificio Albini S.p.A. of €13 thousand, representing the fair value of forward currency purchase and sales commitments for US dollars and Yen expiring in 2021.

The relevant deferred tax liabilities were accrued for the portion recognised in the net equity reserve.

Liquid funds

Liquid funds total €19,209 thousand (31 December 2019: €8,572 thousand) and comprise:

	31.12.2020	31.12.2019
- Bank deposits	19,192	8,552
- Cheques, cash-in-hand and cash equivalents	17	20
Total	**19,209**	**8,572**

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 €159 thousand (31 December 2019: €186 thousand) and mainly consist of adjustments to correctly allocate costs relating to insurance, interest, machinery maintenance, rent and personnel training to 2020 on an accruals basis.

Prepayments and accrued income may be analysed as follows:

	31.12.2020	31.12.2019
- Maintenance/assistance instalments	42	64
- Interest on loans and factoring prepayments	14	10
- Personnel training costs	-	17
- Lease instalments	21	-
- Rent	-	10
- Insurance and other premiums	82	85
TOTAL PREPAYMENTS	**159**	**186**

NOTES TO THE MAIN LIABILITY CAPTIONS
NET EQUITY

Net equity changed as follows during the year:

	Share capital	Share premium reserve	Legal reserve	Reva-luation reserve	Capital injections	Extraord. reserve	Translation reserve	Hedging reserve	Retained earnings of consolidated companies	Net profit/ (loss) for the year	Net equity attributable to the group	Net equity attributable to minority interests	Consolidated net equity
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**
Adjustment to 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 loss 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**
Adjustment to derivatives at 31.12.2020	-	-	-	-	-	-	-	(41)	-	-	(41)	-	(41)
Allocation of the net loss for 2019	-	-	-	-	-	158	-	-	(983)	825	-	-	-
Dividend distribution	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase in revaluation reserve	-	-	-	2,134	-	-	-	-	-	-	2,134	-	2,134
Utilisation of revaluation reserves to cover losses	-	-	-	(3,017)	-	-	-	-	3,017	-	-	-	-
Translation differences and other changes	-	-	-	-	-	-	(1,271)	-	5	-	(1,266)	10	(1,256)
Net loss for 2020	-	-	-	-	-	-	-	-	-	(6,547)	(6,547)	(229)	(6,776)
Balance at 31.12.2020	**1,820**	**828**	**364**	**18,493**	**207**	**2,177**	**1,491**	**(239)**	**47,989**	**(6,547)**	**66,583**	**434**	**67,017**

The main net equity captions and changes therein are discussed below.

Share capital

The parent's share capital at 31 December 2020 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 at 31 December 2020 and is unchanged from 31 December 2019.

Other reserves

This caption may be analysed as follows:

	31.12.2020	31.12.2019
1. Extraordinary reserve	2,177	2,019
2. Capital injections	207	207
3. Revaluation reserve as per Law no. 342/00	-	2,537
4. Revaluation reserve as per Law no. 266/05	4,111	4,592
5. Revaluation reserve as per Law no. 02/09	12,247	12,247
6. Revaluation reserve as per Law no. 126/20	2,135	-
7. Translation reserve	1,491	2,762
Total	**22,368**	**24,364**

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, €1.68 million and €2.54 million of this reserve were used in 2009, 2017 and 2020, respectively, to cover the losses of the subsidiary Cotonificio Albini S.p.A.. The reserve amounts to nil at the reporting date;
- the revaluation reserve for plant and machinery pursuant to Law no. 266 of 23 December 2005 for €4.1 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 revaluation reserve for buildings, trademarks and archives pursuant to Law no. 126 of 13 October 2020 (€2.2 million, net of the related substitute tax of €0.65 million recognised under tax payables);

The extraordinary reserve increased by €158 thousand due to the parent's net profit for 2019.
The translation reserve decreased over the previous year end 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:

	31.12.2020	31.12.2019
1. Reserve for currency hedges	(2)	(36)
2. Reserve for interest rate hedges	(237)	(162)
Total	**(239)**	**(198)**

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

Retained earnings of consolidated companies

Retained earnings of consolidated companies increased from €45,950 at 31 December 2019 to €47,989 at the end of 2020. During the year, this reserve decreased to cover the net loss for 2019 while it increased due to the elimination of intercompany transactions including the dividends distributed to Cotonificio Albini S.p.A. from its subsidiary Dietfurt Sro.

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

	2020	2019
Net profit/(loss) for the year of Albini Group S.p.A.	**(153)**	**157**
- Elimination of net intercompany dividends	(2,000)	(300)
- Net loss for the year of the consolidated companies	(4,545)	(2,937)
- Write-downs/(write-backs) of investees	-	2,000
- Measurement of leases using the financial method	(49)	280
- Restatement of derivatives	(3)	11
- Elimination of intercompany transactions	(26)	(81)
Consolidated net loss for the year (A)	**(6,776)**	**(870)**
(A) comprises::		
Net loss for the year attributable to the group	(6,547)	(825)
Net loss for the year attributable to minority interests	(229)	(45)
	(6,776)	**(870)**
Net equity and net profit/(loss) for the year of Albini Group S.p.A.	**5,242**	**5,395**
- Carrying amount of the consolidated equity investments	(21,506)	(21,602)
- Net equity and net loss for the year of the consolidated companies	81,923	87,815
- Allocation of the gain on the Mottola land, goodwill	322	322
- Effect of recognising leases using the financial method	1,176	1,232
- Restatement of derivatives	2	3
- Elimination of intercompany transactions	(142)	(209)
Consolidated net equity (A)	**67,017**	**72,956**
(A) comprises:		
Net equity attributable to the group	66,583	72,303
Net equity attributable to minority interests	434	653
	67,017	**72,956**

PROVISIONS FOR RISKS AND CHARGES

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

	31.12.2019	Accruals	Change in deferred taxes on derivatives and IRSs	Utilisation/ Releases	31.12.2020
Pension and similar provisions	1,390	30	-	(159)	1,261
Tax provision, including deferred tax liabilities	3,954	600	(11)	(3,790)	753
Derivatives	236	325	-	(23)	538
Provision for other risks and charges	420	119	-	(86)	453
Total	**6,000**	**1,084**	**(11)**	**(4,058)**	**3,005**

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 tax provision, including deferred tax liabilities 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). The relevant group companies decided to release the revaluations of industrial buildings carried out in previous years and deduct the relevant depreciation, thus releasing the related deferred taxes. A breakdown of the provision is provided in the note to taxes.
Utilisation of the year amounts to €3,790 thousand. The reclassifications include a negative €11 thousand for the deferred taxes recognised in connection with the hedging reserve set up under net equity.

Derivatives of €538 thousand include the fair value measurement of interest rate hedges agreed for the group's loans at the year end, described in the note to "Bank loans and borrowings" (€315 thousand) and the fair value measurement of currency hedges (€223 thousand).

The provision for other risks and charges includes accruals prudentially made for payments to third parties or the tax authorities 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 31.12.2019	**6,041**
Portion vested and accrued in the profit and loss account	1,721
Payments to pension/supplementary schemes	(1,620)
Payments of the year	(249)
Tax on the revaluation of employees' leaving entitlement and other changes	(14)
Balance at 31.12.2020	**5,880**

The amount reflects the actual amount due to the employees of the Italian group companies at 31 December 2020.

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 of €671 thousand redeemable in a single tranche on 31 December 2025, issued by Cotonificio Albini S.p.A.;
- bonds of €1,033 thousand redeemable in a single tranche on 31 December 2025, issued by Cotonificio Albini S.p.A.;
- bonds of €1,575 thousand redeemable in a single tranche on 31 December 2021, issued by Cotonificio Albini S.p.A.;
- bonds of €878 thousand redeemable in a single tranche on 31 December 2021, issued by Cotonificio Albini S.p.A.;
- Unicredit Banca non-convertible bonds of €1,705 thousand (original amount of €2,500 thousand) with an amortised cost of €30 thousand redeemable in 22 quarterly instalments from 22 June 2019 to 21 September 2024 (seven instalments already paid).

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

This caption may be analysed as follows at 31 December 2020:

	31.12.2020	31.12.2019
Overdrafts	1,916	2,947
Advances on exports	17,891	16,285
Interest on loans and borrowings	47	-
Loans - Unicredit Sace, ECB and EIB	4,761	1,810
Mortgage loans - UBI Banca and SACE	10,448	7,149
Mortgage loans - Banco BPM and SACE	5,055	3,202
Mortgage loans - Intesa and SACE	6,166	3,056
Loans - Banca Popolare di Sondrio	4,766	4,405
Loan - Banca Sella	1,517	1,816
Loan - Banca Passadore	-	254
Mortgage loan - B.N.L.	1,143	1,428
Loan - Deutsche Bank and SACE	3,500	1,000
US government loan	47	-
Amortised cost	(139)	(103)
Total	**57,118**	**43,249**

Bank loans and borrowings are broken down by due date as follows:

	Due within one year	Due after 1 year	Due after 5 years	Total
Bank loans and borrowings	26,944	26,472	3,702	57,118

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. and Albini Energia S.r.l. repaid loans of €2.8 million.

New loans for a total of €16.8 million were taken out in 2020. Specifically, €13.2 million was granted to Cotonifico Albini S.p.A. (by UBI Banca, Banco BPM, Intesa San Paolo, Unicredit and Deutsche Bank), €1.5 million to I Cotoni di Albini S.p.A. (by Banco BPM), €1.1 million to Dietfurt (by Unicredit CZ) and €1 million to Albini Energia S.p.A. (by Banca Popolare di Sondrio).

As noted earlier, the terms of the interest rate swaps are consistent with the repayment schedules for the outstanding loans. The fair value of these hedging instruments at 31 December 2020 is included in the hedging reserve for €239 thousand and in derivatives under liabilities for €315 thousand.

Loans and borrowings from other financial backers

This caption totals €6,337 thousand at year end (31 December 2019: €7,213 thousand) and is comprised of lease liabilities and payables to factors for customer invoices collected in advance.

A new loan of €630 thousand was granted by the lease company during the year for the purchase of the new Karl Mayer warping machine.

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	1,053	3,203	2,081	6,337

Payments on account

This caption totals €676 thousand (31 December 2019: €752 thousand) and is comprised of advance payments made for the supply of goods.

Trade payables

Trade payables total €21,407 thousand (31 December 2019: €26,086 thousand) and decreased by €4,679 thousand over the previous year end. This significant drop is mainly due to the reduction of costs caused by both the contraction of revenues and the cost cutting policy implemented by group management.

Trade payables by geographical segment:

	31.12.2020	31.12.2019
Italian suppliers	14,712	17,134
EU suppliers	1,651	1,759
Non-EU suppliers	5,044	7,193
Total trade payables	**21,407**	**26,086**

Tax payables

This caption may be analysed as follows:

	31.12.2020	31.12.2019
Withholding taxes payable to tax authorities on:		
Income taxes net of payments on account	-	-
Substitute tax on revaluation	423	-
Employees' remuneration	695	1,045
Bond coupons	97	97
Consultants' remuneration and other sundry amounts	38	48
Total	**1,253**	**1,190**

Social security charges payable

This caption amounts to €794 thousand and relates to amounts due to social security institutions at year end for the relevant amounts withheld 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:

	31.12.2020	31.12.2019
Employees	3,211	5,106
Bondholders for coupons to be paid	324	324
Insurers	106	123
Sundry	178	74
Total	**3,815**	**5,627**

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 - shareholders	6,304	-	6,304
Bonds - banks	1,228	-	1,228
Bank loans and borrowings	26,472	3,702	30,174
Loans and borrowings from other financial backers	3,203	2,081	5,284
Total	**37,207**	**5,783**	**42,990**

ACCRUED EXPENSES AND DEFERRED INCOME

This caption amounts to €1,665 thousand (31 December 2019: €1,622 thousand) and may be analysed as follows:

	31.12.2020	31.12.2019
Deferred grants	1,263	1,211
Interest expense	236	193
Deferred tax credit on investments	14	33
Accrued personnel expenses	6	15
Accrued costs due to FATF (Financial Action Task Force)	42	48
Other	104	122
Total accrued expenses and deferred income	**1,665**	**1,622**

Deferred grants consist of the grants related to income received by Tessitura di Mottola S.r.l. to purchase assets pursuant to Law no. 181/89 and recognised in line with the depreciation charged each year. The reduced depreciation was taken into account in 2020.

NOTES TO THE MAIN PROFIT AND LOSS CAPTIONS

PRODUCTION REVENUES

Turnover from sales and services

This caption amounts to €98 million, with a decrease of €43 million (-30%) over the previous year.

Revenues are analysed by business segment below:

	2020	2019
Fabric sales	72,314	115,379
Cotton and yarn sales and yarn processing	21,201	22,128
Energy (profit on white certificate trading, sale of energy and energy saving systems)	4,500	3,445
Consultancy and services	182	259
Shirt accessories	-	-
Total	**98,197**	**141,211**

The decrease in net turnover is mostly due to fabric sales (-37%) as detailed in the directors' report.

Cotton and yarn sales were similar to the previous year, in line with the good performance of the subsidiary I Cotoni di Albini S.p.A..

Revenues from the energy sector and consultancy services showed an improvement on the previous year, especially due to the increase in sales of complex purification systems and alternative energy systems and consultancies offered by the subsidiary Albini Energia S.r.l. to third party customers. Sales of white certificates decreased, however, due to the available certificates gradually running out.

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

	2020	2019
Italy	35,921	44,575
EU countries (excluding Italy)	23,631	35,935
Non-EU countries	38,645	60,701
Total	**98,197**	**141,211**

Internal work capitalised

This caption amounts to €4 thousand and includes the cost of labour used to build plant and machinery during the year.

Other revenues and income

This caption totals €2.2 million (2019: €3.3 million), of which sundry income of €1.5 million and grants related to income of €0.7 million.

Sundry income mainly consists of the recovery of transport costs (€473 thousand), gains on the sale of assets (€174 thousand), insurance reimbursements on receivables and other compensation

(€133 thousand), the sale of marketing materials and other consumables (€62 thousand), prior year income mainly due to the recognition of tax credits for research and development activities (€255 thousand) and lease income (€59 thousand). The caption also includes other sundry income and cost adjustments related to previous years.

Grants related to income may be analysed as follows:

	2020	2019
Grant related to assets pursuant to Law no. 181/89	15	68
Export grants for the Egyptian subsidiaries	79	383
GSE grants related to energy and subsidies to high energy consumers	281	266
Fondimpresa grants for personnel training	29	58
COVID-19 support grants	322	-
Totale	**726**	**775**

In compliance with regulations on transparency on public grants introduced by article 1.125-129 of Law no. 124/2017 as subsequently integrated and amended, it is noted that the group received grants during the year totalling €195 thousand.

PRODUCTION COST

Raw materials, consumables, supplies and goods

These amount to €39.7 million, a decrease of €14.7 million on the previous year mainly referred to yarn, unbleached materials and dyeing products, with regard to the decrease in production and turnover in 2020. 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.

Services

Services dropped 25%, from €38.3 million in 2019 to €28.9 million in 2020. This caption includes outsourcing and transport costs, customs duties, fees, utilities and driving force.
There was a significant fall in outsourcing costs during the year, as well as a reduction in fees and consultancies and a general decrease in maintenance costs. In addition to the contraction in turnover which led to a natural reduction of certain service costs, the group implemented a decisive cost cutting and streamlining action for services.
Services also include the portion of costs for temporary workers (the portion related to personnel expenses is recognised under the caption of the same name), accruals to the provision for agents' leaving indemnities and directors' and statutory auditors' fees, which amount to €514 thousand and €80 thousand, respectively.

Use of third party assets

This caption amounts to €912 thousand (2019: €779 thousand) and mainly comprises hire costs for €120 thousand, lease instalments for employees and costs for civil buildings for €68 thousand, lease expense of industrial buildings and third-party warehouses for €726 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

decreased from €37 million in 2019 to €27 million in 2020, down by €10 million (27%).
As a result of the alternating order trend and in order to cut costs, the group again made use of the ordinary government-sponsored lay-off scheme in 2020 for the Albino, Gandino, Brebbia and Mottola production facilities for a total of 630,656 hours, a significant increase on the 178,591 hours of the previous year.

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

	31.12.2019	New hires	Departures	Transfers	31.12.2020	Average of the year
Managers	19	-	(1)	-	18	18
Junior managers and white collars	287	12	(14)	1	286	286
Blue collars and other employees	1,048	63	(96)	(1)	1,014	1,031
Total	**1,354**	**75**	**(111)**	**-**	**1,318**	**1,336**

Amortisation, depreciation and write-downs

As mentioned earlier in the section on fixed assets, amortisation and depreciation decreased from €8,062 thousand in 2019 to €5,237 thousand in 2020 (-€2,825 thousand), following the application of reduced rates by the subsidiaries Cotonificio Albini S.p.A. and Tessitura di Mottola S.r.l.. 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 €684 thousand accrual to the provision for bad debts for the portion necessary to adjust receivables to their estimated realisable value.

Other operating costs

This caption totals €0.9 million (2019: €1.3 million) and mainly relates to indirect taxes and duties of €488 thousand and contributions to trade associations of €176 thousand. Bad debts of €45 thousand were recognised during the year, net of the utilisation of the provision for bad debts.

FINANCIAL INCOME AND CHARGES

Other financial income

This caption includes interest income on bank accounts of €1 thousand, interest on tax credits and other interest income of €83 thousand.

Interest and other financial charges - Exchange rate gains and losses

Interest and other financial charges are comprised as follows:

	2020	2019
Interest expense and commissions on loans and advances	936	921
Bank interest expense	49	71
Interest expense on bonds to shareholders	626	626
Discounts and financial charges	250	460
Other financial charges	-	2
Total	**1,861**	**2,080**

Net exchange rate losses come to €0.4 million (2019: net exchange rate gains of €0.07 million).

ADJUSTMENTS TO FINANCIAL ASSETS

Write-backs

Write-backs of derivatives of €15 thousand refer to the gains on the currency forwards on sales and purchases in US dollars, the Japanese Yen, the pound sterling and the Czech koruna.

Write-downs

Write-downs of derivatives include €429 thousand related to the losses on the currency forwards on sales and purchases in US dollars, the Japanese Yen and the pound sterling.

INCOME TAXES

This caption may be analysed as follows:

	2020	2019
Current:		
Income taxes	(456)	(366)
Total current taxes	**(456)**	**(366)**
Income from participation in the national tax consolidation scheme	**321**	**508**
Recognition of deferred tax assets	716	240
Utilisation/release of deferred tax assets	(355)	(442)
Recognition of deferred tax liabilities	(600)	(213)
Utilisation/release of deferred tax liabilities	3,790	452
Total deferred taxes	**3,551**	**37**
Total income taxes of the year	**3,416**	**179**

As mentioned earlier, the reversal of deferred taxes accrued in previous years for €2.8 million, net of the substitute tax of €357 thousand, is due to the realignment by Cotonificio Albini S.p.A. of the tax bases of revalued items to their carrying amounts with regard to Law no. 126 of 13 October 2020. 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 loss	(10,192)			
Reversal of net profit/(loss) of foreign investees	2,192			
Net effect of consolidation adjustments	2,093			
Theoretical IRES tax base	(5,909)	(a)		
Theoretical tax charge:				
IRES (%)	**24%**	**(1,418)**		
Temporary differences:				
Gains and entertainment expenses	134			
Non-deductible amortisation/depreciation	(2,569)			
Utilisation of various non-deductible provisions, net of accruals	(113)			
Non-deductible interest expense	1,313			
Other changes	573			
Total temporary differences	(662)	(b)		
Permanent differences:				
Adjustments to equity investments and dividends	(1,900)			
Non-deductible taxes	164			
Deduction for super and hyper depreciation	(534)			
ACE (aid to economic growth) incentives and IRAP deductions of personnel expenses	(16)			
Reversal of negative tax bases	9,213			
Other changes	28			
Total permanent differences	6,954	(c)		
IRES tax base (a + b + c)	**383**			
Net IRES	**24%**		**92**	**A**
Costs not deductible for IRAP purposes - Italian subsidiaries:				
Personnel expenses net of the deductible portions	402			
Write-downs of receivables and bad debts	729			
Net financial income	105			
Costs and revenues not deductible for IRAP purposes	(1,467)			
Net utilisations of various non-deductible provisions	(25)			
Non-deductible taxes	374			
Reversal of negative tax bases	6,029			
Other changes	13			
Total IRAP adjustments	**6,160**	(d)		
IRAP (%) (a + d) PORTION AT 3.9%	251		**10**	**B**
IRAP (%) (a + d) PORTION AT 4.82%	-		-	**C**
ADJUSTMENT TO TAXES RELATIVE TO PRIOR YEARS			**36**	**D**
INCOME TAXES OF THE HONG KONG SUBSIDIARY			**12**	**E**
INCOME TAXES OF THE US SUBSIDIARY			**(51)**	**F**
SUBSTITUTE TAX ON REVALUATION			**357**	**G**
Total current taxes (A+B+C+D+E+F)			**456**	**H**
Income from participation in the national tax consolidation scheme			**(321)**	**I**
Net taxes (H+I)			**125**	

COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

This section describes the group's guarantees, commitments and contingent liabilities.
No third party assets were held at the group in 2020.

Sureties given to third parties consist of those issued to the Egyptian authorities (FATF) to guarantee the Egyptian subsidiaries' customs operations (€163 thousand), to the Varese provincial authorities for hydroelectric concessions (€39 thousand) and to others (€26 thousand).

POST-BALANCE SHEET EVENTS

As described in detail in the directors' report, there were no particular signs of a pickup in orders in early 2021. However, there are positive prospects for a revival starting from May and June in light of a strong upswing in consumption and movement of people thanks to the effective progress of vaccination programmes in the main industrialised countries, where the group's products are mostly sold. Italian group companies continued to partially use the social safety nets called "Cassa Covid" to adjust their production capacity to the demand of orders from customers.
The financial situation is under control and remains slightly better than the same time last year.
During the first quarter of 2021, the group continued its process begun in 2020 to revise its production capacity and costs, as detailed in the "Outlook" section of the directors' report to which reference should be made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, FINAL PART

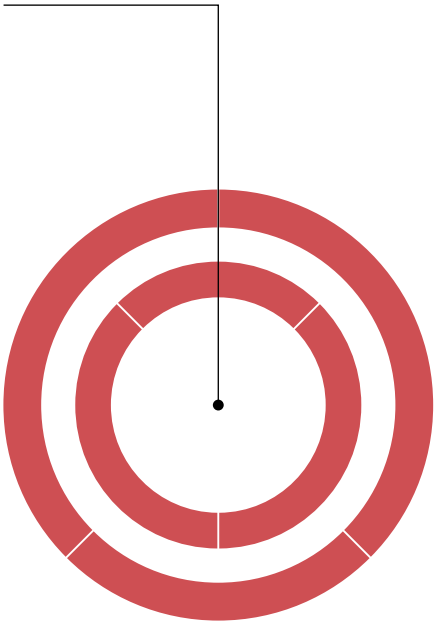
The consolidated financial statements are consistent with the accounting records of the parent and the information received from the consolidated companies in compliance with ruling legislation and they give a true and fair view of the group's financial position, results of operations and cash flows for the year.

Albino, 18 May 2021

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

STATUTORY AUDITORS' REPORT

INDIPENDENT 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 2020

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	96,848.=
B.	Production cost	104,448.=
•	Operating profit (A – B)	(7,600).=
C.	Net financial expense	(2,178).=
D.	Adjustments to financial assets	(414).=
•	Pre-tax profit (A - B + C + D + E)	(10,192).=
•	Income taxes, current and deferred	3,416.=
•	Net profit for the year before minority interests	(6,776).=
•	Minority interests	(229).=
•	Net profit for the year attributable to the Group	(6,547).=

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 2020 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 2020 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, with communication dated 21.5.2021, expressly waived the terms provided for by art. 2429 of the Italian Civil Code for the filing of this unitary report, exempting us of any dispute.

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, 16th June 2021

The Board of Auditors

(dott. Danilo Arici - President)

(dott. Lorenzo Gelmini – Regular Auditor)

(dott. Fabrizio Lecchi – Regular Auditor)

KPMG S.p.A.
Revisione e organizzazione contabile
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PEC kpmgspa@pec.kpmg.it

(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 (the "group"), which comprise the balance sheet as at 31 December 2020, 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 as at 31 December 2020 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 2020 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 2020 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 2020 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, 16 June 2021

KPMG S.p.A.

(signed on the original)

Stefano Azzolari
Director