2021

ANNUAL REPORT

Albini GROUP

WEAVING. HERITAGE. FUTURE.

ANNUAL REPORT | 2021

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THE GROUP

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THE PRESIDENT'S LETTER

The year 2021 was once more characterised by very difficult and complex issues.
We were coming from a year in which a sudden and devastating pandemic had disrupted normal life and, like an invisible war, led to the loss of countless human lives, suffered with a sense of almost helplessness.

The most noticeable effects of this period have been the changes in the way we work and perhaps consume. Thinking back on all the difficulties and sacrifices we have had to deal with, my first and most sincere thanks go to all our personnel in Italy and in our subsidiaries around the world for the effort they have made and the willingness they have shown in believing in the path of renewal and profound change that the Group has tried to build for a sustainable future.

The initial months of 2021 hinted at greater positivity in the markets and the awareness that a return to "almost normal' was possible.
Many industrial sectors have quickly regained pace and speed. Unfortunately, in our market, the effects of Covid penalised the recovery of orders until the first half of the year, only to witness an important upswing in the second half of the year. This was a period in which the Group was able to reestablish good production efficiency and profitability, which is also continuing into the first months of 2022.

However, we are experiencing another unexpected and even more tragic event in 2022: a war on the borders of Europe with the horror of its deaths and destruction, which is causing enormous difficulties in the supply of raw materials and the consequent overall increase in costs that is undermining the much hoped-for post-Covid recovery and has introduced into the world economy the spectre of an inflationary spiral to which we had not been accustomed for years.

The normal supply chains that used to be run quickly and economically quickly got jammed both due to the adverse effects of the pandemic as well as the geopolitical balances that became very problematic under the pressure of conflicting ideologies and interests on a worldwide level. The speed and certainty of supplies are making many companies reconsider whether it is worthwhile to adopt shorter, sustainable, perhaps more costly but more efficient and above all more secure chains. This is a great opportunity for Italian companies and for our Group, which has always pursued the strategy of having production processes nearby, under control and sustainable.

We are, nonetheless, living in a complex and problematic scenario and in it we must navigate, be aware of our strengths yet at the same time understand how we may react to the exogenous events that have assaulted and conditioned us.

In these two difficult years we have reacted and with many sacrifices tried, relaunching it, to build a more flexible Group capable of responding concretely and promptly to sudden and unexpected events. We must have greater awareness, the humility to discuss things with one another and to continuously challenge ourselves in order to build a model led by a management that is always able to seize upon sudden changes in time and handle them professionally. All within the framework of the profound ethical values that have always distinguished us and which the family intends as our inspiration and guide.

As a Group, we therefore are responsible for ensuring the continuity of worldwide excellence and to contribute to the satisfaction and service of our customers with products that are increasingly more appealing and sustainable. We are mindful of the challenges we must face in a profoundly evolving world, which is why, aware of our strengths, we are seeking to build new opportunities.

Best wishes

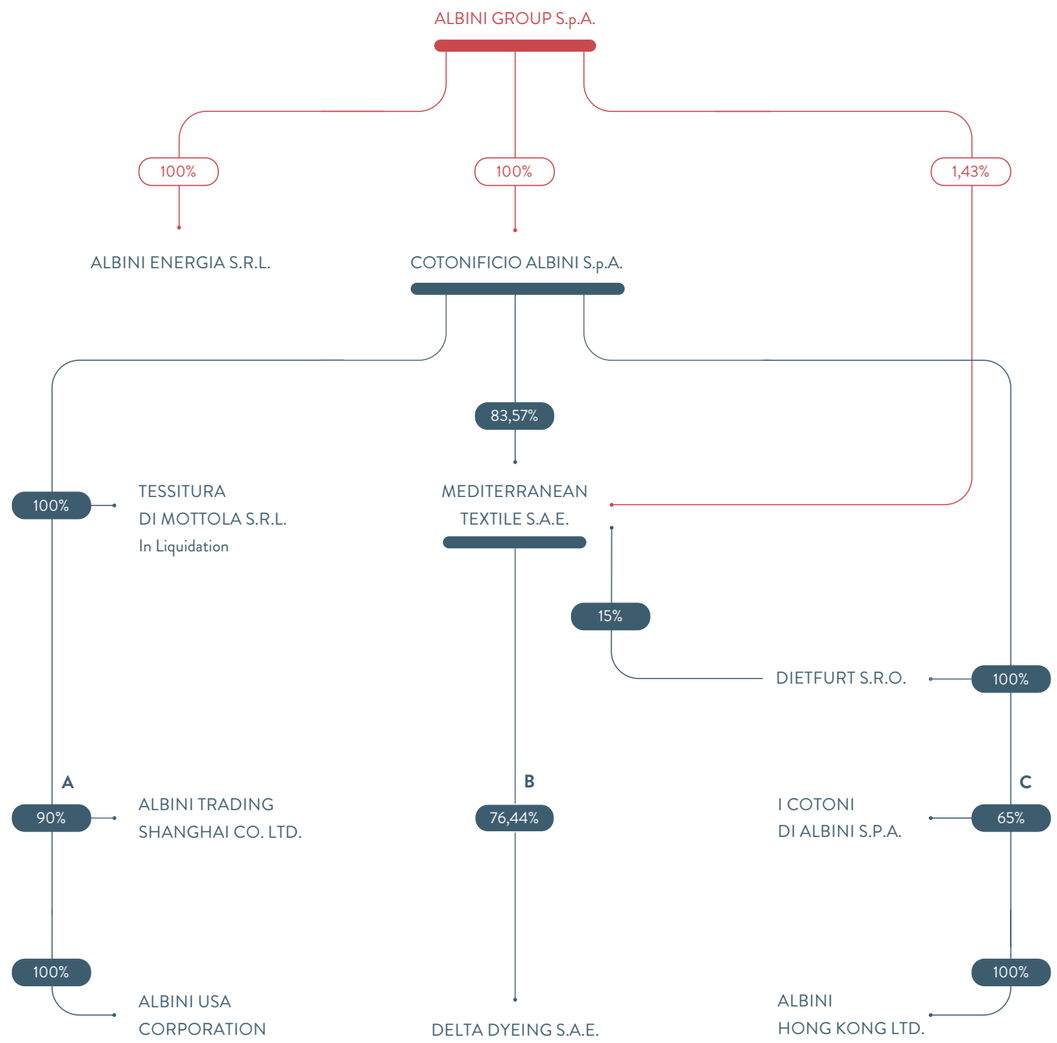
The president of Cotonificio Albini S.p.A.

(Dott. Stefano Albini)

DIRECT PRESENCE WORLDWIDE

THE GROUP STRUCTURE

AT 31.12.2021



A Essence Trading Co. Ltd. 10%
B Setcore Spinning 11,31% - Alba Albin Breitenmoser Holding AG 12,25%
C Modern Nile Cotton Co. 30% - Mr. Arioldi Daniele 5%

CORPORATE BODIES

ALBINI GROUP S.p.A.

BOARD OF DIRECTORS*

PRESIDENT	Fabio Albini
VICE PRESIDENT	Stefano Albini
DIRECTORS	Elena Guffanti Pesenti Giovanni Terzi Albini Giovanni Carlo Albini

BOARD OF STATUTORY AUDITORS

PRESIDENT	Danilo Arici
STATUTORY AUDITORS	Fabrizio Lecchi Lorenzo Gelmini
SUBSTITUTE AUDITORS	Laura Bertacchi Maria Speranza Crippa
EXTERNAL AUDITOR	KPMG S.p.A.

COTONIFICIO ALBINI S.p.A.

BOARD OF DIRECTORS**

PRESIDENT	Stefano Albini
DIRECTORS	Andrea Albini Fabio Albini Fabio Tamburini - Amministratore delegato (tramite GIUSEPPE E ANTONIO S.R.L.S.) Giovanni Carlo Albini Giovanni Terzi Albini Monica Albini Stefano Albini

BOARD OF STATUTORY AUDITORS

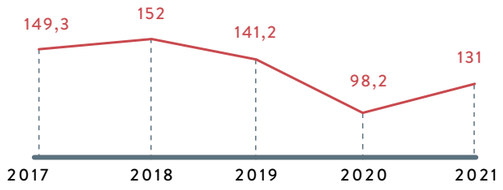
PRESIDENT	Danilo Arici
STATUTORY AUDITORS	Fabrizio Lecchi Lorenzo Gelmini
SUBSTITUTE AUDITORS	Laura Bertacchi Maria Speranza Crippa
EXTERNAL AUDITOR	KPMG S.p.A.

*Nominated on 24/07/2020 - term of office until approval of the financial statements as at 31/12/22

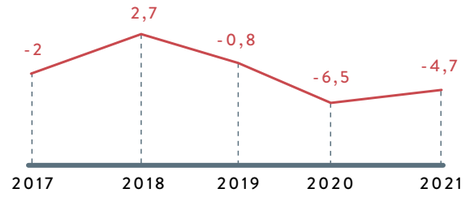
**Nominated on 05/07/2019 - term of office until approval of the financial statements as at 31/12/21

ECONOMIC AND FINANCIAL INDICATORS

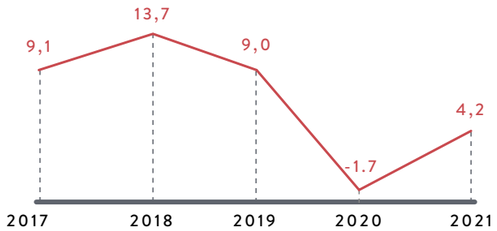
NET REVENUE
(in milions of Euro)



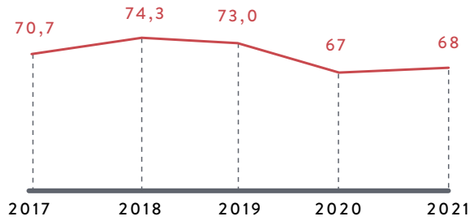
NET INCOME
(in milions of Euro)



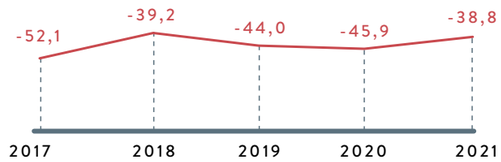
EBITDA
(in milions of Euro)



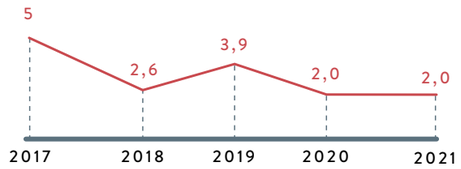
CONSOLIDATED SHAREHOLDERS' EQUITY
(in milions of Euro)



NET FINANCIAL POSITION
(in milions of Euro)



INVESTMENTS
(in milions of Euro)



Fabio Albini, Andrea Albini, Stefano Albini, Fabio Tamburini.

WE DESIGN AND MANUFACTURE OUR PRODUCTS GUARANTEEING THE STYLE, INNOVATION AND QUALITY THAT DISTINGUISH THE MADE IN ITALY BRAND.

OUR MISSION

SINCE 1876 OUR COMMITMENT AND AMBITION HAS 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

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145 YEARS OF SUCCESSES

1876

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

1890

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

1919

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

1930

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

1962

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

1984-90

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).

2000-06

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), for fabric preparation and weaving was inaugurated.

2008

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

2009-10

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.

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.

2013-14

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

2017

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

2019

Opens ALBINI_next, the think tank of Albini Group dedicated to the acceleration of ideas and the technological transfer between science and industry.

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.

2021

The reorganisation phase continues in the new post-Covid19 normal. Great emphasis placed on the progressive digitisation of customer services. The Albino plant receives ISO 14001:2015 environmental certification.

02

THE STRATEGY AND THE CONCRETE ACTIONS

THE ALBINI GROUP SUSTAINABILITY STRATEGY

The Albini Group strategy is guided by the United Nations 2030 Agenda's Sustainable Development Goals (SDGs)* and aims to reduce the Group's environmental footprint, as well as maintain conditions for a workplace environment based on the safety and well-being of employees and the communities in which it operates.
Traceability of the entire production chain and transparency of processes are the two cornerstones guiding the investments, meaning, the core of an industrial plan that also aims to contribute to 12 other Sustainable Development Goals.

The achievement of these goals will be pursued through technological innovation, monitoring of actions and the development of talented people.

TRACEABILITY

ETHICS

ELIMINATION OF HAZARDOUS CHEMICALS

PEOPLE

WASTE REDUCTION AND RECYCLING

QUALITY

ENVIRONMENTAL PERFORMANCE

INNOVATION

ORGANIC RAW MATERIALS

*These are 17 goals, conceived on a global scale, to which organisations, institutions and companies are called upon to adhere according to their activities. Albini Group works directly or indirectly to support these objectives, also promoting them in its work with partners and suppliers.

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Owing to the cornerstones on which our sustainability strategy is based, we propose to support the following Sustainable Development Goals (SDGs*).

ENVIRONMENTAL SUSTAINABILITY

Aware of the textile industry's high environmental impact, the Albini Group has been committed for over ten years to actions that control and mitigate its ecological footprint with the aim of maintaining a leading position also in the transition process towards a more sustainable fashion.

Traceability

Transparent management of information on product traceability and the conditions in which they are produced along the production chain, through the qualification of our suppliers also in terms of sustainability performance.

The Albini Group works to build traceable processes on two levels:

Vertical traceability

- Direct control over raw material suppliers carried out by ICA Yarns.
- Continuous expansion of the BIOFUSION® project, in partnership with Supima® and Oritain, to offer a 100% traceable product.
- Constant updating of GOTS and OCS certifications on yarns and fabrics:

Certification that natural fibres from organic farming are used.

Is a certification guaranteeing the organic origin of textile fibres and their traceability along the environment-friendly production chain

Horizontal traceability

- Sustainability mapping of 77% of chemicals and raw material suppliers.
- Qualification process for acceptance of the code of ethics, which involved 46.4 % of suppliers in 2021..

Quality

Production of premium-quality fabrics through the optimisation of Italian experience and the introduction of new technologies and machinery to support production processes.

Attention to quality ensures long-lasting products, that is, with a longer life cycle, thereby reducing waste production. To consolidate this objective, the Albini Group constantly invests in updating the ACCREDIA-certified Quality Control Laboratory in the production and purchasing of certified raw materials and in updating new machinery and cutting-edge technology.

Raw Materials

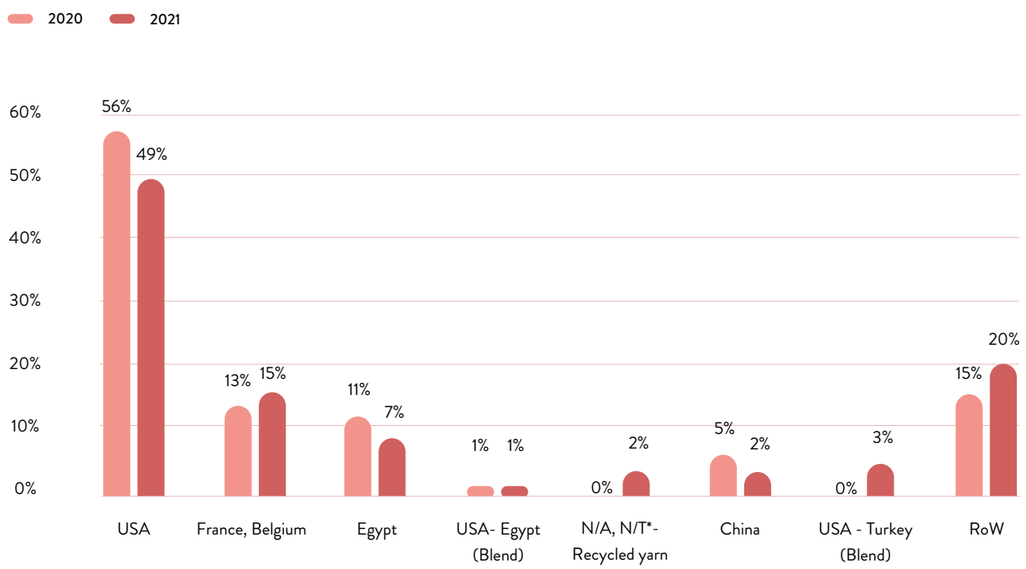
The Albini Group's yarn purchasing policies are based on an attentive assessment of the social and environmental risks associated with the fibre's country of origin.

Note: The indicators shown here regard only the Group company known as Cotonificio Albini S.p.A.

Origin of textile fibres

The following graph shows, in percentage, the geographical origin of the fibres comprising the yarns purchased in the years 2020 and 2021.

ORIGIN OF TEXTILES FIBRES



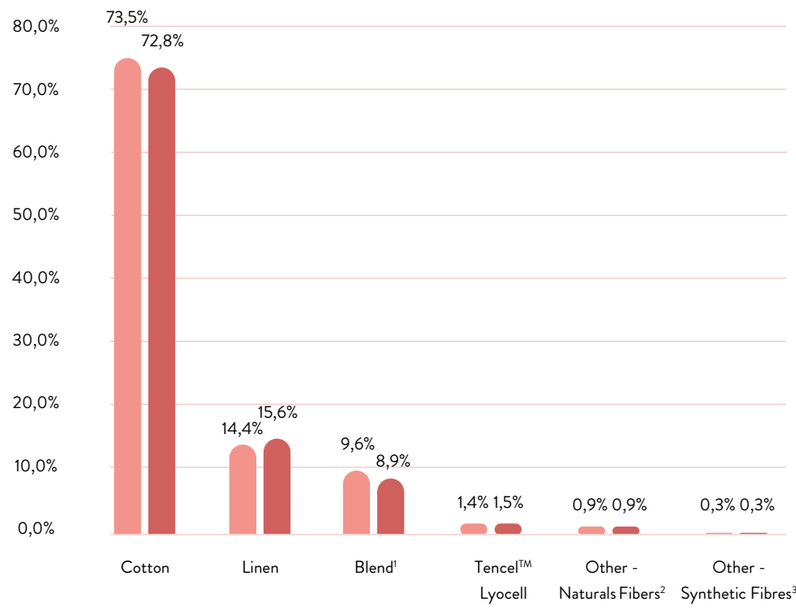
*N/A (Non-Applicable); N/T (Non-Traceable) as it is recycled yarn; RoW (Rest of the World)

More than 50% of the fibre composition of the yarns purchased by Cotonificio Albini Spa is grown in the Cotton Belt of the United States, more precisely in the states of California, Arizona, Texas and New Mexico, followed by France and Belgium (for linen fibre) and Egypt (for cotton fibre).

The most important cotton sourcing areas are characterised by the cultivation of premium-quality cotton: Supima®, Extra Long Staple (ELS) cotton and BIOFUSION® organic cotton in the United States, Giza 45 and Giza 87, both ELS, in Egypt. These areas are facing significant environmental challenges associated with the impact of extreme weather events on crops, loss of soil fertility, and management of water resources.

Aware of its social and environmental responsibility, Cotonificio Albini Spa has signed partnerships with non-profit organisations such as the Better Cotton Initiative (BCI), Textile Exchange, with the European agro-industrial organisation CELC and regenerative agriculture projects directly with local cotton farmers.
Furthermore, organic cotton purchasing increased by 252% in 2021 from the previous year. All this serves to help the production system in the areas involved in the company's sourcing be more prepared for current and future environmental and social challenges.

PURCHASING ACCORDING TO FIBRE TYPE



¹ Yarn composed of different fibre types
² Other – Natural Fibres: hemp, silk, wool, paper, cashmere
³ Other - Synthetic Fibres: polyester, nylon, modal, cupro, viscose, lurex

PURCHASING OF ORGANIC COTTON YARN (Kg)

	2019	2020	Δ 2019-2020	2021	Δ 2020-2021
Organic cotton purchased (Kg) and Δ% organic cotton/total cotton purchased	32.543	118.487	+264%	416.784	+252%
	3,4%	13,8%	+10,4%	32,3%	+18,4%

Environmental Performance*

Mitigation of environmental impact and implementation of a strategy to reduce the environmental impact of manufacturing activities, through the search for production and organisational solutions aimed at saving natural and energy resources, in accordance with the available economic resources.

To maintain and improve its environmental performances, Cotonificio Albini S.p.A has continued to implement integrated management systems and in 2021 the Albino plant received ISO 14001:2015 certification and the same was confirmed for the Brebbia plant.

Electricity and water consumption

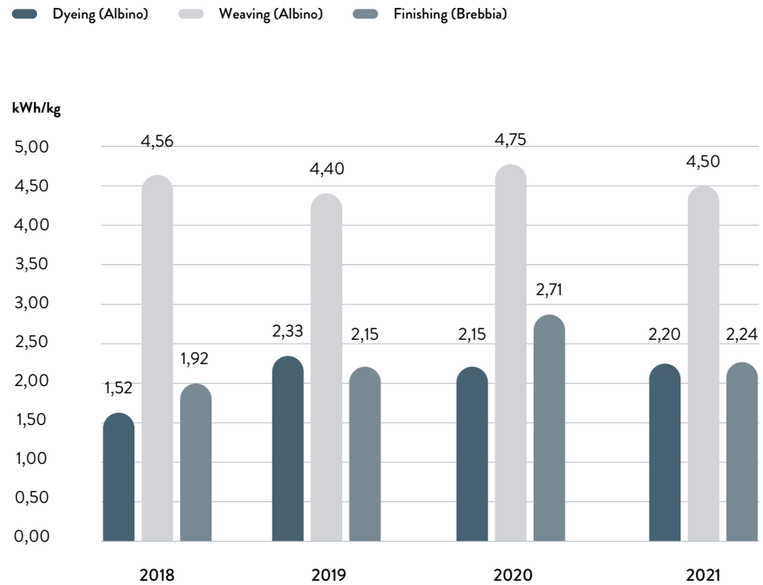
Specification: the electricity and water consumption shown below is calculated according to metres of fabric produced, following a standard conversion number (0,2): 200 grams for linear meter.

Year	Dyeing (Albino)	Weaving (Albino)		Finishing (Brebbia)	
	kg dyed yarn	kg fabrics	m fabrics	kg finished fabric	m finished fabric
2018	862.950	557.735	2.788.674	2.007.313	10.036.567
2019	359.889	379.427	1.669.383	1.695.925	8.479.624
2020	346.414	194.139	970.697	1.184.309	5.921.546
2021	450.467	286.443	1.432.217	1.424.487	7.122.435

*The indicators shown here regard only the Group company known as Cotonificio Albini S.p.A. A working group was inaugurated in 2021 to map the environmental footprint of all the plants of the Albini Group's subsidiaries.

1. Electricity consumption

SPECIFIC CONSUMPTIONS kWh/kg

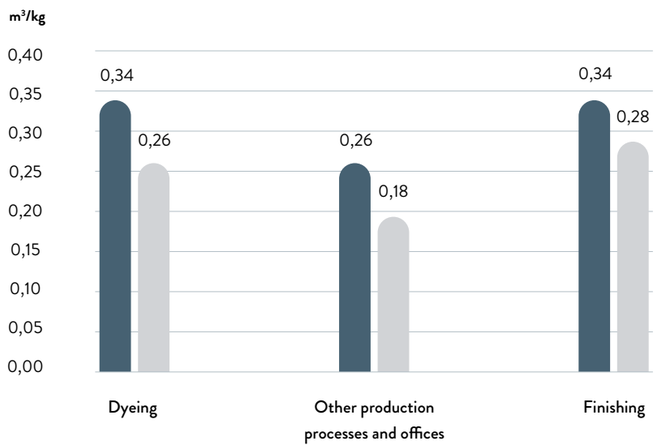


2. Water consumption

The year 2021 registered a reduction in total water consumption mainly due to a return to more efficient production, unlike 2020 when it was not possible to work at full capacity due to market instability.

	Unit of measurement	2020	2021	Δ % 2021 compared to 2020
Totale water extraction	Cubic metres	577.442	566.773	-1,85%

SPECIFIC WATER CONSUMPTION m^3/kg



-23,3%
Dyeing Albino

- 28,4%
Other production processes and offices

-19,6%
Finishing Brebbia

As shown in the graph, in the year of the pandemic, the dyeing department registered a very high water consumption in relation to the kilos produced, because the department did not have enough orders to work at full capacity.

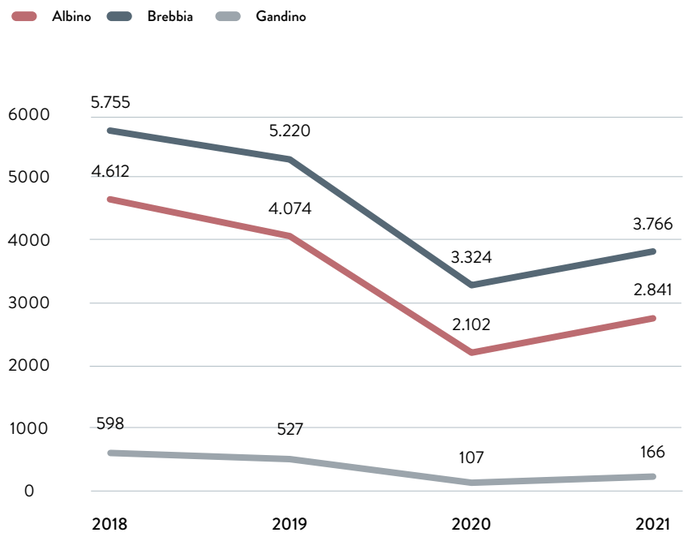
3. Atmospheric emissions

In all of Cotonificio Albini S.p.A.'s facilities, whether manufacturing or not, the electricity is bought or self-produced.

The electricity used in all of Cotonificio Albini S.p.A.'s facilities, whether manufacturing or not, is purchased or self-produced. The purchased electricity is derived 90% from renewable sources, the self-produced electricity comes from two cogeneration plants powered by natural gas. Finally, thermal energy is produced by boilers and cogeneration plants, which are in turn powered by natural gas.

The following graph shows a significant reduction in Co2 equivalent emissions for the year 2021, primarily due to good energy purchasing practices.

TON CO_2 EQ. PER PLANT



-3.921
Tons of CO_2 equivalent emitted in 2020 and 2021

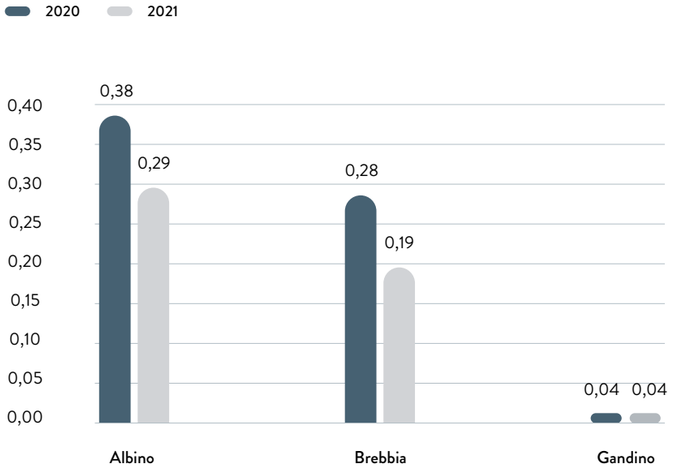
90%
Electricity purchased from renewable sources in 2021

Waste reduction and recycling*

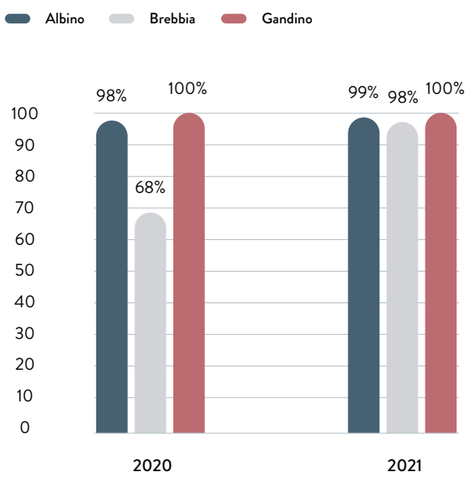
Reduction of waste produced or generated by minimising waste through recycling, reuse and repurposing practices.

The company has significantly decreased the production of waste and implemented all those operations that allow it to be recovered in various forms.

kg WASTE / kg PRODUCT

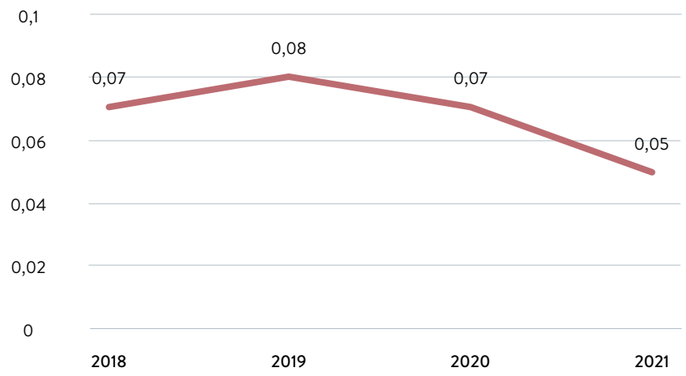


% WASTE DESIGNATION

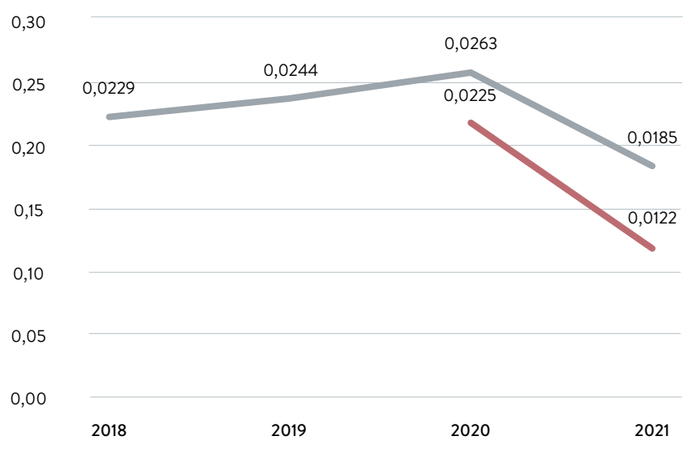


*The indicators shown here regard only the Group company known as Cotonificio Albini S.p.A.

1. PRODUCTION OF TEXTILE BY-PRODUCT (Kg)**



2. PRODUCTION OF TEXTILE WASTE (Kg)***



**This refers to selvedges and edgings. This by-product is designated to be used in producing batting, car padding and absorbent mats. Data are calculated Kg by-product/Kg product.

***Designated for R13 recovery operations, i.e. an operation in the form of storage of waste destined for recovery in the future. Data are calculated Kg waste /Kg product.

Elimination of Hazardous Chemicals**

Reducing the impact from using chemicals that are harmful to humans and the environment, according to the state of advancement of technical knowledge on the subject, along the entire production chain by adopting the MRSL of the ZDHC reference standard - Zero Discharge of Hazardous Chemicals - and the implementation of a chemicals management system with the 4Sustainability programme.

Albini Group continues the commitment it began in 2018 to be an Official Contributor to ZDHC, (Zero Discharge of Hazardous Chemicals), the NGO that aims to protect consumers' health and the environment, workers and the local regions of companies in the textile and fashion industry.

For the year 2021 the following stand out:

- 100% compliance with ZDHC requirements for wastewater discharge.
- 78% of production volumes are covered by the monitoring of the chemicals management system
- The remaining 22% of production volumes at subcontractors are managed with attentive supplier qualification for Cotonificio Albini S.p.A's chemical management requirements.

**The indicators shown here regard only the Group company known as Cotonificio Albini S.p.A.

RAW MATERIALS

PRESTIGIOUS, RARE AND SUSTAINABLE

The quality of the Albini Group fabrics begins with the 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. 2021 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 a scientifically traceable organic cotton, the result of a blend of 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.

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 in 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 2021, the demand for organic and traceable BIOFUSION® increased significantly, in line with the sector performance trends and the growing interest of brands and end consumers in sustainable and quality products.

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GIZA 45 AND GIZA 87

The two Egyptian cottons are among the best in the world.

GIZA 45 is an Extra-Long Staple cotton, with a long fibre, which is particularly resistant and fine at the same time. Cultivated in a small area in the eastern part of the Nile Delta, this cotton is harvested manually and has an annual production of about 100 bales.

Giza 87 is the brightest version of the Extra-Long Staple Egyptian cottons and it is ideal for the production of exceptionally bright and brilliant white fabrics.

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.

SEA ISLAND

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.

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 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.

ALBINI_next

THE INNOVATION HUB FOR THE TEXTILE INDUSTRY OF TOMORROW

ALBINI_next is the Albini Group think tank devoted to accelerating ideas and the technological transfer between science and industry. It imagines and creates new products and processes with a creative unconventional approach. But there's more: it collaborates with universities and start-ups to create innovations that can be implemented in an industrial business.

In 2021, ALBINI_next continued to develop ideas and projects according to an action plan in keeping with ESG (Environmental, Social, Governance) parameters, with the objective of monitoring the directions of development that will change the textile supply chain of the future and searching for creative, functional and sustainable solutions together with many academic and industrial partners, in a perspective of open innovation.

ALBINI_next's activity has therefore focused on three areas of research:

- Innovative fibres and yarns;
- Sustainable colourations;
- Green chemistry.

What's more, for each project ALBINI_next assessed the application and/or impact on two additional fundamental directions of development for the sustainable development of the textile industry:

TRANSVERSAL THEMES

CIRCULAR ECONOMY

Aimed at mapping production waste, studying the potential and feasibility of using internal and external waste and creating new circular business models compatible with upcycling.

BIOTECHNOLOGIES

Aimed at understanding the feasibility of using microorganisms of various kinds (fungi, bacteria, yeasts...) in different textile processes, from dyeing to the destruction of textile waste.

AREAS OF INNOVATION

1 INNOVATIVE FIBRES AND YARNS

Improving existing or testing new materials never before used in the textile industry.

2 SUSTAINABLE COLOURATIONS

Using plant, mineral and microorganism ingredients and formulas that combine tradition and techniques never tested before.

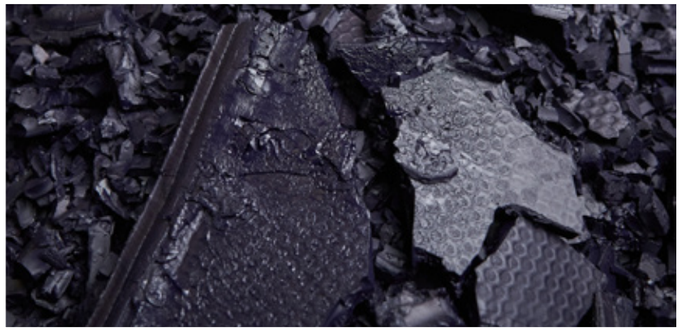
3 GREEN CHEMISTRY

Testing chemical processes and products able to reduce environmental impact and improve performances in the textile chain.

Following this approach, three important projects were industrialised in 2021, on which the team worked for two years:

HEMPFEEL

A finishing product made with a vegetable oil containing hemp oil. Silicone-free, it does not release microplastics during household laundering and gives fabrics a soft, long-lasting hand.



GROUNDED INDIGO

A dye formula consisting of natural indigo cultivated through regenerative agriculture, industrialised for yarn dyeing. Stony Creek Colors, an American manufacturer of the world's only 100% plant-based indigo certified USDA BioPreferred™, collaborated on the project.

OFF THE GRAIN

An ambitious upcycling and circular economy project in collaboration with Riso Gallo, which resulted in a new dye derived from the processing of a food industry by-product.

3 Industrialised projects

20 National and international partners

5 Projects applied in Albini Group's various collections

2021 INVESTMENTS

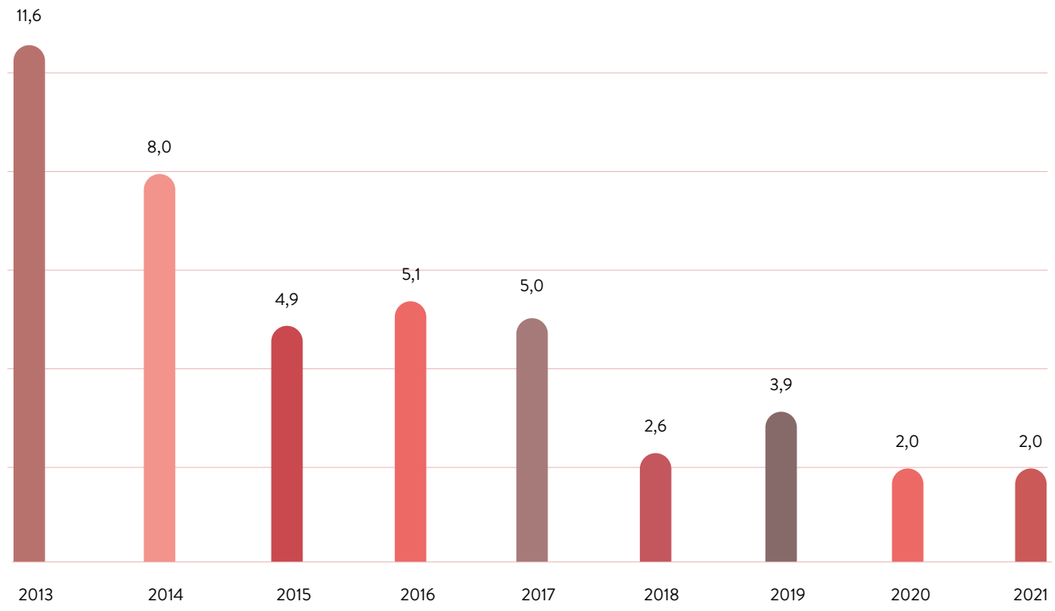
In 2021, investments amounted to 2 million euros, primarily for the renovation of plants and buildings in Albino, Brebbia, Letohrad (Czech Republic) and Borg El Arab (Egypt).

During the financial year, investments were made to upgrade company networks and increased IT security levels, introducing dual authentication for remote excess, to allow for safe use of smart working in Italian and foreign subsidiaries.
Improvement activities continued on the Group's production structures with regard to energy consumption and compliance with environmental and safety regulations.
Investments in intangible and tangible fixed assets from 2013 to 2021 can be found in the graph opposite.

In addition to investments in tangible and intangible assets, significant expenditures on research and development were registered in the profit and loss account, which, as will be discussed later, leads each year to continuous product innovation, the search for new fabrics and technological improvement in all production phases.

INVESTMENTS IN TANGIBLE AND INTANGIBLE FIXED ASSETS

(millions of Euro)



INTERNATIONALISATION

LOCAL PRESENCE, WORLDWIDE STRATEGY

Italian roots and an international calling: this is the Albini Group's key to success, which in 2021 exported 69,9% of its turnover directly to 85 countries around the world.

An internationalisation 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.

Results in 2021 consolidated the Albini Group's leadership on the European continent, which was confirmed as the target market, representing 37,8% of the total turnover; the turnover on the Italian market was significant at 30,4%.

However, the Albini Group's presence in other international markets remains stable, demonstrating the Group's solidity and reliability.

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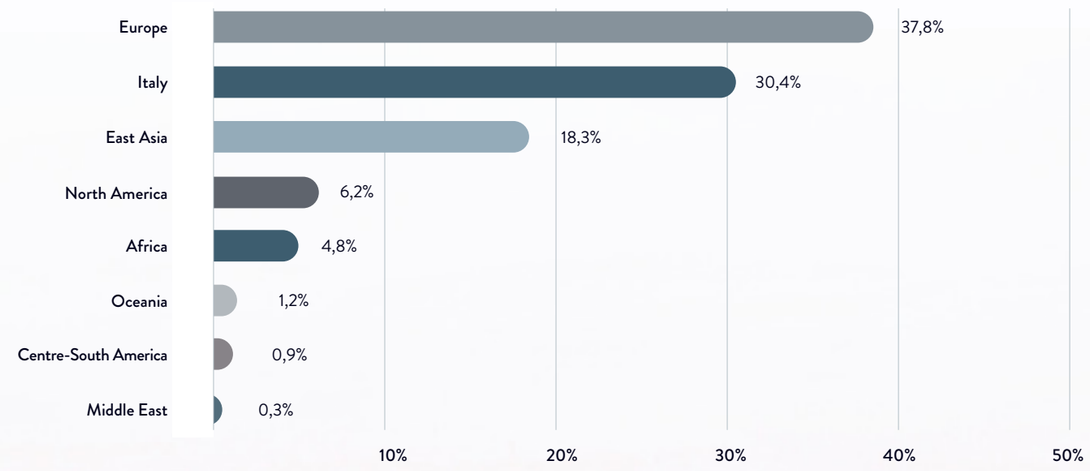
TURNOVER BY GEOGRAPHICAL AREA

% of the total



HUMAN RESOURCES

CREATING VALUE FOR PEOPLE

Continuous adoption of agile working

From the experience of teleworking, adopted in 2020 in response to the Covid-19 health crisis, the company decided to introduce smart working in 2021 with the aim of improving the company organisation by leveraging digital aptitude, individual responsibility, redefining spaces and communication management, as well as sustaining a better work-life balance.

In 2021, the pilot project was launched, which lasted six months and involved 30 co-workers.

The project was then prolonged in 2022 with an extension of the beneficiaries for each individual position.

The development of people

The company's goal for the next two years is to build a culture of evaluation as a process for nurturing the value of people and helping them to grow, in order to guide employees towards successful behaviour.

That is why a training path was initiated in 2021 whose aim is to support a performance evaluation project which will be finalised starting in 2022.

The first phase, carried out in 2021, involved the Department Heads and sparked discussion on the topic of value and evaluation management. The latter was acknowledged as important for the personal and professional development of employees and for the definition of growth paths. Training was also oriented towards providing tools for effective observation and preparing feedback interviews with employees.

Training paths and development of skills

People's professional growth is supported by skills development initiatives consistent with company needs.

TOTAL EMPLOYEES

1.249

Cotonificio Albini S.p.A.	605
Tessitura di Mottola S.r.l.	114
Albini Energia S.r.l.	10
Mediterranean Textile S.a.e.	261
Delta Dyeing S.a.e.	21
Albini Hong Kong Ltd.	9
Dietfurt S.r.o.	212
I Cotoni di Albini S.p.A.	15
Albini USA Corporation	2

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The following training courses were activated in 2021:

- Team coaching dedicated to the customer department, aimed at consolidating professional know-how and expectations with respect to the key skills necessary for managing change.
- Update path for colleagues of the Sales Dep. serving to examine the role profile as well as updating skills in managing people, customer orientation and effective communication.
- Cross-functional training for the various departments with linguistic (English) and IT updating using interactive platforms.

Supporting active learning

After a difficult year working alongside the academic world, in 2021 we relaunched collaborations with local institutes and universities by activating 17 curricular and extracurricular internships, aimed at supporting the active learning (or learning by doing) of students and optimising the value of their training paths.

2.920 Hours of skill updating courses

2.178 Hours of safety training

88 People involved in training paths and skill updating

349 People involved in safety training

17 Internships activated

30 People involved in the pilot project for Smart Working

WORKPLACE HEALTH AND SAFETY

Workplace health and safety protection is the result of attentive risk analysis, annually updated by the Group according to the specific natures of its plants. The activities of the Corporate Crisis Committee continued in 2021, which dealt with and limited the effects of the pandemic situation, ensuring compliance with the 'Corporate Safety Protocol' shared with the trade unions, and guaranteeing the best health and safety conditions.

The adopted health and safety measures can be grouped into these main categories:

- Protecting the health of employees to prevent spreading and contracting Covid-19. Measures include the free distribution of masks and personal protection gels and temperature measurement.
- Monitoring of persons outside the company, (suppliers, customers, consultants), for which special notices and provisions have been provided.
- Specific Safety Training for each department.

CORPORATE & COMPLIANCE

The following issues were dealt with in 2021:

- Corporate & Compliance Constant monitoring on Cyber Security and personal data protection, consistent with European Regulation No. 679 of 2016 (GDPR) implemented through the synergy of the Human Resources Management, the IT Department and the Data Protection Officer appointed by the Corporate Management.
- Adoption of the Whistleblowing Policy by Cotonificio Albini S.p.A. This is a system for receiving reports of unlawful conduct or violations of the Code of Ethics, the Organisational Model pursuant to Legislative Decree 231/2001 and the procedures adopted by the company. For all those who wish to make a report, a number of channels are available, including an IT platform accessible from the 'Corporate & Compliance' section of the website albinigroup.com.

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BESPOKE

A MADE-TO-MEASURE SERVICE

The year 2021 confirmed the importance of the Bespoke Business Unit, due to its commercial strength and significant strategic role in positioning the company on the world market of the most exclusive tailors and made-to-measure shirtmakers.

The Bespoke product range consists of two distinct lines: Thomas Mason Bespoke and Albini Su Misura, which maintain the identity of their specific brands in their products.

In response to the success of the seasonal collections, offered every six months, Cruise collections were also launched in 2021, once more guaranteeing delivery of the lengths of fabric within 24/48 hours of request.

630 Active customers

11% Master Ambassador customers

8 Seasonal or special books

270.000 Metres sold

The Cruise collections meets the market's ever-growing need to have a renewed product selection even between seasons: the fabrics chosen are typically seasonal, with graphics, patterns, hands and weights dedicated to creating unique shirts for the specific period of the year. This is an essential tool for the most active tailors on the market as it is used as an innovative element to simultaneously offer the 'core' proposal of Thomas Mason Bespoke and Albini Su Misura fabrics.

The entire selection is always available on the e-commerce platform, a sales channel that became successful in 2021.

Another aspect that distinguishes Albini Group's Bespoke service is the focus given to communication, an element that encompasses enormous efforts in design and implementation but with a significant return on investment. Our customers, in fact, acknowledge our fabrics' added value also because they feature tools to communicate and sell them to their own customers, thus creating an even tighter partnership from a win-win perspective.
In synergy with the Markets and Communication team, dedicated social posts, style tips, newsletters, physical promotional material in support of final sales, and shop window display material have been developed.

Finally, our Bespoke service is able to create 3D prototypes of shirts that can potentially be made with our fabrics. 3D simulation is generated by high-resolution photography of the fabric and aims to provide our customers with a digital marketing tool that enables them to reach their end customers more easily and immediately, giving them the opportunity to see a digital prototype of the shirt already made.

MARKETING & COMMUNICATION

STRENGTHENING THE OMNICHANNEL STRATEGY

It is important for a company to be able to clearly communicate its values and distinctive elements to its customers and, in general, to all its stakeholders. To achieve this goal, Albini Group continues to make targeted investments in communication and marketing activities consistent with the group's strategy.
The Covid-19 pandemic loosened its grip in 2021, allowing us to return to hold face-to-face events, but without replacing the important digital touchpoints inaugurated the previous year and reinforced in 2021. This resulted in a hybrid framework comprised of multiple virtual and physical tools whose governance and development will be the true challenge of the years to come. In 2021 we also witnessed a strong consolidation in online trade, a new consumer practice from which there will be no turning back. This is why the process of digital transformation of our organisational models, as well as the go-to-market and sales processes cannot stop and, quite the contrary, require constant planning and investment. With the objective of successfully ushering the company into the future, continuing to offer customers the quality and attentive service that have always distinguished the Albini Group.

MARKETING ACTIVITIES
COMMUNICATION, MERCHANDISING AND DIGITAL TRANSFORMATION

The return of face-to-face trade shows
This was the year trade shows resumed which, between face-to-face and digital attendance, have returned to be one of the focal points for collection presentations. In 2021 we participated in Milano Unica (July edition) and Munich Fabric Start (August edition) in total safety.

The temporary showrooms
The idea of establishing commercial coverage in the most strategic cities for our market proved successful and in 2021, the Albini Group boosted its presence by opening temporary showrooms in Milan, Paris, Barcelona and New York. This choice also marks a change of pace for customer relationships, which are meant to be increasingly more personal and customised. The Milan showroom, which arose from the need to present the collections during lockdown, proved to be an essential touchpoint for meeting customers in a more focused atmosphere as compared to trade show appointments and has therefore been confirmed for the years to come. It will be revamped in 2022 to adapt it to the renewed needs for presenting the collections and to make it a fully-fledged permanent showroom.

New Collection Timing
We have been working with the Product Department to anticipate the development timing of our collections, in response to growing customer demands to anticipate the go-to-market process of their own collections.

Reinforced collaboration with schools and universities
We have developed projects with some of the most famous fashion schools in Italy and Europe, such as the Fashion Institute of Technology (NYC), Istituto Marangoni, Naba, IED Rome and Laba with the aim of supporting young designers, spreading product awareness and, through numerous company visits, showing them the process and choices made prior to creating a fabric.
At the same time, this activity aims to consolidate the company's positioning as a 'top of mind' brand for future fashion designers or industry professionals.

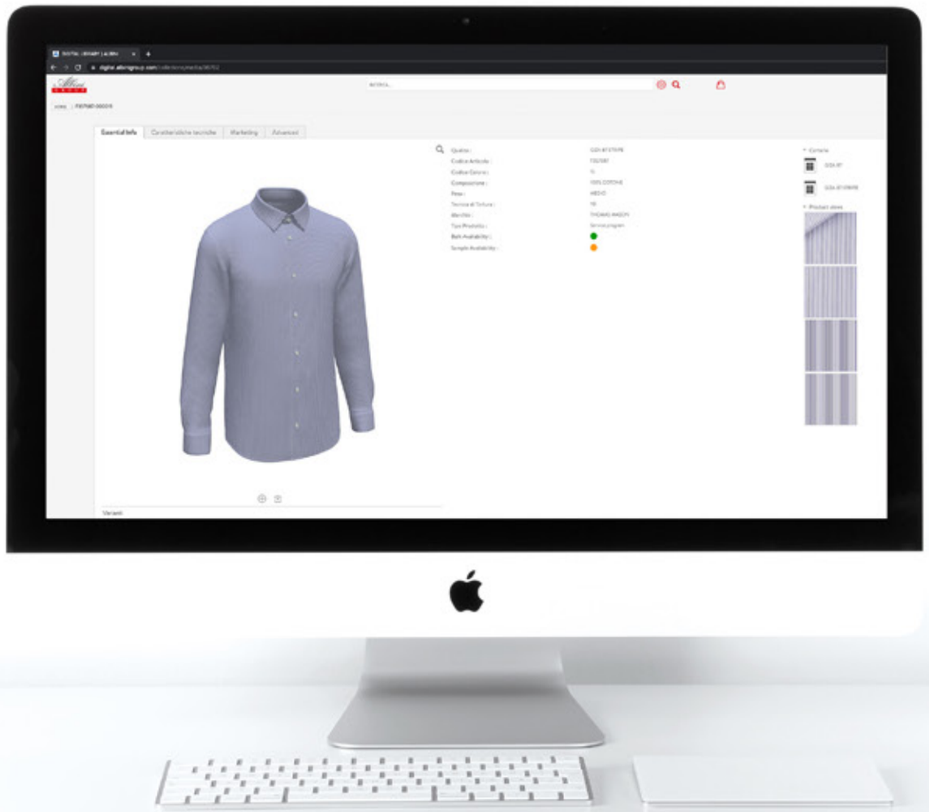
Co-branding projects
In 2021, we invested in communication and co-branding activities with strategic players with the dual objective of maintaining the positioning of the company and its brands in the textile-fashion industry and consolidating the most recent one in the specific area of sustainable production.

The #OneDressToImpress campaign with eco-influencer Marina Testino, the partnership with the White trade show with the iconic bags, participation in Circulart with Fondazione Pistoletto and, finally, the Christmas collaboration with UpWrap, are projects that share the intention of trying to rethink the world of fashion in order to limit its environmental impact.
Co-branding with Montura, a leading sportswear brand, and starchitect Kengo Kuma, to create the limited edition Sashiko Jacket, participation in the Fashion Bridges event, organised by the Italian Embassy in South Africa together with Polimoda Firenze and the National Chamber of Fashion, creating the AYRTON capsule collection with Traiano Milano for the 39th edition of the 1000 Miglia and, finally, the micro-collection designed for WM Brown in which only 13 shirtmakers in the world received 10 metres of fabric for each variant, enough to create 10 exclusive shirts: all these initiatives contributed to confirm the image of the Albini brands in a position of leadership in the textile-fashion industry.

The company promoting the local area
The Albini Group has a special relationship with the city of Albino and all of the Seriana Valley, which is why it supports the area's cultural and social initiatives. In 2021, in particular we backed the project 'Moroni 500': Albino 1521-2021', promoted by the Municipality of Albino and organised by Promoserio to celebrate the 500th anniversary of Giovan Battista Moroni's birth, and the traditional 'Albino Classica' itinerant music festival.

Digital Asset Management
Use of the DAM – Digital Asset Management – process continues, not only as a centralised archive for the organisation, management and distribution of the company's digital assets, but also as an actual virtual showroom. The automatic creation of 3D views of shirts has been implemented for the entire Service Program selection.

Sales channels expansion
The decision was made to join Tengiva, a Canadian platform conceived to simplify procurement and distribution processes for professionals for the entire textile industry. The platform allows us to sell some of the company's remnants, and our ambition is to reach new customers interested in lengths and articles that differ from our core business.



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MARKETING ACTIVITIES PROJECTED TOWARDS THE FUTURE

Strengthening data-driven marketing
In 2021, we began developing and implementing tools to support sales actions, which will be fully actualised in 2022.

- To gain access to market and trend macro-analyses, we partnered with Euromonitor, a world leader in collecting data and analysing market and industry trends.
- In collaboration with the IT department, we helped develop a new version of Board with the aim of providing a clearer and more open information flow, and making sales targets clearer to the sales department and management.

Digitisation of textiles
Creating digital twins (i.e. the digital version) of fabrics is a very ambitious challenge that we began investigating and implementing several years ago.
Together with the existing digitisation systems developed in 2020 (Vizoo for 3D rendering), we have embarked on a new path for direct digitisation of textiles with 3D CAD modelling.
This path, in time, may lead the most digitised customers to consider evaluating fabric samples starting from the development of colours accompanied by a single physical quality feeler (still indispensable in evaluating quality fabric).

Simultaneously, using the same platform, two key projects will get underway in 2022 to simplify internal work and customer access to the company's creative resources:

- The digitisation of the Thomas Mason historical archive, making each fabric available online and searchable by tag.
- The digital archiving of prints developed by the Esclusive department, making it easier to find them.

Internal communication and simplification
Developing a collaborative mindset, improving personal motivation and involvement, facilitating access to information, disseminating values by creating a sense of belonging, are now considered action-assets in their own right. For this reason, in close collaboration with the HR and IT departments, we started up an activity of mapping and defining company needs in order to create in 2022 the Albini intranet, a virtual place for finding information, facilitating daily work, getting updated and sharing experiences, perspectives and ideas.

THE BRANDS

FOR ABSOLUTE QUALITY

The Albini Group's fabric selection is split up into four brands, differing in style and product construction but linked by a shared DNA rooted in an outstanding manufacturing tradition. Albini 1876, Thomas Mason, Albiate 1830 and Albini Donna target consumers with defined tastes and diverse needs, and their collections testify to the Albini Group leadership in the textile world.

A guarantee of excellence

Owing to its broad and versatile product array and control of its supply chain, Albini Group is able to meet diverse market needs, thus positioning itself as a benchmark company for different types of customers: designers, fashion brands, retailers and tailors all over the world.

- The four brands' seasonal collections, which are the result of our teams' research and creativity, appeal to fashion designers and brands searching for new sources of inspiration and trends;
- Their innovative service programmes offer a wide range of fabrics that are always in stock and delivered promptly. What's more, this product range is updated every six months to stay abreast of market trends;
- For those seeking customisation and uniqueness, the Esclusive team can create fabrics made to order, and in close collaboration with the customer;
- Finally, the bespoke service caters to the finest tailors and shirtmakers from around the world, with a wide selection of cut fabrics and fast, reliable service.

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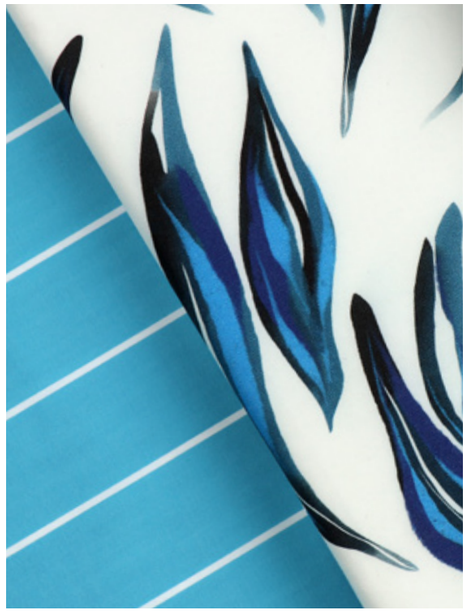
Albini 1876

Designed exclusively in Italy and manufactured with state-of-the-art technology, Albini 1876 fabrics represent Italian excellence in the world and are the gold standard for inspiring designers, fashion houses, tailors and retailers. The brand's essence lies in the search for the finest raw materials and the ability to combine classic elegance with contemporary style in an unprecedented way. Important textile know-how is intertwined with a unique creative vision, expressing a profoundly Italian taste embellished by the study of new performance levels. In 2020, the Albini 1876 collection was expanded with the introduction of 'Everywear', a line dedicated to the heaviest fabrics, ideal for producing premium quality jackets and trousers.

Albini, donna



Albini Donna reinterprets the rules of feminine elegance and stands out for its bold sophistication. A brand in which textile know-how and the use of premium raw materials are intertwined in an important search for new or renewed base fabrics and finishes, bringing a unique and highly competitive product selection to the market. With Albini Donna, tradition evolves through fabrics created for a refined and aware woman, who loves timeless garments yet enjoys being amazed by contemporary trends. A woman with a refined style and independent spirit, who expresses her own personality through the clothes she wears.

ALBIATE 1830

Albiate 1830 is distinguished by a dynamic and pioneering identity, a spearheaded journey towards new itineraries and destinations in contemporary casualwear. A creative pursuit that distinguishes it gives rise to a journey of style, revealing emergent fashion trends without ever losing sight of the exceptional manufacturing tradition that has represented the brand's beating heart for almost two centuries.
With its sporty bases, original jacquards, multi-hued denims and the decision to unite all its print proposals under one roof, Albiate 1830 appeals to a young customer base with a rebel soul.

THOMAS MASON 1796

A heritage with an eccentric yet refined touch and a purely British flair makes Thomas Mason the benchmark of men's tailoring, synonymous with stylistic revolution, exceptional quality and timeless elegance. A story of style that began in 1796 and has not stopped weaving new tales ever since: unprecedented colour combinations, bold patterns, and the finest most luxurious yarns are the hallmarks of the brand, whose fabrics are an unsurpassed symbol of iconic elegance.

03

HIGHLIGHTS

ICA YARNS

FINE SUSTAINABLE YARNS

In 2021, ICA Yarns (I cotoni di Albini S.p.A.) registered a strong upswing in its business compared to the previous year, achieving a turnover of 52.5 million euros and confirming the maturation of its market leadership.

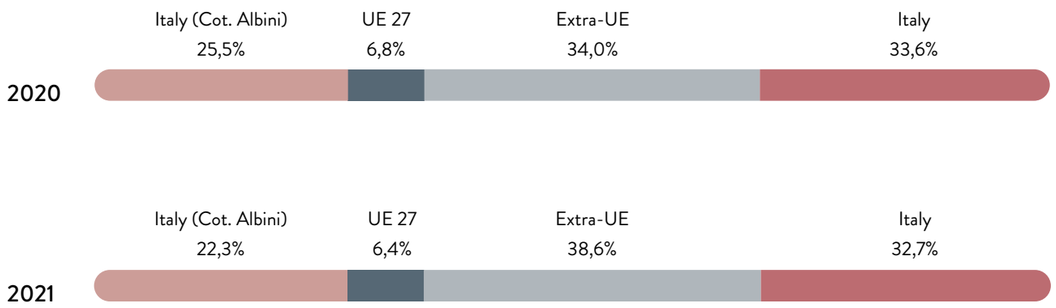
The performance was boosted by the excellent trend of knitted fabrics, a type of clothing particularly appreciated by consumers during the pandemic as well, with a recovery that began as early as the final months of 2020 compared to the orthogonal fabrics field which only reawakened starting from the latter half of 2021.
In terms of sales, the share of extra-EU exports witnessed an increase from 34% to 39% compared to 2020. Sales at the parent company Cotonificio Albini decreased by three percentage points, while sales in Italy and the European Community remained stable.

+94%
In turnover compared to 2020

35%
In BIOFUSION® cotton sales

39%
Extra-EU export

TURNOVER BY GEOGRAPHICAL AREA



In this context, ICA Yarns managed to successfully capitalise on its strategy of competitive positioning based on innovation and quality, which began a few years ago with the creation of important partnerships with the top producers of both traditional and organic cotton.
This crucial strategic factor has given the company an established reliability, reinforced by the successful practice of traceability of the origins of its yarns, anticipating the market in giving concrete expression to key consumer values such as the transparency and truthfulness of the sustainability characteristics of the raw material used.

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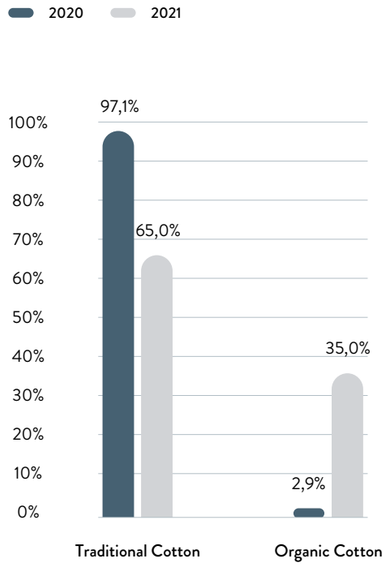
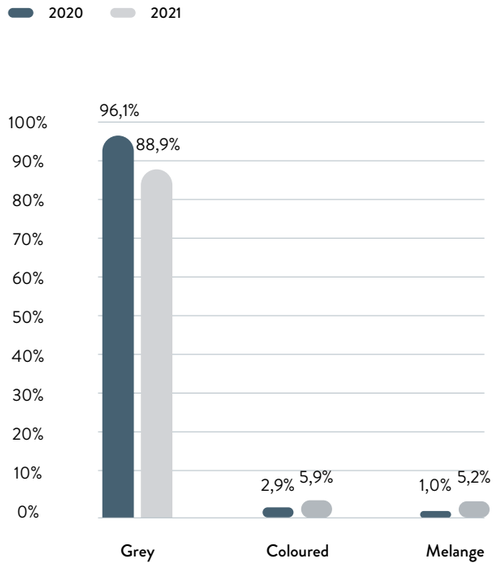
In 2021, the company continued to diversify its yarn selection, increasing the number of dyed and mélange yarns, and developing high-end 'blended' yarns with organic cotton and fine fibres such as silk and cashmere.
The most important trend focused on the demand for yarns produced with organic cotton, on which the company is carrying out important controls to reduce the presence of pesticides and to have an even higher standard than that which is imposed by international certifications.

In fact, BIOFUSION® cotton sales increased from 3% in 2020 to 35% in 2021, a share which, as seen in the diagram, replaced conventional cotton:

TRADITIONAL/ORGANIC COTTON YARNS



GREY/COLOURED/MELANGE YARNS BLEND



Owing to the partnership with the Group's innovation hub, ALBINI_next, ICA Yarns was able to investigate and develop circular economy projects such as the recycling of waste yarns and fabrics, study the use of new fibres such as recycled Coolmax or viscose derived from cotton waste, and the development of yarns from sustainable natural fibres.

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ALBINI ENERGIA

BUILDING A SUSTAINABLE FUTURE

Albini Energia further expanded its range of services and products in 2021.

Energy and environmental consulting services
Albini Energia creates and manages efficiency interventions aimed at reducing energy consumption. In particular, numerous audits were carried out in 2021 on customer premises, in order to identify possible interventions to improve production lines, especially in situations subject to the need of reducing volumes. The ability to analyse industrial firms in terms of energy efficiency and the consequent implementation of improvement projects were the focus of attention of the American team of AII (Apparel Impact Institute), which decided to start up a collaboration with Albini Energia as part of the 'Clean by Design' project aimed at 'improving sustainability in the textile industry'.

Engineering Services
During 2021, Albini Energia supported its customers in the study of industrial plants to be implemented using "turnkey" solutions. On these interventions, which follow up on the energy audits mentioned above, Albini Energia offers complete service, starting from detailed project design, and finally including the supply and installation of fully automated plants. The proposals offered by Albini Energia maximise energy efficiency, reducing consumption and recurring costs through 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 2021 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. In 2021, heat recovery plant design and sales were accompanied by increasingly larger photovoltaic plant supply designs.
In a phase of 'energy transition' accelerated by the rising costs of the main providers (methane gas and electricity), Albini Energia has been able to present itself as an important supplier of photovoltaic systems, acquiring orders to the extent that it estimates it will install around 4-5 MWp in 2022.
It also designed and supplied distribution systems for the main heat transfer fluids (diathermic oil, steam, water, condensation etc.).

04

CONSOLIDATED FINANCIAL STATEMENT

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DIRECTOR'S REPORT

ALBINI GROUP S.P.A.

Registered office: Via Dr. Silvio Albini 1, Albino (BG)
Share capital: €2,232,035.52, of which €208,000.00 reserved for the conversion of the subsidiary Cotonificio Albini S.p.A.'s convertible bonds,
actual share capital: €2,024,035.52 fully paid-up - Bergamo company registration no. and tax code 01736210160

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Dear shareholders,

The group's net turnover came to €131 million in 2021, a 33.6% increase on the €98 million of 2020.
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.

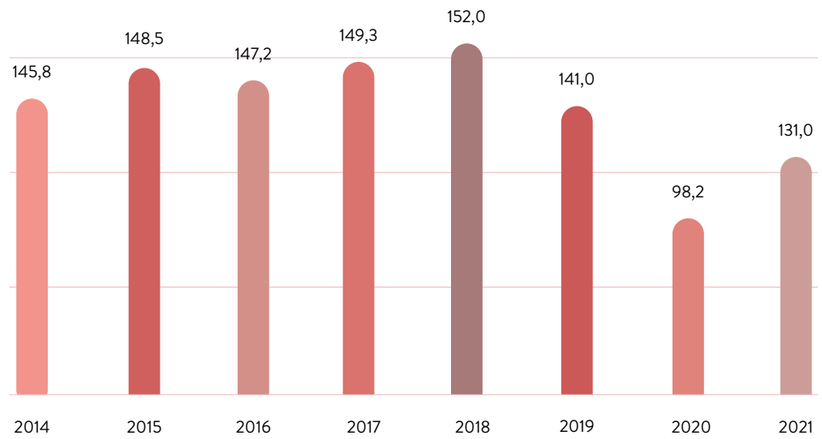
The group's three sectors recorded differing trends in 2021:

- Making up roughly 65% of the group's total revenues via Cotonificio Albini, the fabrics market continued to be blighted by adverse effects in the first half of the year; this trend was then swiftly overturned by a steady rise in orders which led to a jump in turnover (+27%) and profits for the last quarter of the year;
- In the yarn market, mainly the knitwear sector, the subsidiary I Cotoni di Albini (31% of consolidated revenues) recorded a surge in revenues, doubling its 2020 turnover with satisfactory profits;
- The energy sector of the subsidiary Albini Energia (4% of consolidated revenues) maintained revenues on par with 2020 but with lower profitability, mainly as a result of delays and postponements of certain key projects to 2022.

The following graphs show trends in the group's turnover and the turnover of each of the group's three businesses as a percentage of the total:

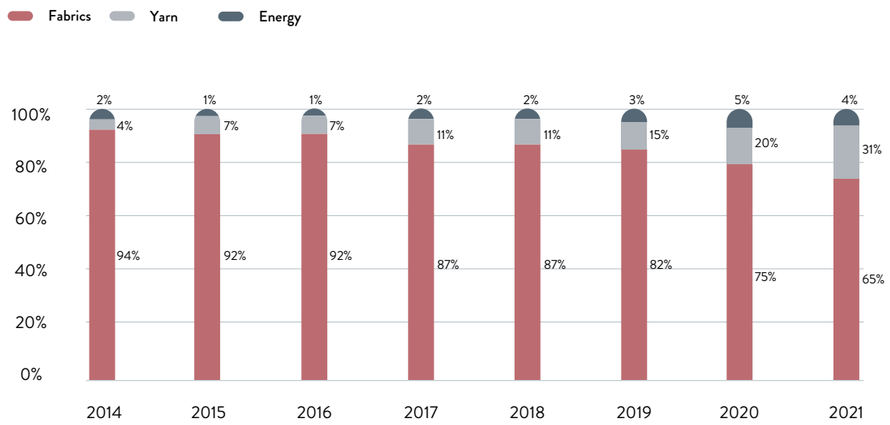
TURNOVER FROM SALES AND SERVICES

(€ millions)



ANNUAL REPORT | 2021

TURNOVER BY BUSINESS



As shown in the graph, sales of yarn have made a greater contribution to the total over the years, becoming ever more important and, as described later on, strategic for the group's fabrics business.

The group recorded a net loss for the year of €4.7 million, compared to €6.5 million in 2020. Gross operating profit (EBITDA) after provisions for risks and charges was back to a positive €4.2 million after a loss of €1.7 million in 2020 (+€5.9 million). Amortisation and depreciation of the year totalled €6.1 million, up from €5.2 million in 2020 when Cotonificio Albini S.p.A. and Tessitura di Mottola S.r.l. in liquidation applied reduced amortisation and depreciation rates.
Some of parent's shareholders subscribed a capital increase against payment (€5 million) at the end of 2021, with a simultaneous capital increase of the same amount made by the investee Cotonificio Albini S.p.A.. Reference should be made to the relevant section of this directors' report and the notes to the consolidated financial statements for a more detailed description of these transactions, together with the deferral and reduction of interest rates on the bonds issued, as well as the capital increase against payment (€2 million) resolved by the investee I Cotoni di Albini S.p.A. in July 2021 and concluded in the first quarter of 2022, subscribed also by the minority shareholders and a third new shareholder.

Net financial indebtedness at 31 December 2021 amounted to €38.7 million, an improvement of €7.3 million on the previous year end (€46 million).

OPERATIONS AND DEVELOPMENTS

2021 was a positive year overall for the Italian economy. The GDP grew 6.6%, compared to its 9% drop in 2020. According to Sistema Moda Italy (the Italian textile and fashion industry federation) research centre estimates, the group's sector, Italian men's fashion, recorded a rise in turnover of 11.9%, though still 9.9% behind 2019 levels[1]. The fabrics segment increased by +9.6%[2] .

(1) SMI research centre data: Italian men's fashion 2021-2022.

(2) Confindustria Moda (the Italian fashion industry association) estimate.

The tangible and beneficial effects of the worldwide vaccination campaigns, along with the easing of travel restrictions which helped alleviate the psychological pressure on individuals, injected positivity into the market, allowing all industrial sectors to climb out of the dramatic and traumatic mire provoked by the Covid-19 pandemic beginning from March 2020.

Orders picked up in the fabrics business in a similar fashion, albeit at a slower and more staggered pace. Low confidence was still rife among the group's main customers in the first half of 2021, with volumes of orders remaining low. However, the trend was reversed starting in June 2021 with retail opening up again and restrictions lifted, thus beginning a new phase of launching important new commercial projects with a pressing demand for products, requiring great effort from all of the group's operating units.

Already in motion in other sectors since earlier in the year, this surge in demand generated tensions and bottlenecks in logistics all over the world, increasing costs of raw materials and semi-finished products and causing delays in supplies that fell behind usual procurement cycles.

The price of the American long fibre cotton Pima climbed from USD1.34 per pound at year end 2020 to USD3.45 per pound at the end of 2021. The Cotlook A index price, which records the price of short fibre cotton, shot up almost 100% yoy.

Electrical energy and natural gas prices also recorded unthinkable leaps, especially in the third and fourth quarters, with peaks of +500% on the previous year. This had a considerable impact on prices in all industrial sectors, thus instigating a worrying inflationary spiral.

With regard to the handling of the pandemic fallout, all of the group companies remained operational while keeping the health and safety of their employees front and centre, by following the instructions issued by the Italian government and the World Health Organization. The vaccinations certainly had a positive and reassuring impact, though to differing extents in individual countries as a result of the varying policies and timelines followed. Unlike in 2020, all of the production units of the group companies (with the exception of Tessitura di Mottola S.r.l. in liquidation) were up and running, though still making some resort to social safety nets. Employees continued to be encouraged to work from home to allow social distancing in the workplace. Working remotely has turned out to be an efficient measure in most cases and almost certainly will remain in place going forward depending on the needs of the individual employees combined with those of each office.
Considering this positive market situation in the second half of 2021, though with repercussions leading to unexpected price hikes, as mentioned earlier, Cotonificio Albini recovered from its very negative performance in the first half of the year, even down on the same period of 2020, in terms of both turnover and profitability. By leveraging its market leadership, it swiftly inverted the trend with a determined and significant recovery which enabled it to saturate its production capacity from June onwards. Then, in the third quarter, it brought its turnover and profitability back to pre-pandemic levels.

The reorganisation and relaunch actions implemented in 2021 were basically in line with those already planned and rolled out in late 2019 and then accelerated with the outbreak of the pandemic in March 2020.

Though its turnover increased 27%, Cotonificio Albini S.p.A.'s non-production overheads only rose 4.8%. Furthermore, during the second half of 2021, the company had less need of social safety nets with greater numbers of orders coming in, thus increasing total personnel expenses by 7.3%.

With regard to procuring raw materials, the supply chain is managed via I Cotoni di Albini S.p.A. whose consolidated and productive relations with suppliers mitigated the effects of the global price surges. The procurement of raw materials was intentionally stepped up at year end, thus raising inventories above budgeted amounts. This strategy was motivated by the strong upswing achieved, in light of the price increases and the company's ambition to maintain its hold on the market of precious types of yarn, especially for more sustainable products which the company is honing in on to satisfy a growing demand.

Given this inflationary situation, the company began gradually aligning its product prices, starting with the Autumn/Winter 2022/2023 collection presented in July 2021 and then continuing with the Spring/Summer 2023 collection presented in February 2022.

With regard to the yarn business, the subsidiary I Cotoni di Albini S.p.A. almost doubled its turnover, strongly outperforming its competitors. Indeed, according to Confindustria Moda research centre data and estimates, the Italian yarn industry - taken to encompass wool, cotton and linen yarn production - grew its turnover by 21.4% in 2021, recovering from the exceptional difficulties faced in 2020, though still 11.6% below 2019 levels[3].

This recovery was facilitated by the excellent performance of knitwear which was particularly popular among end customers even during the pandemic, with sales rising already in late 2020.

Aided by this favourable situation, the subsidiary successfully capitalised on its competitive positioning strategy centred on innovation and quality which it launched a few years ago by establishing key partnerships with top traditional and organic cotton producers. This crucial strategy has entrenched the subsidiary's reputation for reliability, boosted by its winning practice of providing traceability of its yarns, pre-empting the market in prioritising key values for consumers such as transparency and authenticity of the sustainable properties of the raw materials used.

Indeed, sales of Biofusion © organic cotton leaped from 3% in 2020 to 35% in 2021, making a huge contribution to the rise in turnover.

39% of exports went outside the EU, up from 34% in 2020. Sales to the parent Cotonificio Albini dropped three percentage points, while those within Italy and the EU remained unchanged.

The considerable upturn in turnover achieved in 2021 was partly achieved thanks to key partnerships with both Italian and international customers, linked to interesting medium-term supply plans. One success factor was adopting what turned out to be a winning strategy of creating different yarn production hubs in various parts of the world in order to satisfy the demands of clothing manufacturer customers in a rapid, safe and efficient manner. This secured a crucial competitive advantage for the subsidiary in a time of issues and uncertainties in meeting supply times stemming from the effects of the Covid-19 pandemic on the transport of goods.

(3) The Italian yarn industry 2021-2022 – Confindustria Moda research centre.

With regard to product development, the subsidiary continued the process begun in 2019 to integrate dyed yarns, especially melange yarns, into its product portfolio with raw yarns. Dyed yarns as a percentage of the total increased considerably and will continue with the expected boost to production capacity thanks to the acquisition of the Hungarian facilities which will be finalised in 2022.

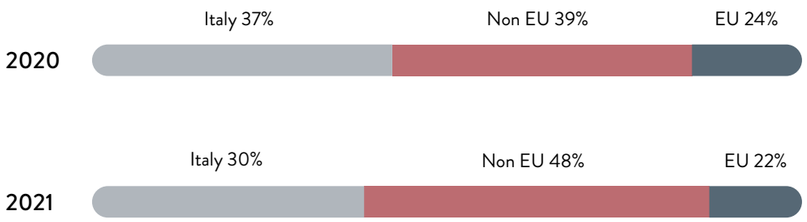
The subsidiaries whose main or exclusive business is performing weaving and dyeing processes for the group suffered due to order shortages, especially in the first half of 2021. Though they improved their performance in the second part of the year, they continued to record losses.
The Italian subsidiary Tessitura di Mottola S.r.l. in liquidation, on the other hand, was forced to shut its facilities in April 2020 due to the lack of orders. It then definitively discontinued its operations in July 2021 and began the liquidation process.
Talks to reindustrialise the facility by selling it to third parties continued during the year. There are excellent possibilities that the liquidation process will be completed in 2022 without debts by continuing to use the site and, above all, by outplacing all the workers.

Finally, the subsidiary Albini Energia S.r.l. recorded turnover of €4.4 million in 2021, in line with the previous year (€4.8 million). The subsidiary's business is mostly focused on developing the sale of turnkey systems, including complex ones (new thermal power stations, cooling and conditioning systems, cogeneration systems, purification systems, photovoltaic systems, etc.). The subsidiary also installs systems and places them into operation and assists customers to obtain the mandatory authorisations. The subsidiary's support was extremely valuable to all Italian and foreign group companies in developing projects aimed at boosting energy efficiency, while its assistance to Cotonificio Albini in negotiating gas and electricity supply contracts helped it avoid sudden and financially devastating rises in energy costs. In 2022, Albini Energia will also develop key projects to invest in renewable energy sources at Cotonificio Albini S.p.A.'s sites in order to further mitigate the financial fallout of rising energy prices.

The group's sales continued to be heavily skewed towards the international market, increasing to 70% from 63% in 2020.

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

TURNOVER BY GEOGRAPHICAL SEGMENT



With regard to the fabrics, in terms of style and products, the gradual return to a fuller social life and the eagerness to get back to normal revived sales of clothing in both performance fabrics and more formal or classic fabrics. In all segments, the demand for traceable and sustainable products grew again, bringing them to over 25% of total sales. A sturdy recovery was also seen in sales of "bespoke" products which make up 5% of total sales. Investments are being made in this line of products, especially on the US market where the greatest growth potential is forecast.

The group has worked hard on developing and constantly innovating sustainable products, focusing on innovative projects regarding the use of organic raw materials, followed directly by the group right from the time of sowing the seeds in the ground, as well as the crucial aspect of supply chain transparency and guaranteed traceability. The group's fabric made with organic cotton Biofusion®, which is traced and guaranteed by its exclusive partner, the independent verification company Oritain UK Ltd, continues to gain favour on the market, especially with top-end customers along with premium customers now.

As regards sustainability, it is key to have a close direct relationship with the cotton growers and independent certification bodies in order to ensure quality, which is objectively certified, and, above all, to underline the superior and unique nature of organic cotton grown with no pesticides and using seeds that have not been genetically modified.

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 the group's 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. Four projects were developed in 2020/2021 and presented at the Milano Unica trade show in the area of sustainable dyes derived from natural substances and using circular economy processes.

There was a positive trend in trade receivables after a difficult time in 2020 when credit insurance was quickly reduced or even eliminated. They returned to adequate levels in 2021 and even outperformed pre-Covid times in some cases.

INVESTMENTS

Investments made in 2021 came to €2 million and mainly related to the restructuring of plant and buildings at the Albino, Brebbia, Letohrad (Czech Republic) and Borg El Arab (Egypt) facilities.

Investments were also made to upgrade company networks and reinforce cyber security, introducing two factor authentication for remote access, in order to enable employees to work securely 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 2013 to 2021:

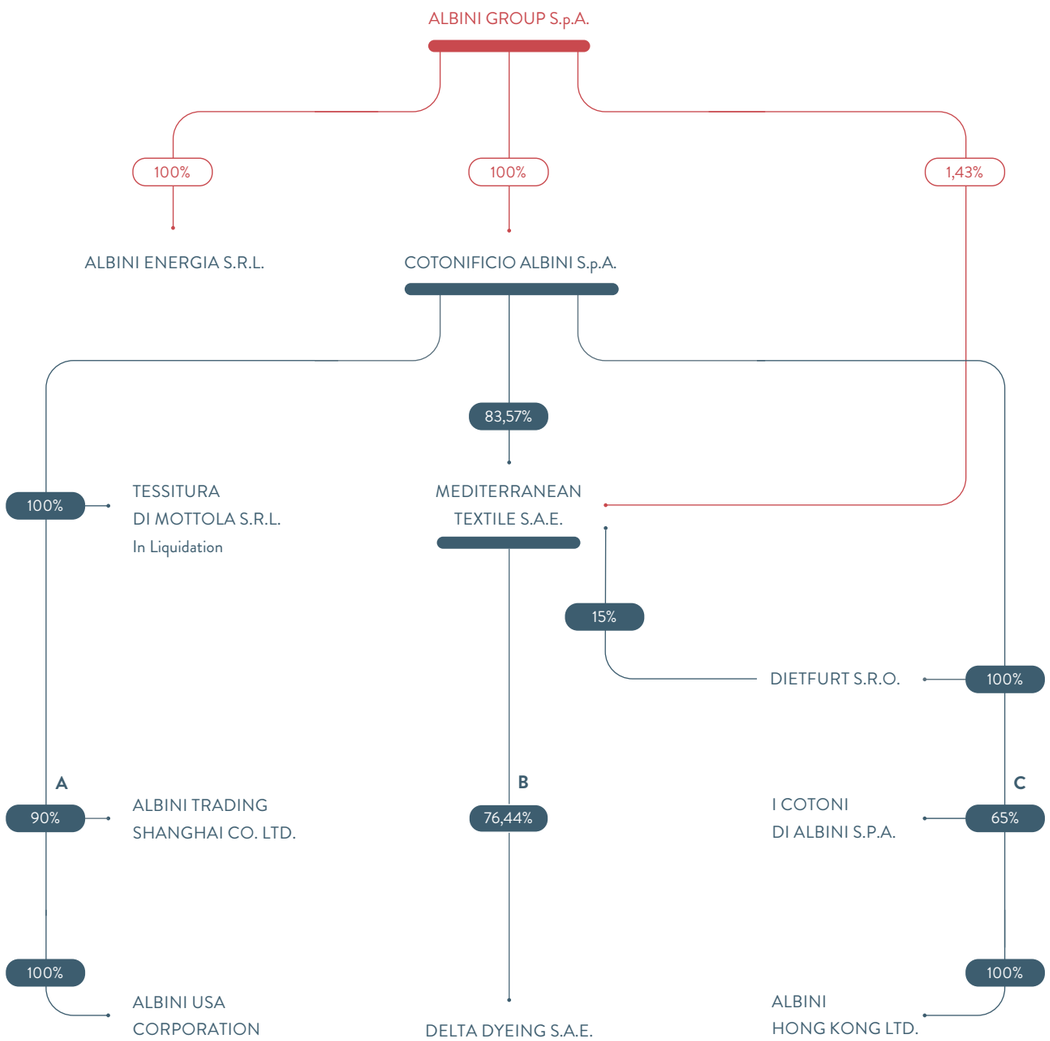
INVESTMENTS IN TANGIBLE AND INTANGIBLE FIXED ASSETS

(milions of Euro)

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 31.12.2021



A Essence Trading Co. Ltd. 10%
B Setcore Spinning 11,31% - Alba Albin Breitenmoser Holding AG 12,25%
C Modern Nile Cotton Co. 30% - Mr. Arioldi Daniele 5%

Cotonificio Albini S.p.A.
This direct subsidiary and industrial and operating sub-holding recognised revenues from sales and services of €99 million, up 27% on 2020 (€78 million). It ended the year with a net loss of €4.4 million, compared to a net loss for 2020 of €2 million, after amortisation and depreciation of €3.3 million, compared to €2 million in 2020.
The subsidiary accrued a tax benefit on losses of €900 thousand and did not recognise deferred taxes. In 2020, it had reversed deferred taxes accrued in previous years for €2.8 million, net of the substitute tax of €357 thousand, due to the alignment 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 2021 totalled €0.9 million.

Tessitura di Mottola S.r.l. in liquidation
Given the enduring crisis that is considered irreversible despite the numerous relaunch attempts, this subsidiary, which is wholly-owned through Cotonificio Albini S.p.A., discontinued its operations and resolved to enter into liquidation starting from 7 July 2021.
It recognised a net profit for the year of €344 thousand, compared to a net loss for 2020 of €563 thousand, after amortisation and depreciation of €159 thousand up to the liquidation date (2020: €65 thousand) and current income taxes of €266.

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 €271 thousand (2020: €780 thousand), after amortisation and depreciation of €440 thousand (2020: €652 thousand).
Turnover from processing totalled €4.5 million in 2021, up from €3.9 million in 2020, and relates to processing carried out for its parent, Cotonificio Albini S.p.A.. The company invested €128 thousand in 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 €627 thousand, compared to €556 thousand in 2020. It recognised amortisation and depreciation of €591 thousand (2020: €729 thousand), while turnover returned to 2019 levels, amounting to €12.7 million compared to €8.2 million in 2019, exclusively for fabric sales to its parent, Cotonificio Albini S.p.A.. The company invested €208 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 €390 thousand, compared to €633 thousand in 2020. 2021 turnover totalled €1.7 million and related to the sale of yarns and dyeing on behalf of the group and third parties, compared to €0.8 million in 2020. This subsidiary recognised amortisation and depreciation of €318 thousand (2020: €363 thousand) and did not make any significant investments.

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 €58 thousand, compared to €362 thousand in 2020. Turnover for 2021 came to €4.4 million, compared to €4.8 million in 2020. Capital expenditure in 2021 (€56 thousand) mainly related to a vehicle and electronic machinery.

I Cotoni di Albini S.p.A.
Cotonificio Albini S.p.A. owns 65% 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 €52.6 million, compared to €27.1 million in 2020. It consists of both sales to its parent and third parties in Italy and abroad, with the percentage of sales to third party customers rising steadily. The subsidiary posted a net profit for the year of €1,609 thousand compared to a moderate net loss of €246 thousand in 2020 after amortisation and depreciation of €228 thousand (2020: €258 thousand). Investments made during the year (€1,143 thousand) mostly related to new spinning machinery and upgrades to production lines.
To support the significant growth in turnover and the investment in a yarn processing site in Hungary, the subsidiary resolved to make a capital increase against payment of €2 million, divided into two equal tranches of €1 million, completed in March 2022, in which all shareholders took part. Details on the subsidiary'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 both 2021 and 2020. The company recorded a net loss for the year of €26 thousand, compared to €61 thousand in 2020. It continued its cost cutting actions to cope with the particular market situation of the past two years. There are plans to relaunch the company in the future as direct support to sales on the Asian markets when the public health situation allows it.

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 2021, it continued to reinforce the group's coverage of the local market. Its net profit for the year came to €153 thousand, compared to €59 thousand in 2020. Turnover from fabric sales rose from €1.2 million in 2020 to €1.7 million in 2021, 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 €550 thousand compared to €408 thousand in 2020. It posted a net profit for the year of €182 thousand, compared to a net loss of €126 thousand in 2020. The subsidiary focused its efforts on agency activities for its parent during the year and helped bring the group even 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 2021 financial statements and the previous two years.

Highlights	2021	2020	2019
Net revenues (€ millions)	130,9	98,2	141,2
GOP (€ millions)	19,5	13,8	26,1
EBIT (€ millions)	(3)	(7,6)	0,6
EBITDA, after provisions for risks and charges (€ millions)	4,2	(1,7)	9,0
Net loss for the year attributable to the group (€ millions)	(4,7)	(6,5)	(0,8)
Personnel expenses (€ millions)	28,5	27,1	37,5
Cash flows from (used in) operating activities (€ millions)	2,5	(1,6)	7,0
Bank loans and borrowings (€ millions)	(38,7)	(45,9)	(44,0)
Net equity (€ millions)	69,8	67	73
Turnover per employee (€ thousands)	105	74	103
Personnel expenses per employee (€ thousands)	22,8	20,3	27,3
Average number of employees in the year	1.284	1.336	1.371
Loss per share (€)	(1,22)	(1,9)	(0,2)

Bank loans and borrowings dropped from €46 million to €38.7 million. During 2021, Cotonificio Albini strove to achieve the goal of improving its medium/long-term exposure to banks in line with its path to recovery and financial relaunch, achieving it in December. Already in the last quarter of 2020, it had availed of the aid rolled out by the Italian government to facilitate access to medium-term credit with the "Garanzia Italia" guarantees granted to banks by Sace. To provide further support, the group took out two medium/long-term loans to partially replace outstanding loans. The first was a €7 million seven-year bullet loan and the second was a €10 million six-year loan with a one-year interest-only period backed by a Sace guarantee. Finally, to complete these important transactions, the parent subscribed and made a capital increase against payment of €5 million.

The subsidiary I Cotoni di Albini also subscribed a capital increase against payment for €2 million, with half paid by October 2021 and the remaining half at the end of March 2022. Reference should be made to the relevant section of the notes to the consolidated financial statements for a more detailed description of these transactions, together with the deferral and reduction of interest rates on the bonds issued.

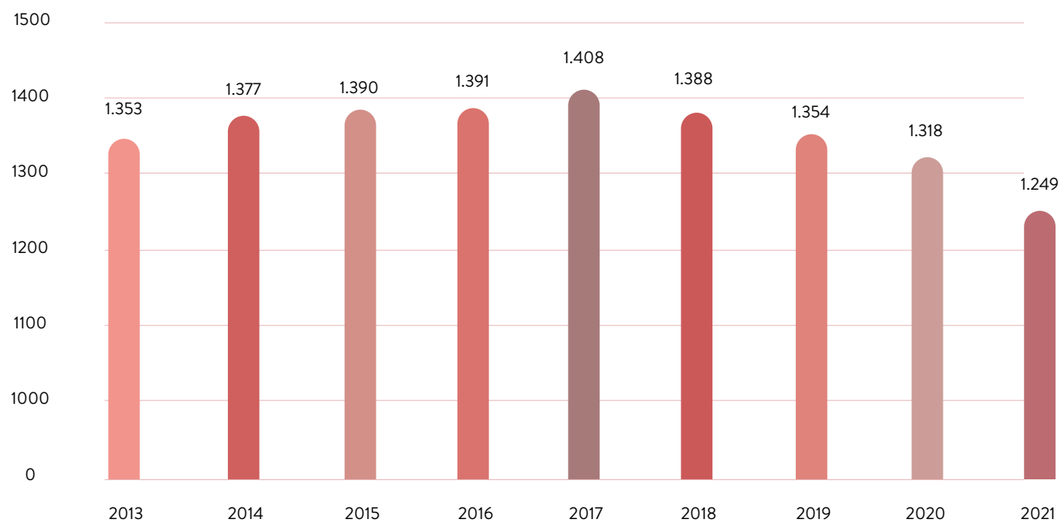
Performance indicators	**2021**	**2020**	**2019**
Return on equity (ROE)	(6,8)%	(9,8)%	(1,1)%
Return on sales (ROS)	(2,3)%	(7,7)%	0,4%
Return on investment (ROI)	(2,4)%	(5,8)%	0,4%
Equity ratio	0,36	0,37	0,40
NFD/Net equity	0,56	0,69	0,60
EBIT margin	(2,3)%	(7,7)%	0,4%
EBITDA margin, after provisions for risks and charges	3,2%	(1,7)%	6,4%
Bank loans and borrowings/EBITDA	9,3	(27,3)	4,9
Cash flows as a percentage of sales	1,9%	(1,7)%	4,9%
Net working capital as a percentage of sales	52,6%	72,9%	53,7%
DSO	99	113	95
Inventory turnover	193	251	185
Research and development costs as a percentage of sales	1,4%	2,6%	3,5%

WORKFORCE

Group employees totalled 1,249 at 31 December 2021, 69 less than at 31 December 2020. They are distributed across the various group companies as follows:

	2021	**2020**
Cotonificio Albini S.p.A.	605	694
Tessitura di Mottola S.r.l. in liquidation	114	118
Albini Energia S.r.l.	10	9
I Cotoni di Albini S.p.A.	15	14
Albini Trading Shanghai Co. Ltd.	-	-
Albini Hong Kong Ltd.	9	9
Dietfurt S.r.o.	212	202
Mediterranenan Textile S.a.e.	261	249
Delta Dyeing S.a.e.	21	22
Albini USA Corporation	2	1
Total employees	**1.249**	**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

The group's main production company, 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 shared 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;
- requesting third parties to limit their presence at the company to the bare minimum;
- encouraging employees to work from home as much as possible;
- introducing social distancing at the company and reducing the amount of people in company spaces;
- providing personal protective equipment and sanitising materials; l
- 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 INFORMATIONS

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 each season's collection has to interpret fashion trends which are by definition uncertain and subjective.
This risk cannot be entirely eliminated but over time the group has developed a method to create its products involving intense research and development activities necessitating 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 its products' high degree of specialisation and the natural ups and downs dictated by fashion as mentioned earlier, the group has 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 market conditions (costs and exchange rate fluctuations) would encourage some of the group's customers to start purchasing from other parts of the world. The group has responded to this threat by diversifying its 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 has been to shift its competitive edge as much as possible away from the price factor to elements such as product innovation, quality, service and a good marketing strategy, to defend its position in its three market segments: retail, premium and luxury. However, it is also aware of how important and influential the price/quality ratio is.
In addition to the fabric segment, the group is dedicating more space to the energy business in which Albini Energia S.r.l. operates. This has also enabled it 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

The group has extensive knowledge of the raw materials markets and their trends thanks to its presence in the spinning field and its close relationships with cotton producers. Moreover, it is tightening its relationships with strategic yarn suppliers. The group has 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.

The economic outlook for the second half of 2021 is rather uncertain given the recent tragic events witnessed in Europe with Russia's invasion of Ukraine, the possible further negative repercussions for global trade caused by restrictions to logistics related to the pandemic, which is still generating unpredictable effects on supply chains in Asian countries, and the fallout of general cost increases and thus price hikes for end customers.

The group is also exposed to health and safety in the workplace issues, consisting of the risk of injuries in the workplace, environmental pollution and failure to comply or incomplete compliance with legislation and sector regulations. These risks are significant for a manufacturing group. The group companies carry out ongoing, systematic evaluations 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. The subsidiaries Cotonificio Albini S.p.A. and I Cotoni di Albini S.p.A. are the most exposed to credit risk. Accordingly, they adopt and implement procedures for managing receivables via proactive collaboration between the administrative department and the sales network. They focus on credit management systems more suited to quickly and accurately analysing individual receivables, 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 amounts. 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 any disputes under way.

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. IRSs hedged approximately 32.79% 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 Hong Kong dollar, the Czech koruna and the Egyptian lira. The group makes use of natural hedges between receivables and payables and only partially hedges the net foreign currency amounts, mainly using financial hedging instruments such as forward sales and purchase agreements. This policy therefore reduces the exposure to currency risk. The net exposure in US dollars was partially hedged in 2021 via flexible forward purchase agreements, while the net exposure in Japanese yen was partially hedged via forward sales agreements.

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, Cotonificio Albini 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, business continuity, product and cyber security.

RESEARCH AND DEVELOPMENT COSTS

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 2021.
The direct subsidiary Cotonificio Albini S.p.A. continued its research and development activities in 2021 and focused its efforts specifically on particularly innovative projects called "Concept analysis, feasibility study, research, design, development, prototyping and pre-industrialisation, for the study and development of new fabrics for the design clothing sector", "Analysis, study and design for the development of new technological solutions to upgrade the performance of fabrics" and "Analysis, study, design and testing of new technologies aimed at improving 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 2020, the indirect subsidiary 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 as well as shirting fabrics. 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 in addition to 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 innovation district in Stezzano, Bergamo and some supplier production sites. They also involved the assistance of external consultants and collaborators.

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. The eligible costs incurred, totalling €1.8 million (1.4% of net turnover), mainly include 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.
They will continue their research activities in 2022.

OUTLOOK

2021 and early 2022 will leave a huge mark on history. Concerns about the lighter and more contained effects of the pandemic, with a positive outlook for economic recovery, gave way to war bulletins, right in the heart of Europe. In the smaller scope of our identity as a global economic player, the Albini Group has continued to pursue its mission and will not give up on shaping the future, our future as a leader in the market where we have flourished for 146 years.

We began 2022 aware of our strengths and with a rejuvenated financial structure ready to secure the targets set in the business plan approved at the end of 2021.

In early 2022 and in the wake of the last few months of 2021, all of the group companies that sell on the market are outperforming the budget and recording positive returns along with solid cash inflows. This is validation of the astute choices and key actions implemented starting from 2020 and culminating in the financial and recapitalisation actions taken at the end of 2021.

Specifically, Cotonificio Albini has seen a steady inflow of orders, and thus strong turnover, starting from the second half of 2021. Sales in the first quarter of 2022 are roughly 85% higher than the same period of the previous year and the company has finally recorded a very positive operating profit. Forecasts for the first half of the year predict a continuation of these positive results, in line with the budget.

The yarn business of the indirect subsidiary I Cotoni di Albini also began the year well, exceeding expectations and even recording a 29% improvement in turnover for the first quarter of the year compared to the same period of 2021 with excellent profit margins. The capital increase against payment of €2 million approved in 2021 was completed as scheduled with the payment of the final tranche of €1 million by all of the shareholders in March.
Finally, the acquisition of a majority share in the Hungarian-based Filati Maclodio KFT, with which the company has had a well-established production partnership for some time, will be finalised within the first half of 2022.

In the energy sector, the direct subsidiary Albini Energia is also expanding, boosted by the huge demand from numerous companies for the installation of photovoltaic systems. Its turnover for the first quarter of 2022 recorded a 5% increase on the same period of the previous year.

Despite the group companies' positive performance, the economic outlook for the second half of 2022 is uncertain given the recent tragic events witnessed in Europe, the possible further negative repercussions for global trade caused by restrictions to logistics related to the pandemic, which is still generating unpredictable effects on supply chains in Asian countries, and the fallout of general cost increases and thus price hikes for end customers.

Management and the sales managers believe realistically that the group's market situation remains positive due its competitive standing worldwide. Markets like the US in particular, and also Europe and recently Japan, are experiencing an eagerness to catch up and consumers are demonstrating a strong propensity to return to their usual pre-Covid habits regarding tourism and social life.

Despite the difficulties of the current macroeconomic situation, the results achieved to date are testimony to the group's solid foundations and ensure the business' sustainability over the long term. As far as can be foreseen, there will not be any significant repercussions for the group's ability to continue as a going concern.

Albino, 31 March 2022

On behalf of the board of directors
The President
Fabio Albini

ANNEX 1

RECLASSIFIED BALANCE SHEET

(€'000)

	2021	2020
Intangible fixed assets	2.471	2.421
Tangible fixed assets	52.832	56.344
Financial fixed assets	3	3
Provisions and employees' leaving entitlement	(9.008)	(8.885)
Net working capital	69.901	71.655
Net other medium-term receivables	2.131	156
Net invested capital	**117.330**	**121.694**
Net financial debt	**(38.757)**	**(45.920)**
Bonds - shareholders	**(8.757)**	**(8.757)**
Net equity	**69.815**	**67.017**
of which: attributable to the group	68.123	66.583
attributable to minority interests	1.692	434
Net working capital		
Inventory	73.277	65.113
Trade receivables	35.550	30.370
Trade payables	(42.044)	(21.407)
Other net receivables (payables)	2.118	(2.469)
Total	**68.901**	**71.607**
Net financial debt		
Bank loans and borrowings	(53.278)	(57.118)
Bonds - banks	-	(1.674)
Loans and borrowings from other financial backers	(5.443)	(6.337)
Bank deposits and cash and cash equivalents	19.963	19.209
Total	**(38.757)**	**(45.920)**

ANNEX 2

RECLASSIFIED PROFIT AND LOSS ACCOUNT(*)

(€'000)

	2021	2020
Net revenues	130.967	98.197
Cost of sales	(111.483)	(84.349)
Gross operating profit	**19.484**	**13.848**
Sales costs	(9.769)	(9.711)
Product research costs	(2.639)	(2.797)
Administrative costs and overheads	(10.823)	(9.237)
Other operating income	762	297
Operating loss (EBIT)	**(2.984)**	**(7.600)**
Net financial charges	(1.761)	(2.592)
Net extraordinary income (expense)	-	-
Pre-tax loss	**(4.745)**	**(10.192)**
Income taxes	469	3.416
Net loss for the year, including minority interests	**(4.276)**	**(6.776)**
Net profit (loss) for the year attributable to minority interests	**470**	**(229)**
Net loss for the year attributable to the group	**(4.746)**	**(6.547)**
AS A % OF NET REVENUES		
Gross operating profit	14,9%	14,1%
EBITDA margin	3,2%	(1,7)%
EBIT margin	(2,3)%	(7,7)%
Net loss for the year attributable to the group	(3,6)%	(6,7)%
Cost of sales	85%	86%
Sales costs	7%	10%
Product research costs	2%	2,8%
Administrative costs and overheads	8,3%	9,4%

(*) reclassified by allocating costs to cost centres

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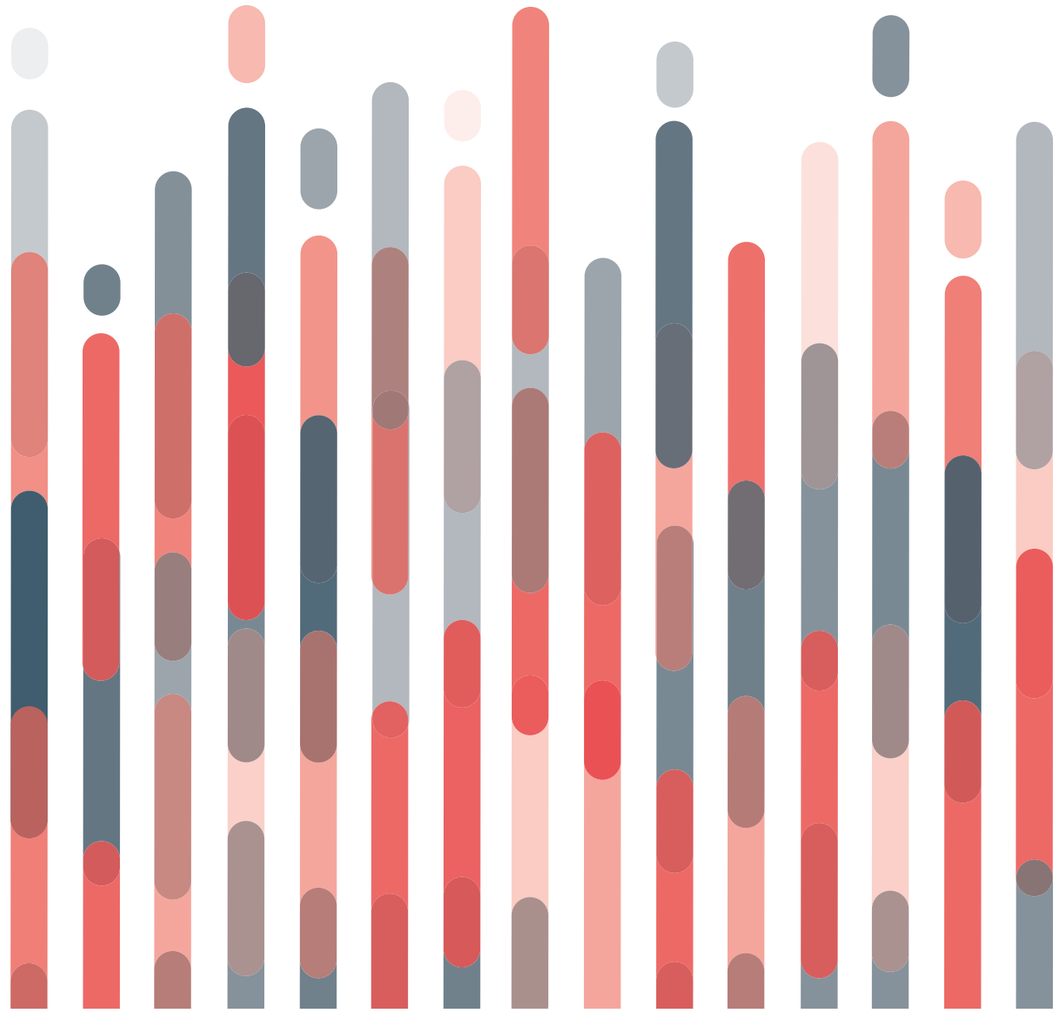
CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

ALBINI GROUP S.P.A.

Registered office: Via Dr. Silvio Albini 1, Albino (BG)
Share capital: €2,232,035.52, of which €208,000.00 reserved for the conversion of the subsidiary Cotonificio Albini S.p.A.'s convertible bonds, actual share capital: €2,024,035.52 fully paid-up - Bergamo company registration no. and tax code 01736210160



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BALANCE SHEET

ASSETS	31.12.2021		31.12.2020	
(€'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		193		301
4. Concessions, licences, trademarks and similar rights		1.155		1.203
5. Goodwill		255		310
6. Assets under development and payments on account		511		139
7. Other		357		468
Total		2.471		2.421
II. *Tangible fixed assets*				
1. Land and buildings		42.711		44.186
2. Plant and machinery		8.847		11.063
3. Industrial and commercial equipment		41		22
4. Other assets		637		867
5. Assets under construction and payments on account		596		206
Total		52.832		56.344
III. *Financial fixed assets*				
2. Financial receivables				
d bis) From others		3		3
Total		3		3
Total fixed assets		55.306		58.768
C) Current assets				
I. *Inventory*				
1. Raw materials, consumables and supplies		35.332		28.598
2. Work in progress and semi-finished products		19.287		14.793
3. Contract work in progress		473		400
4. Finished goods		18.185		21.322
5. Payments on account				
Total		73.277		65.113
II. *Receivables*				
1. Trade receivables				
due within one year		35.550		30.370
due after one year		538		-

ASSETS	31.12.2021		31.12.2020	
(€'000)	partial	total	partial	total
5bis. Tax receivables due within one year		3.719		1.307
Tax receivables due after one year		27		18
5ter. Deferred tax assets		3.325		2.814
5quater. From others due within one year		1.501		1.502
From others due after one year		1.516		125
Total		46.176		36.136
III. *Current financial assets*				
1. Investments in subsidiaries				
2. Investments in associates				
3. Investments in parents				
3bis. Investments in subsidiaries of parents				
4. Other equity investments				
5. Derivatives		50		13
6. Other securities				
Total		50		13
IV. *Liquid funds*				
1. Bank and postal accounts		19.946		19.192
2. Cheques on hand		-		-
3. Cash-in-hand and cash equivalents		17		17
Total		19.963		19.209
Total current assets		139.466		120.471
D) Prepayments and accrued income				
- prepayments and accrued income		321		159
Total prepayments and accrued income		321		159
Total assets		**195.093**		**179.398**

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BALANCE SHEET

LIABILITIES	31.12.2021		31.12.2020	
(€'000)	partial	total	partial	total
A) Net equity				
I. *Share capital*		2.024		1.820
II. *Share premium reserve*		5.624		828
III. *Revaluation reserve*				
IV. *Legal reserve*		364		364
V. *Statutory reserves*				
VI. *Other reserves:*				
- *Extraordinary reserve*	2.024		2.177	
- *Capital injections*	207		207	
- *Liquidation reserve*	222		-	
- *Revaluation reserve as per Law no. 266/05*	2.108		4.111	
- *Revaluation reserve as per Law no. 02/09*	12.247		12.247	
- *Revaluation reserve as per Law no. 126/20*	2.135		2.135	
- *Translation reserve*	2.497	21.440	1.491	22.368
VII. *Hedging reserve*		(81)		(239)
VIII. *Retained earnings of consolidated companies*		43.498		47.989
IX. *Net loss for the year*		(4.746)		(6.547)
X. *Reserve for own shares*				
Total net equity attributable to the group		68.123		66.583
Net equity attributable to minority interests		1.222		663
Net profit (loss) for the year attributable to minority interests		470		(229)
Total net equity attributable to minority interests		1.692		434
Total net equity		69.815		67.017
B) Provisions for risks and charges				
1. Pension and similar provisions		1.247		1.261
2. Tax provision, including deferred tax liabilities		706		753
3. Derivatives		102		538
4. Other provisions		1.554		453
Total provisions for risks and charges		3.609		3.005
C) Employees' leaving entitlement		**5.399**		**5.880**
D) Payables				
1. Bonds				
Due within one year		-		2.899
Due after one year		4.157		2.932

LIABILITIES	31.12.2021		31.12.2020	
(€'000)	partial	total	partial	total
2. Convertible bonds				
Due within one year		-		-
Due after one year		4.600		4.600
3. Shareholder loans				
Due within one year				
Due after one year				
4. Bank loans and borrowings				
Due within one year		24.183		26.944
Due after one year		29.095		30.174
5. Loans and borrowings from other financial backers				
Due within one year		1.153		1.053
Due after one year		4.290		5.284
6. Payments on account due within one year		655		676
7. Trade payables				
Due within one year		42.044		21.407
Due after one year				
8. Commercial paper				
Due within one year				
Due after one year				
12. Tax payables due within one year		974		1.253
13. Social security charges payable due within one year		1.278		794
14. Other payables due within one year		3.376		3.815
Total payables		115.805		101.831
E) Accrued expenses and deferred income				
- accrued expenses and deferred income		465		1.665
Total accrued expenses and deferred income		465		1.665
Total liabilities		**125.278**		**112.381**
Total net equity and liabilities		**195.093**		**179.398**

PROFIT AND LOSS ACCOUNT

(€'000)	31.12.2021 partial	31.12.2021 total	31.12.2020 partial	31.12.2020 total
A) Production revenues				
1. Turnover from sales and services		130.967		98.197
2. Change in work in progress, semi-finished products and finished goods		1.306		(3.757)
3. Change in contract work in progress		73		178
4. Internal work capitalised		17		4
5. Other revenues and income:				
- sundry	2.740		1.500	
- grants related to income	2.048	4.788	726	2.225
Total production revenues (A)		137.151		96.848
B) Production cost				
6. Raw materials, consumables, supplies and goods		75.306		39.716
7. Services		33.770		28.964
8. Use of third party assets		1.009		912
9. Personnel expenses:				
a. Wages and salaries	20.286		18.996	
b. Social security contributions	6.281		6.218	
c. Employees' leaving entitlement	1.753		1.721	
d. Pension and similar costs				
e. Other costs	159	28.479	128	27.063
10. Amortisation, depreciation and write-downs:				
a. Amortisation of intangible fixed assets	534		408	
b. Depreciation of tangible fixed assets	5.633		4.829	
c. Other write-downs of fixed assets				
d. Write-downs of current receivables and liquid funds	299	6.466	684	5.921
11. Change in raw materials, consumables, supplies and goods		(6.354)		967
12. Provisions for risks		671		40
13. Other provisions				
14. Other operating costs		788		865
Total production cost (B)		140.135		104.448
Operating loss (A-B)		**(2.984)**		**(7.600)**

(€'000)	31.12.2021 partial	31.12.2021 total	31.12.2020 partial	31.12.2020 total
C) Financial income and charges				
16. Other financial income:				
d. Other income:				
- Other	2	2	84	84
17. Interest and other financial charges:				
- Other	(1.993)		(1.861)	
17bis. Net exchange rate losses	(17)	(2.010)	(401)	(2.262)
Net financial charges (15+16-17+17bis)		(2.008)		(2.178)
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				
e. Derivatives	253	253	15	15
19. Write-downs:				
a. Investments				
b. Financial fixed assets which are not equity investments				
c. Securities classified as current assets				
e. Derivatives	(6)	(6)	(429)	(429)
Total adjustments (18-19)		247		(414)
Pre-tax loss (A-B±C±D)		(4.745)		(10.192)
20. Income taxes				
- current	(650)		(456)	
- deferred	79		3.551	
- income from participation in the national tax consolidation scheme	1.040		321	
Total current and deferred taxes		469		3.416
21. Net loss for the year before minority interests		(4.276)		(6.776)
Net profit (loss) for the year attributable to minority interests		470		(229)
21bis. Net loss for the year attributable to the group		(4.746)		(6.547)

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

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CASH FLOW STATEMENT

(indirect method)

(€'000)	2021	2020
A. Cash flows from operating activities		
Net loss for the year	(4.276)	(6.776)
Income taxes	(469)	(3.416)
Net interest expense	1.630	1.506
Dividends	-	-
Gains on the sale of assets	(195)	(174)
1. Loss for the year before income taxes, interest, dividends and gains/losses on the sale of assets	***(3.310)***	***(8.860)***
Adjustments for non-monetary elements that did not affect net working capital		
Increase in provisions	2.584	2.760
Amortisation and depreciation	6.167	5.237
Write-downs for impairment	-	-
Write-downs of derivatives that did not involve cash flows	(59)	163
Other non-monetary adjustments	(541)	(32)
2. Cash flows before changes in net working capital	***4.841***	***(732)***
Changes in net working capital		
Decrease/(increase) in inventory	(8.164)	4.992
Decrease/(increase) in trade receivables	(5.699)	6.244
Increase/(decrease) in trade payables	20.238	(4.679)
Decrease/(increase) in prepayments and accrued income	(162)	27
Increase/(decrease) in accrued expenses and deferred income	(1.200)	43
Other changes in net working capital	(5.442)	(3.252)
3. Cash flows after changes in net working capital	***4.412***	***2.643***
Other adjustments		
Interest paid	(1.899)	(1.499)
Income taxes paid	(19)	(84)
Dividends collected	-	-
Utilisation of provisions	(1.447)	(1.103)
Other collections/payments	-	-
Cash flows from (used in) operating activities (A)	**1.047**	**(43)**
B. Cash flows from investing activities		
Tangible fixed assets		
Investments	(1.015)	(1.587)
Proceeds from sales	1.289	(283)

(€'000)	2021	2020
Intangible fixed assets		
Investments	(562)	(422)
Proceeds from sales	-	-
Financial fixed assets		
Investments	-	-
Disinvestments	-	-
Current financial assets		
Investments	-	-
Proceeds from sales	-	-
Cash flows used in investing activities (B)	**(288)**	**(1.726)**
C. Cash flows from financing activities		
Third-party funds		
Increase (decrease) in short-term bank loans and borrowings	(453)	1.935
New loans	18.000	17.367
Repayment of loans	(23.145)	(6.732)
Own funds		
Capital increase against payment	5.750	-
Dividends and interim dividends paid	(51)	-
Cash flows from financing activities (C)	**101**	**12.571**
Increase in liquid funds (A ± B ± C)	**860**	**10.802**
Exchange rate effect on liquid funds	(106)	(165)
Net increase in liquid funds	**754**	**10.637**
Liquid funds at 1 January	**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
Liquid funds at 31 December	**19.963**	**19.209**
Including:		
Bank and postal accounts	19.946	19.192
Cheques on hand	-	-
Cash-in-hand and cash equivalents	17	17

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ALBINI GROUP S.P.A.

Registered office: Via Dr. Silvio Albini 1, Albino (BG)
Share capital: €2,232,035.52, of which €208,000.00 reserved for the conversion of the subsidiary Cotonificio Albini S.p.A.'s convertible bonds, actual share capital: €2,024,035.52 fully paid-up - Bergamo company registration no. and tax code 01736210160

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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 are presented in a specific section 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:

		SHARE/QUOTA CAPITAL	
ALBINI GROUP S.p.A. Financial holding company - registered office in Albino (Bergamo)		EUR	2.024.035
COTONIFICIO ALBINI S.p.A. Operating sub-holding - registered office in Albino (Bergamo) 100% directly owned		EUR	11.170.960
ALBINI ENERGIA S.r.l. registered office in Albino (Bergamo) 100% directly owned		EUR	50.000
TESSITURA DI MOTTOLA S.r.l. in liquidation registered office in Mottola (Taranto) 100% indirectly owned	(1)	EUR	1.000.000
DIETFURT S.R.O. registered office in Letohrad, Czech Republic 100% indirectly owned	(1)	CZK	60.100.000
MEDITERRANEAN TEXTILE S.A.E. registered office in Borg El Arab, Alexandria, Egypt 1.43% directly owned 98.57% indirectly owned	(3)	USD	14.000.000
DELTA DYEING S.A.E. registered office in Borg El Arab, Alexandria, Egypt 76.44% indirectly owned	(2)	USD	5.200.000
ALBINI TRADING SHANGHAI CO. LTD. registered office in Shanghai, China 90% indirectly owned	(1)	CNY	4.225.355
I COTONI DI ALBINI S.p.A. registered office in Albino (Bergamo) 65% indirectly owned	(1)	EUR	3.000.000
ALBINI HONG KONG LTD. registered office in Hong Kong 100% indirectly owned	(1)	HKD	3.500.000
ALBINI USA CORPORATION registered office in New York, USA 100% indirectly owned	(1)	USD	500.200

(1) Owned by Cotonificio Albini S.p.A. (2) Owned by Mediterranean Textile S.a.e. (3) Owned by Cotonificio Albini S.p.A. and Dietfurt S.r.o.

The consolidation scope changed in 2021 following the reduction of Cotonificio Albini S.p.A.'s investment in I Cotoni di Albini S.p.A. from 70% to 65%.

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, with the exception of Tessitura di Mottola S.r.l. which adopted liquidation criteria in preparing its financial statements.

The carrying amounts of the assets, liabilities, costs, revenues and cash flows of subsidiaries directly and indirectly controlled by the parent are consolidated on a line-by-line basis.

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 reporting packages 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 write-downs of equity investments in the consolidated companies, so that they are not counted twice;
- calculation of minority interests in net equity and net profit or loss for the year, which are shown separately in the consolidated financial statements;
- measurement of investments in 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 reporting packages of foreign investees drawn up in currencies other than the Euro are translated into Euros after any adjustments necessary to align such financial statements/reporting packages 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 31.12.2021	Average exchange rate 2021	Exchange rate at l 31.12.2020	Average exchange rate 2020
Czech koruna	24,858	25,641	26,242	26,455
US dollar	1,133	1,183	1,227	1,142
Chinese renminbi	7,195	7,628	8,022	7,874
HK dollar	8,833	9,193	9,514	8,858

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 (with the exception of those related to Tessitura di Mottola S.r.l. in liquidation). They are presented considering the substance of the transaction or contract, in compliance with the Italian Civil Code and the OIC. The group 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 reporting 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, results of operations and cash flows.

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.

The amortisation rates used are as follows:

Categories	Rate
Industrial patents and intellectual property rights	33,33%
Concessions, licences, trademarks and similar rights	10% - 5,56%
Goodwill	10%
Other:	
- Software	33,33%
- Other	20%

Intangible fixed assets are revalued, to the extent of their recoverable amount, only if special laws require or permit so.

The legal revaluations made to intangible fixed assets still owned by the group at 31 December 2021 are:

- Law no. 126 of 13 October 2020.

Tangible fixed assets are initially recognised at the time the risks and rewards of the acquired items are transferred and 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 repairs 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.

The legal revaluations made to tangible fixed assets still owned by the group at 31 December 2021 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 plan is periodically revised to check for any changes such to require modification to the asset's estimated useful life. If the latter is modified, the carrying amount of the asset at the time of such change is depreciated over its revised useful life.

The depreciation rates used are as follows:

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

If, at the reporting date, there are indications of impairment losses on tangible and intangible fixed assets, the recoverable amount of such assets is estimated.
If the recoverable amount, being the higher of value in use and fair value less costs to sell, is lower than the corresponding carrying amount, the assets are written down.
The write-down is not maintained in subsequent years if the reasons 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 the time the risks and rewards of the acquired items are transferred.
It 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, raw 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.

Receivables are initially recognised at their nominal amount, net of bonuses, discounts and allowances contractually provided for or, in any case, granted. They are subsequently measured at their nominal amount plus interest calculated at the nominal interest rate, reduced by principal and interest collected and net of estimated write-downs and expected credit losses recognised to adjust their carrying amount to their estimated realisable value.
Cash discounts and allowances, that were not included in the calculation of the estimated realisable value as they could not be determined when the receivable was originally recognised, are recognised upon collection.
The group recognises these receivables at their estimated realisable value by writing down their carrying amount through the provision for bad debts, in order to provide for any risk of impairment. To this end, the group considers specific indicators based on past trends and any other useful information about a probable impairment. The write-downs are estimated on an individual basis for significant receivables and collectively for the others, by calculating the expected impairment losses at the reporting date.
Receivables are derecognised when the contractual rights to the cash flows from the receivable are extinguished or title thereto is transferred along with nearly all the related risks. To verify transfer of 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 contracts are 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.

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. Amounts or goods and services expected to be paid/provided to satisfy the obligation when due are provided for on an accruals basis.
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. If the group has taken out insurance policies for probable liabilities, the provisions are estimated considering any insurance compensation if the group is reasonably certain that it will be compensated in the event of losing a case. Provisions for risk and charges accrued in a previous year are reassessed at the reporting date to check that they have been accurately measured.

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. It is a certain liability that is recognised each year on an accruals basis. 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 group 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
I 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 and services are recognised in accordance with the requirements set out in the section on costs. 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, identified on the basis of legislation and contractual terms. 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.
In this case, 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 monetary items are translated at the closing spot rates, and the related gains and losses are taken to the profit and loss account.

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

Revenues and income, costs and charges relating to foreign currency transactions are translated using the spot exchange rate ruling on the date of the relevant transaction.
Revenues from contract work in progress are recognised based on the criteria set out above.
Production costs are stated net of returns, allowances, discounts and premiums. Costs 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. Costs relating to services are recognised once the services have been delivered, i.e., when they have been carried out.

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. in liquidation 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 consolidated company are taken to the profit and loss account on an accruals basis, considering the 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. in liquidation, and for the 2021-2023 three-year period with Albini Energia S.r.l. and 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.

Commitments, guarantees, contingent liabilities and contingent assets
The total off-balance sheet commitments, guarantees and contingent liabilities are presented in specific sections of these notes.
Commitments are obligations taken on by the group with third parties originating from legal contracts whose future performance is certain and mandatory. They include obligations of known and unknown amounts that are certain to be performed. They are recognised at their nominal amount which is deduced from the relevant documentation, while unquantifiable commitments are commented on in the notes.

Guarantees include collateral and personal guarantees given by the group. Such guarantees are issued by group companies for their own or third-party obligations. They are recognised at the amount of the guarantee given or, if this has not been calculated, at the best estimate of the risk taken on given the situation at that time.

Off-balance sheet contingent liabilities include those deemed probable but whose amount can only be determined in a random and arbitrary manner, along with those deemed possible. Similarly, contingent assets and gains deemed probable but not recognised in the consolidated financial statements on a prudent basis are also indicated in the specific section of the notes.

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 consolidated financial statements, unless events that take place during the period from such date to the date on which the parent's financial statements are expected to be approved by the shareholders have a significant impact on the consolidated 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 at 31.12.20	**Purchases.**	**Reclass./ Disinv.**	**Reval.**	**Balance at 31.12.21**	**Balance at 31.12.20**	**Amortis.**	**Exchange rate diff.**	**Balance at 31.12.21**	**Net intangible fixed assets at 31.12.21**
Industrial patents and intellectual property rights	3.497	51	32	-	3.580	(3.196)	(193)	2	(3.387)	193
Concessions, licences and archives	2.402	34	-	-	2.436	(1.199)	(82)	-	(1.281)	1.155
Goodwill	761	-	-	-	761	(451)	(76)	21	(506)	255
Assets under development and payments on account	139	409	(37)	-	511	-	-	-	-	511
Other	12.718	68	5	-	12.791	(12.250)	(183)		(12.433)	357
Total	**19.517**	**562**	**-**	**-**	**20.079**	**(17.096)**	**(534)**	**23**	**(17.608)**	**2.471**

Industrial patents and intellectual property rights increased by €51 thousand in 2021, 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 €34 thousand due to new costs to register the group's trademarks.

Assets under development and payments on account increased by €409 thousand, related to new software projects of the subsidiary Cotonificio Albini S.p.A. (€407 thousand). 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 2020, were completed during the year and the relevant costs were allocated to "Industrial patents and intellectual property rights" and "Other" intangible fixed assets.

The €68 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..

Tangible fixed assets

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

DESCRIPTION	B.II.1 Land and buildings	B.II.2 Plant and machinery	B.II.3 Industrial and commercial equipment	B.II.4 Other assets	B.II.5 Assets under construction	TOTAL
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**
Changes of the year						
Historical cost:						
- acquisitions	58	324	33	132	867	1.414
- exchange rate differences	1.304	1.337	26	36	(2)	2.701
- reclassifications	-	475	-	-	(475)	-
- revaluation	-	722	-	-	-	722
- gross disinvestments	(110)	(1.605)	-	(239)	-	(1.954)
Accumulated depreciation:						
- depreciation of the year	(2.340)	(2.918)	(15)	(360)	-	(5.633)
- exchange rate differences	(387)	(1.174)	(25)	(36)	-	(1.622)
- revaluation	-	-	-	-	-	-
- disinvestments	-	622	-	237	-	859
Total changes of the year	**(1.475)**	**(2.216)**	**19**	**(230)**	**390**	**(3.512)**
Cost at 31/12/2021	77.960	109.127	1.364	4.868	596	193.915
Accumulated depreciation at 31/12/2021	(35.249)	(100.280)	(1.323)	(4.231)	-	(141.083)
Balance at 31/12/2021	**42.711**	**8.847**	**41**	**637**	**596**	**52.832**

The main increases of the year were as follows:

- land and buildings (€59 thousand), mainly related to upgrades to the buildings in Albino and Brebbia and at the Borg El Arab facility with a particular focus on the environment and energy savings;
- plant and machinery (€324 thousand), mainly related to new plant installed at the Brebbia, Albino and Egyptian facilities and in the Czech Republic;
- industrial and commercial equipment (€32 thousand), mainly acquired for the Albino and Brebbia facilities;
- other assets (€132 thousand), mainly related to upgrading IT devices. The main increases referred to the Italian, Egyptian and Hong Kong facilities;
- assets under construction (€867 thousand) mainly related to plant and machinery designed to set up the new melange line and at the Egyptian, Albino and Brebbia facilities.

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

The main disinvestments relate to the sale of a sizing machine at the Albino facility. In addition, Cotonificio Albini S.p.A. sold a warping machine and four looms to the subsidiary Dietfurt S.r.o. and 14 looms to the subsidiary Mediterranean Textile Sae. In order to optimise production capacity, these machines were moved from their original production sites to other facilities of group companies.

The revaluation of €722 thousand refers to machinery and plant of Tessitura di Mottola S.r.l. in liquidation that were revalued in order to align their carrying amount to their estimated realisable value.

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, bench tubes and small tubes for the subsidiary I Cotoni di Albini S.p.A.'s spinning machines, located at Filatura Prealpina S.r.l.'s facility.

Ordinary depreciation was calculated using rates (set out in the relevant table at the beginning of these notes) 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 2021 carried out by Cotonificio Albini S.p.A.:

a) Historical (gross) value of revaluations at 31/12/2021:

	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	-	210
Total revaluations	**20.431**	**6.533**	**1.000**	**27.963**

b) Carrying amount of revaluations at 31/12/2021:

Monetary revaluations on assets recognised at year end	Land and buildings	Other assets
- pursuant to Law no. 413/1991	230	-
- pursuant to Law no. 2/2009	10.828	-
- pursuant to Law no. 126/2020	1.200	942
Total revaluations	**12.258**	**942**

The revaluation of other assets refers to the Thomas Mason historical archive and Dietfurt classified under the intangible fixed assets caption "Concessions, licences, trademarks and similar rights".

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, the direct subsidiaries Cotonificio Albini S.p.A. and Tessitura di Mottola S.r.l. in liquidation have mortgaged buildings in Albino, Brebbia and Mottola for loans from banks and other lenders.

As set out in the relevant table at the beginning of these notes, depreciation was calculated using rates deemed to represent the actual use during the year and the residual useful lives of the related assets.

Financial fixed assets

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

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

Current Assets
Inventory
This caption is as follows at year end:

	31.12.2021	31.12.2020
Raw materials, consumables and supplies	35.332	28.598
Semi-finished products	19.287	14.793
Contract work in progress	473	400
Finished goods	18.185	21.322
Total inventory	**73.277**	**65.113**

Raw materials increased by €7 million at the reporting date, 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. and unchanged from the previous year end. The large jump in raw materials was mainly a result of the Cotonificio Albini S.p.A. stocking higher volumes of raw materials as a measure to tackle cotton shortages and price hikes.

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 2021:

	Gross amount	Provision for bad debts	Net amount
Trade receivables due within one year	36.635	(1.085)	35.550
Trade receivables due after one year	538	-	538
Total	**37.173**	**(1.085)**	**36.088**

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:

	31.12.2020	Accrual	Utilisation	31.12.2021
Provision for bad debts	1.104	297	(316)	1.085

Trade receivables arise from normal sales transactions and relate to both foreign and Italian customers. The caption includes unaccepted trade bills at the group and with banks.

Trade receivables by geographical segment:

	31.12.2021	31.12.2020
Italian customers	13.049	13.369
EU customers	6.715	6.150
Non-EU customers	17.409	11.955
Total Gross Receivables	**37.173**	**31.474**

Tax receivables

Tax receivables may be analysed as follows:

	31.12.2021	31.12.2020
Net tax receivables	3.418	1.141
Tax credit for R&D costs as per Law no. 190/214	281	157
Other tax receivables	20	9
Total tax receivables due within one year	**3.719**	**1.307**
Tax authorities for IRAP reimbursement claim pursuant to Decree law no. 201/2011	18	18
VAT relative to previous years	9	-
Total tax receivables due after one year	**27**	**18**

Tax receivables include VAT receivables of €2,816 thousand and include payments on account made during the year net of the tax payables of the Italian and foreign subsidiaries.

Deferred tax assets

Deferred tax assets total €3,325 thousand (31 December 2020: €2,814 thousand) and mainly relate to Cotonificio Albini S.p.A., Tessitura di Mottola S.r.l. in liquidation 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 2021 were as follows:

Balance at 31.12.2020	**2.814**
Use of prior year deferred tax assets	(108)
Exchange rate differences and other changes	(7)
Other consolidation differences	71
Deferred tax assets recognised in the year	20
Use of deferred tax assets from the tax consolidation scheme	(505)
Tax benefit on losses from the tax consolidation scheme	1.040
Balance at 31.12.2021	**3.325**

Receivables from others

These amount to €3,017 thousand (31 December 2020: €1,627 thousand). They consist of advances to third parties of €1,558 thousand, mainly for payments on account and advances made to suppliers, and €350 thousand related to receivables from third parties for the capital increase subscribed by the subsidiary I Cotoni di Albini S.p.A.. Receivables from INPS (the Italian social security institution) amount to €158 thousand, accrued by the subsidiary Tessitura di Mottola S.r.l. in liquidation 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 €419 thousand for export subsidies due to the Egyptian subsidiaries, guarantee deposits of €403 thousand and other sundry receivables of €128 thousand.
Receivables due after one year chiefly refer to payments on account to third parties (€1,016 thousand), advances to employees (€100 thousand) and sundry deposits.

Current financial assets

Derivatives

This caption comprises the derivatives of Cotonificio Albini S.p.A. (€7 thousand) and Dietfurt Sro (€43 thousand), representing the fair value of currency forwards hedging purchases and sales in the Czech koruna and Japanese yen expiring in 2022.
The relevant deferred tax liabilities were accrued for the portion recognised in the net equity reserve.

Liquid funds

Liquid funds total €19,963 thousand (31 December 2020: €19,209 thousand) and comprise:

	31.12.2021	31.12.2020
Bank deposits	19.946	19.192
Cheques, cash-in-hand and cash equivalents	17	17
Total	**19.963**	**19.209**

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 €321 thousand (31 December 2020: €159 thousand) and mainly consist of adjustments to correctly allocate costs relating to insurance, interest, machinery maintenance, rent and personnel training to 2021 on an accruals basis.

Prepayments and accrued income are as follows:

	31.12.2021	31.12.2020
Maintenance/assistance fees	125	42
Interest on loans and advances from factors	6	14
Personnel training costs	-	-
Lease instalments	120	21
Rent	-	-
Insurance and other premiums	70	82
Total Prepayments	**321**	**159**

NOTES TO THE MAIN LIABILITY CAPTIONS
NET EQUITY

Net equity changed as follows during the year:

	Share capital	Share premium reserve	Legal reserve	Revaluat. reserve.	Reserve for capital injections	Liquid. reserve	Extraor-dinary reserve	Trans-lation reserve	Hedging reserve	Retained earnings of consolidated companies	Net loss for the year	Net equity attributable to the group	Net equity attributable to minority interests	Net equity
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**
Restatement of derivatives at 31.12.2021	-	-	-	-	-	-	-	-	158	-	-	158	-	158
Allocation of the net loss for 2020	-	-	-	-	-	-	(153)	-	-	(6.394)	6.547	-	-	-
Dividend distribution	-	-	-	-	-	-	-	-	-	(51)	-	(51)	-	(51)
Capital increases	204	4.796	-	-	-	-	-	-	-	-	-	5.000	-	5.000
Utilisation of revaluation reserves to cover losses	-	-	-	(2.004)	-	-	-		-	2.004	-	-	-	-
Translation differences and other changes	-	-	-	-	-	222	-	1.007	-	(50)	-	1.179	790	(1.956)
Net loss for 2021	-	-	-	-	-	-	-	-	-	-	(4.746)	(4.746)	470	(4.276)
Balance at 31.12.2021	**2.024**	**5.624**	**364**	**16.489**	**207**	**222**	**2.024**	**2.497**	**(81)**	**43.498**	**(4.746)**	**68.123**	**1.692**	**69.815**

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

Share capital
The parent's share capital at 31 December 2021 is comprised of 3,892,376 ordinary shares with a nominal amount of €0.52 each, for a total of €2,024 thousand.
At their extraordinary meeting held on 27 December 2021, the shareholders resolved to carry out a capital increase against payment for a total of €204 thousand with a share premium of €4,796 thousand.

Share premium reserve
This caption amounts to €5,624 thousand and increases on the previous year end following the capital increase of the parent, Albini Group S.p.A.

Legal reserve
The legal reserve amounts to €364 thousand at 31 December 2021 and is unchanged from 31 December 2020.

Other reserves
This caption is as follows:

	31.12.2021	31.12.2020
1. Extraordinary reserve	2.024	2.177
2. Capital injections	207	207
3. Revaluation reserve as per Law no. 266/05	2.108	4.112
4. Revaluation reserve as per Law no. 02/09	12.247	12.247
5. Revaluation reserve as per Law no. 126/20	2.135	2.135
6. Translation reserve	2.497	1.491
7. Liquidation reserve	222	-
Total	**21.440**	**22.369**

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. 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 decreased by €153 thousand due to the parent's net loss for 2020.

The translation reserve increased 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, the Czech koruna and the Hong Kong dollar.

Generated by the subsidiary Tessitura di Mottola S.r.l. in liquidation, the liquidation reserve comprises accruals for the revaluation of plant and machinery (€722 thousand) net of a reserve for future liquidation costs and unforeseen events (€500 thousand).

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

The caption is comprised of:

	31.12.2021	31.12.2020
1. Reserve for currency hedges	(7)	(2)
2. Reserve for interest rate hedges	(74)	(237)
Total	**(81)**	**(239)**

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 decreased from €47,989 at 31 December 2020 to €47,498 at the end of 2021. During the year, this reserve decreased to cover the net loss for 2021 while it increased due to the elimination of intercompany transactions including the dividends distributed to Cotonificio Albini S.p.A. by its subsidiary Albini Hong Kong.

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

	2021	2020
Net loss for the year of Albini Group S.p.A.	**(186)**	**(153)**
Elimination of net intercompany dividends	(453)	(2.000)
Net loss for the year of the consolidated companies	(3.420)	(4.545)
Write-downs/(write-backs) of investees	-	-
Measurement of leases using the financial method	(61)	(49)
Restatement of derivatives	-	(3)
Elimination of intercompany transactions	(156)	(26)
Consolidated net loss for the year (A)	**(4.276)**	**(6.776)**
(A) comprises:		
Net loss for the year attributable to the group	(4.746)	(6.547)
Net profit (loss) for the year attributable to minority interests	470	(229)
	(4.276)	(6.776)
Net equity and net loss for the year of Albini Group S.p.A.	**10.056**	**5.242**
Carrying amount of the consolidated equity investments	(27.850)	(21.506)
Net equity and net profit/loss for the year of the consolidated companies	86.560	81.923
Allocation of the gain on the Mottola land, goodwill	322	322
Effect of recognising leases using the financial method	1.114	1.176
Restatement of derivatives	-	2
Elimination of intercompany transactions	(387)	(142)
Net equity (A)	**69.815**	**67.017**
(A) comprises:		
Net equity attributable to the group	68.123	66.583
Net equity attributable to minority interests	1.692	434
	69.815	67.017

PROVISIONS FOR RISKS AND CHARGES

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

	31.12.2020	Accruals	Change in deferred taxes on derivatives and IRSs	Utilisation/ releases	31.12.2021
Pension and similar provisions	1.261	42	-	(56)	1.247
Deferred tax liabilities	753	80	49	(176)	706
Derivatives	538	-	-	(436)	102
Other provisions	453	1.185	-	(84)	1.554
Total	**3.005**	**1.240**	**49**	**(753)**	**3.609**

The provision for pension and similar provisions includes the agents' termination indemnity and the provision for agents' performance-based indemnity. 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 utilisation of the year amounts to €176 thousand. The reclassifications include a negative €49 thousand for the deferred taxes recognised in connection with the hedging reserve set up under net equity.

Derivatives of €102 thousand include the fair value measurement of interest rate swaps agreed for the group's loans at the year end, described in the note to "Bank loans and borrowings" (€102 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 31.12.2020	**5.880**
Portion vested and accrued in the profit and loss account	1.560
Payments to pension/supplementary funds	(1.257)
Payments of the year	(745)
Tax on the revaluation of employees' leaving entitlement and other changes	(39)
Balance at 31.12.2021	**5.399**

The amount reflects the actual amount due to the employees of the Italian group companies at 31 December 2021.

PAYABLES

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

Bonds

Bonds are detailed as follows:

- registered non-convertible bonds of €671 thousand redeemable in a single tranche on 30 September 2028, issued by Cotonificio Albini S.p.A.;
- registered non-convertible bonds of €1,033 thousand redeemable in a single tranche on 30 September 2028, issued by Cotonificio Albini S.p.A.;
- bonds of €1,575 thousand redeemable in a single tranche on 30 September 2028, issued by Albini Group S.p.A.;
- registered non-convertible bonds of €878 thousand redeemable in a single tranche on 30 September 2028, issued by Cotonificio Albini S.p.A..

The minibonds issued by Unicredit (originally redeemable on 21 September 2024) were redeemed early in 2021 and the redemption of the non-convertible bonds was deferred to 2028.

Convertible bonds

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

- registered bonds of €4,600 thousand redeemable in a single tranche on 30 September 2028, 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.
The maturity of the convertible bonds was also deferred from 2022 to 2028 (originally redeemable on 31 July 2022).

Bank loans and borrowings

This caption may be analysed as follows at 31 December 2021:

	31/12/21	31/12/20
Overdrafts	4.224	1.916
Export financing	15.135	17.891
Interest on loans and borrowings	39	47
SACE-backed unsecured Unicredit loans	2.514	4.761
Mortgage loans - BPER and SACE	3.325	10.448
Mortgage loans - Banco BPM and SACE	2.570	5.055
Mortgage loans - Intesa and SACE	3.325	6.166
Loans - Banca Popolare di Sondrio	2.149	4.766
Loan - Banca Sella	-	1.517
Mortgage loan - Illimity Bank and SACE	17.000	-
Mortgage loan - B.N.L.	-	1.143
Loan - Deutsche Bank and SACE	2.850	3.500
US government loan	-	47
Loan - from Unicredit to Dietfurt	805	-
Amortised cost	(661)	(139)
Total	**53.278**	**57.118**

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

	Due within one year	Due after one year	Due after five years	Total
Bank loans and borrowings	24.183	29.095	8.380	53.278

There are mortgages on the Albino and Brebbia buildings to secure the loans that Illimity Bank S.p.A. has 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. fully repaid loans of €19.7 million.

New loans for a total of €18 million were taken out in 2021. Specifically, €17 million was granted to Cotonifico Albini S.p.A. by Illimity Bank S.p.A. and €1 million to I Cotoni di Albini 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 2021 is included in the hedging reserve for €81 thousand and in derivatives under liabilities for €102 thousand.

Loans and borrowings from other financial backers

This caption totals €5,443 thousand at year end (31 December 2020: €6,337 thousand) and is comprised of lease liabilities, payables to Simest for a loan for participation at international trade shows and payables to factors for customer invoices cashed in advance.

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

	Due within one year	Due after one year	Of which, due after five years	Total
Loans and borrowings from other financial backers	1.153	4.290	1.528	5.443

Payments on account

This caption totals €655 thousand (31 December 2020: €676 thousand) and is comprised of advance payments made for the supply of goods.

Trade payables

The caption amounts to €42,044 thousand, double the previous year-end balance (€21,407 thousand). This huge increase is mainly due to the growth in turnover in the last quarter of the year.
Trade payables by geographical segment:

	31.12.2021	31.12.2020
Italian suppliers	24.727	14.712
EU suppliers	1.824	1.651
Non-EU suppliers	15.493	5.044
Total trade payables	**42.044**	**21.407**

Tax payables

This caption may be analysed as follows:

	31.12.2021	31.12.2020
Tax payables:		
Income taxes net of payments on account	-	-
Substitute tax on revaluation	282	423
Withholding taxes on wages and salaries	581	695
Withholding taxes on bond coupons	92	97
Withholding taxes on consultants' fees and other sundry amounts	19	38
Total	**974**	**1.253**

Social security charges payable

This caption amounts to €974 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:

	31.12.2021	31.12.2020
Employees	3.332	3.211
Bondholders for coupons to be paid	61	324
Insurers	78	106
Sundry	198	178
Total	**3.376**	**3.815**

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	**After 5 years**	**Total**
Ordinary and convertible bonds - shareholders	-	8.757	8.757
Bank loans and borrowings	20.715	8.380	29.095
Loans and borrowings from other financial backers	2.762	1.528	4.290
Total	**23.477**	**18.665**	**42.142**

ACCRUED EXPENSES AND DEFERRED INCOME

This caption amounts to €465 thousand (31 December 2020: €1,665 thousand) and may be analysed as follows:

	31.12.2021	**31.12.2020**
Deferred grants	247	1.263
Interest expense	50	236
Accrued personnel expenses	5	6
Accrued costs due to FATF (Financial Action Task Force)	56	42
Other	107	118
Total accrued expenses and deferred income	**465**	**1.665**

Deferred grants consist of the grants related to income received by Tessitura di Mottola S.r.l. in liquidation to purchase assets pursuant to Law no. 181/89 and recognised in line with the depreciation charged each year. The residual deferred income was reversed during the year after the company was placed into liquidation.

NOTES TO THE MAIN PROFIT AND LOSS CAPTION

Production Revenues

Turnover from sales and services

This caption amounts to €131 million, with an increase of €33 million (+33%) over the previous year.

Revenues are analysed by business segment below:

	2021	**2020**
Fabric sales	84.286	72.314
Cotton and yarn sales and yarn processing	42.271	21.201
Energy (profit on white certificate trading, sale of energy and energy saving systems)	3.902	4.500
Consultancy and services	494	182
Total	**130.967**	**98.197**

The increase in consolidated turnover is mostly due to the huge surge in yarn sales (+100%) as detailed in the directors' report.

Fabric sales also increased on the previous year (+16%), in line with the good performance of Cotonificio Albini S.p.A.'s fabric business.

Revenues from the energy sector and consultancy services worsened slightly on the previous year, especially due to geopolitical issues faced by the third-party customers of the subsidiary Albini Energia S.r.l.. 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:

	2021	**2020**
Italy	39.077	35.921
EU countries (excluding Italy)	29.238	23.631
Non-EU countries	62.653	38.645
Total	**130.967**	**98.197**

Internal work capitalised

This caption amounts to €17 thousand and includes the cost of labour used to build plant and machinery during the year.

Other revenues and income

This caption totals €4.7 million (2020: €2.2 million), of which sundry income of €2.7 million and grants related to income of €2 million.

Sundry income mainly consists of the recovery of transport costs (€605 thousand), gains on the sale of assets (€210 thousand), the sale of marketing materials and other consumables (€85 thousand), prior year income (€940 thousand) mainly due to the recognition of the Fabrics and Fashion tax credit (as per article 48-bis of Decree law no. 34/2020), the R&D tax credit (€176 thousand) and rental income (€20 thousand). The caption also includes other sundry income, chiefly sales of sundry materials and cost adjustments related to previous years.

Grants related to income are as follows:

	2021	2020
Grant related to assets pursuant to Law no. 181/89	1.197	15
Export grants for the Egyptian subsidiaries	216	79
GSE grants related to energy and subsidies to high energy consumers	288	281
Fondimpresa and other grants for personnel training	68	29
Covid-19 support grants	279	322
Total	**2.048**	**726**

In compliance with regulations on transparency on state aid 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 €80 thousand.

Production Cost

Raw materials, consumables, supplies and goods

These amount to €75.3 million, a sharp increase of €35.6 million on the previous year mainly referred to yarn, unbleached materials and dyeing products, due to the upturn in production volumes resulting from higher turnover during the year. The caption comprises costs for the purchase of raw cotton, yarns and fabrics, as well as dyeing products, and other materials and packaging to be used in the production process. Purchases of raw materials refer to raw cotton and other natural fibres (e.g., linen), animal fibres (wool, silk, cashmere and vicuna) and artificial fibres (viscose) used in the production of innovative yarns.

Services

Services rose €5.2 million from €28.9 million in 2020 to €33.8 million in 2021. This caption includes outsourcing and transport costs, customs duties, fees, utilities and driving force.

The group continued to focus on carefully monitoring outsourcing costs, fees and consultancies and maintenance costs in general. The increase in turnover led to a natural rise in certain service costs, even though the group continued its decisive cost cutting and streamlining actions.

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 €564 thousand and €86 thousand, respectively.

Use of third party assets

This caption amounts to €1,009 thousand (2020: €912 thousand) and mainly comprises hire costs for €129 thousand, lease instalments for employee accommodation and costs for civil buildings for €73 thousand, and leases of industrial buildings and third-party warehouses by the Italian and foreign subsidiaries for €615 thousand.

Personnel expenses

The breakdown of these costs is already provided in the profit and loss account. Personnel expenses increased from €27 million in 2020 to €28.5 million in 2021, up by €1.5 million (5.6%).

As a result of the fluctuating order trend and in order to cut costs, the group again made use of the ordinary government-sponsored lay-off scheme in 2021 for the Albino, Gandino, Brebbia and Mottola production facilities for a total of 643,964 hours, an increase on the 630,656 hours of the previous year.

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

	31.12.2020	New hires	Departures	Transfers.	31.12.2021	Average of the year
Managers	18	-	(4)	-	14	16
Junior managers and white collars	286	9	(23)	2	274	280
Blue collars and other employees	1.014	79	(130)	(2)	961	988
Total	**1.318**	**88**	**(157)**	**-**	**1.249**	**1.284**

Amortisation, depreciation and write-downs
As mentioned earlier in the section on fixed assets, amortisation and depreciation increased from €5,237 thousand in 2020 to €6,167 thousand in 2020 (+€930 thousand). The subsidiaries Cotonificio Albini S.p.A. and Tessitura di Mottola S.r.l. in liquidation had applied reduced rates in 2020. 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 €299 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 €0.8 million (2020: €0.9 million) and mainly relates to indirect taxes and duties of €521 thousand and contributions to trade associations of €158 thousand. The bad debts recorded in the year were fully covered by 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 €2 thousand.

Interest and other financial charges - Exchange rate gains and losses
Interest and other financial charges are comprised as follows:

	2021	2020
Interest expense and commissions on loans and advances	1.041	936
Bank interest expense	28	49
Interest expense on bonds to shareholders and third parties	647	626
Discounts and financial charges	277	250
Other financial charges	-	-
Total	**1.993**	**1.861**

Net exchange rate losses come to €17 thousand (2020: net exchange rate gains of €0.4 million).

Adjustments to Financial Assets

Write-backs
Write-backs of derivatives of €253 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 €6 thousand related to the losses on the currency forwards on sales and purchases in the Czech koruna.

Income Taxes
This caption is as follows:

	2021	2020
Current:		
Income taxes	650	(456)
Total current taxes	**(650)**	**(456)**
Income from participation in the national tax consolidation scheme	**1.040**	**321**
Recognition of deferred tax assets	91	716
Utilisation/release of deferred tax assets	(108)	(355)
Recognition of deferred tax liabilities	(80)	(600)
Utilisation/release of deferred tax liabilities	176	3.790
Total deferred taxes	**79**	**3.551**
Total income taxes of the year	**469**	**3.416**

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	(4.745)		
Reversal of net profit/(loss) of foreign investees	1.029		
Net effect of consolidation adjustments	737		
Theoretical IRES tax base	(2.979)	(a)	
Theoretical tax charge:			
IRES (%)	**24%**	**(715)**	
Temporary differences:			
Gains and entertainment expenses	80		
Non-deductible amortisation/depreciation	228		
Utilisation of various non-deductible provisions, net of accruals	455		
Non-deductible interest expense	1.357		
Other changes	(318)		
Total temporary differences	1802	(b)	
Permanent differences:			
Adjustments to equity investments and dividends	(430)		
Non-deductible taxes	185		
Deduction for super and hyper depreciation	(615)		
ACE (aid to economic growth) incentives and IRAP deductions of personnel expenses	(102)		
Reversal of negative tax bases	5.172		
Other changes	(870)		
Total permanent differences	3.340	(c)	
IRES tax base (a + b + c)	**2.163**		
Net IRES	24%	**519**	**A**
Costs not deductible for IRAP purposes - Italian subsidiaries:			
Personnel expenses net of the deductible portions	86		
Write-downs of receivables and bad debts	28		
Net financial income	874		
Costs and revenues not deductible for IRAP purposes	(378)		
Net utilisations of various non-deductible provisions	-		
Non-deductible taxes	378		
Reversal of negative tax bases	5.172		
Other changes	50		
Total IRAP adjustments	**6.111**	(d)	

IRAP (%) (a + d) PORTION AT 3.9%	**2.094**	**81**	**B**
IRAP (%) (a + d) PORTION AT 4.82%	**1.038**	**50**	**C**
ADJUSTMENT TO TAXES RELATIVE TO PRIOR YEARS		**(18)**	**D**
INCOME TAXES OF THE HONG KONG SUBSIDIARY		**12**	**E**
INCOME TAXES OF THE US SUBSIDIARY		**7**	**F**
SUBSTITUTE TAX ON REVALUATION		**-**	**G**
Total current taxes (A+B+C+D+E+F)		**650**	**H**
Income from participation in the national tax consolidation scheme		**(1.040)**	**I**
Net taxes (H+I)		**(390)**	

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 2021.

Sureties given to third parties consist of those issued to the Egyptian authorities (FATF) to guarantee the Egyptian subsidiaries' customs operations (€300 thousand), to the Varese provincial authorities for hydroelectric concessions (€39 thousand) and to others (€41 thousand).

Post-Balance Sheet Events

As described in detail in the directors' report to which reference should be made, Russia invaded Ukraine at the end of February 2022. Though it did not have a direct negative impact on the group's turnover, except to a very minor extent, the global geopolitical and economic situation remains uncertain and volatile.
The group's performance was very positive in the first few months of the year in terms of both turnover and orders, however.

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, 31 March 2022

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

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STATURY AUDITOR'S REPORT

REPORT OF THE INDEPENDENT AUDITORS

(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: € 2,232,035,52.= of which € 208,000,00.= reserved for the conversion of the convertible bonds of the subsidiary Cotonificio Albini S.p.A.; actual share capital: € 2,024,035,52.= 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 2021

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	137.151.=
B.	Production cost	140,135.=
•	Operating profit (loss) (A – B)	(2,984).=
C.	Net financial expense	(2,008).=
D.	Adjustments to financial assets	247.=
•	Pre-tax profit (loss) (A - B + C + D + E)	(4,745).=
•	Income taxes, current and deferred	469.=
•	Net profit (loss) for the year before minority interests	(4,276).=
•	Minority interests	(470).=
•	Net profit (loss) for the year attributable to the Group	(4,746).=

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 2021 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. in liquidation, 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 2021 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 without changes.

The shareholders, with communication dated 06th April 2022, 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, 30th May 2022

for the Board of Statutory Auditors

(dott. Danilo Arici - President)

KPMG S.p.A.
Revisione e organizzazione contabile
Via Camozzi, 5
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Telefono +39 035 240218
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(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

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 2021, 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 2021 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 2021 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 2021 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 2021 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, 30 May 2022

KPMG S.p.A.

(signed on the original)

Stefano Azzolari
Director of Audit

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