2022

ANNUAL REPORT

Albini
GROUP

WEAVING. HERITAGE. FUTURE.

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THE GROUP

THE PRESIDENT'S LETTER

Dear shareholders, employees and co-workers,

Firstly, I would like to express my gratitude and appreciation for your continued dedication and contribution to the positive performance of the Group in 2022. People are our most valuable resource and fundamental to our success, and your tireless work and dedication are the driving force that inspires us and allows us to progress.

During 2022, the global economic and business landscape demonstrated a notably positive trajectory after the challenging years of the Covid-19 pandemic.

We gradually resumed all activities, addressed and managed the demands of reorganising and strategically developing our Group, and had to tackle new problems that, like the pandemic, were out of our control but strongly impacted our business.

Stefano Albini

Since the end of 2021, we have seen an exponential rise in energy costs, which was further compounded by the climate of uncertainty that began at the end of February, triggered by the conflict in Ukraine and by unprecedented inflationary growth to levels unseen for decades.

This temporarily put us under pressure, but our swift reactions also allowed us to make the most of all the opportunities offered by the strong recovery in our industry, which, thanks to our resilience, adaptability and focus on the customer, enabled us to achieve important goals and to record, together with an important growth in turnover and the recovery of profit margins, the highest peak in turnover since the Group was founded.

This success was made possible thanks to our commitment to creativity, quality and product innovation, reinforced by investments in sustainability, an issue that customers have particularly appreciated thanks to our focus on organic raw materials that are traceable and certified according to criteria of total transparency and honesty.

In this area, the company I Cotoni di Albini S.p.A. has played a particularly important role and achieved significant results in the competitive sector of cotton yarns. Albini Energia S.r.l., for its part, has continued to successfully address the issues of environmental impact and energy optimisation, making investments in renewable energy. Last but not least, we should mention the intensive and rigorous research in green chemistry and new fibres, developed through our “Albini Next” innivation hub at the “Kilometro Rosso”. Here we are producing yarns with totally natural dyes, which have already been offered to our customers.

I believe it is fundamental that the Group plays a leading role in the industry and acts as a benchmark organisation in the region, promoting a sustainable economy and contributing positively to the community and to protecting the places in which we operate.

But our commitment extends far beyond these achievements. We are aware that the sector is constantly evolving and that we must remain flexible and ready to swiftly address and face new challenges. We will continue to invest in the training and development of people’s skills and explore new opportunities for business expansion and diversification.

In relation to the Business Plan, the targets for 2022 have not only been met but also surpassed, which allows us to work with determination on current market uncertainties. Twice a year, we monitor and share with the Board of Directors the progress of the entire plan, focussing in particular on our stringent sustainability standards.

Having achieved these standards consistently and being recognised by our customers means that we are effectively progressing in the right direction and successfully realising the goals set for the three-year period. All this confirms that the effort we have put in for years is based on solid foundations and values that we strive to pass on to everyone, every day.

Finally, I would like to once again thank all those who have contributed to our success, and this includes staff, valued customers and business partners, as well as the financial world that follows and supports us. A special thank you to the CEO of Cotonificio Albini S.p.A. Fabio Tamburini for his important work in 2022 and encouragement for the challenges ahead in 2023.

I am proud to lead this Group and look forward to sharing further successes together in the future.

Best Wishes

Chairman of Cotonificio Albini S.p.A.

(Dott. Stefano Albini)

THE MANAGING DIRECTOR'S LETTER

Dear stakeholders,

I would like to thank our Chairman and the members of the Board of Directors for the confidence placed in me at this pivotal moment in our company's history and in the industrial sector to which we proudly belong. The paradigms that have governed the competitive landscape of the fashion system since the 1980s and 1990s have undergone a transformation. Issues such as sustainable development and innovation, fabric performance, new creative frontiers in clothing, shorter selling seasons, and new competitors from emerging markets are compelling us to approach the textile business in a different manner. We are witnessing a definitive generational evolution, in a world where clothing continues to represent personal emotions and social behaviour, with greater awareness and selectivity among customers concerning the products and values that inspire trends. Ethical and environmental sustainability is no longer an option or a marketing campaign, it is a moral duty.

Albini has always built its reputation, the quality of its research and products, on these values. Nevertheless, we too are tasked with embracing a new mindset and adopting a new approach: an approach that is more flexible, more efficient and more integrated across the various company functions, in order to ensure the continuation of the good economic results achieved in the current financial year of 2022.

The significant accomplishments achieved in recent years are the result of the sacrifices and dedication of everyone in a Group that has been reorganised and is facing new challenges. People remain at the heart of the organisation, as demonstrated by the new performance appraisal system and the establishment of professional growth programmes, and by the transfer of skills and sharing of successful operational procedures between the Group's different business units. This cultural challenge will see us engaged for many years to come. As part of our internal evolution, we have placed and continue to place great emphasis on customer care, which has fostered closer relationships and integration, leading to the expansion of our exclusive product projects, which now account for a significant share of 2022 sales.
The Product Management department together with the Sales Network have established on the market new fibres (Retwist+), new fabrics 4Flex®), and new designs (Albini Donna).

Lastly, I would like to highlight the evolutionary process of our supply chain and the commendable coordination between the factories, Cotonificio Albini and I Cotoni di Albini; aspects that have been particularly crucial after such a strong recovery in sales volumes in both companies after the pandemic, and which have allowed us to achieve this year's primary goal of rebalancing stocks.

Once again, a sincere thank you to all our colleagues and to our shareholders, with the hope that this year will confirm that the path we have taken is the right one.

Best Wishes

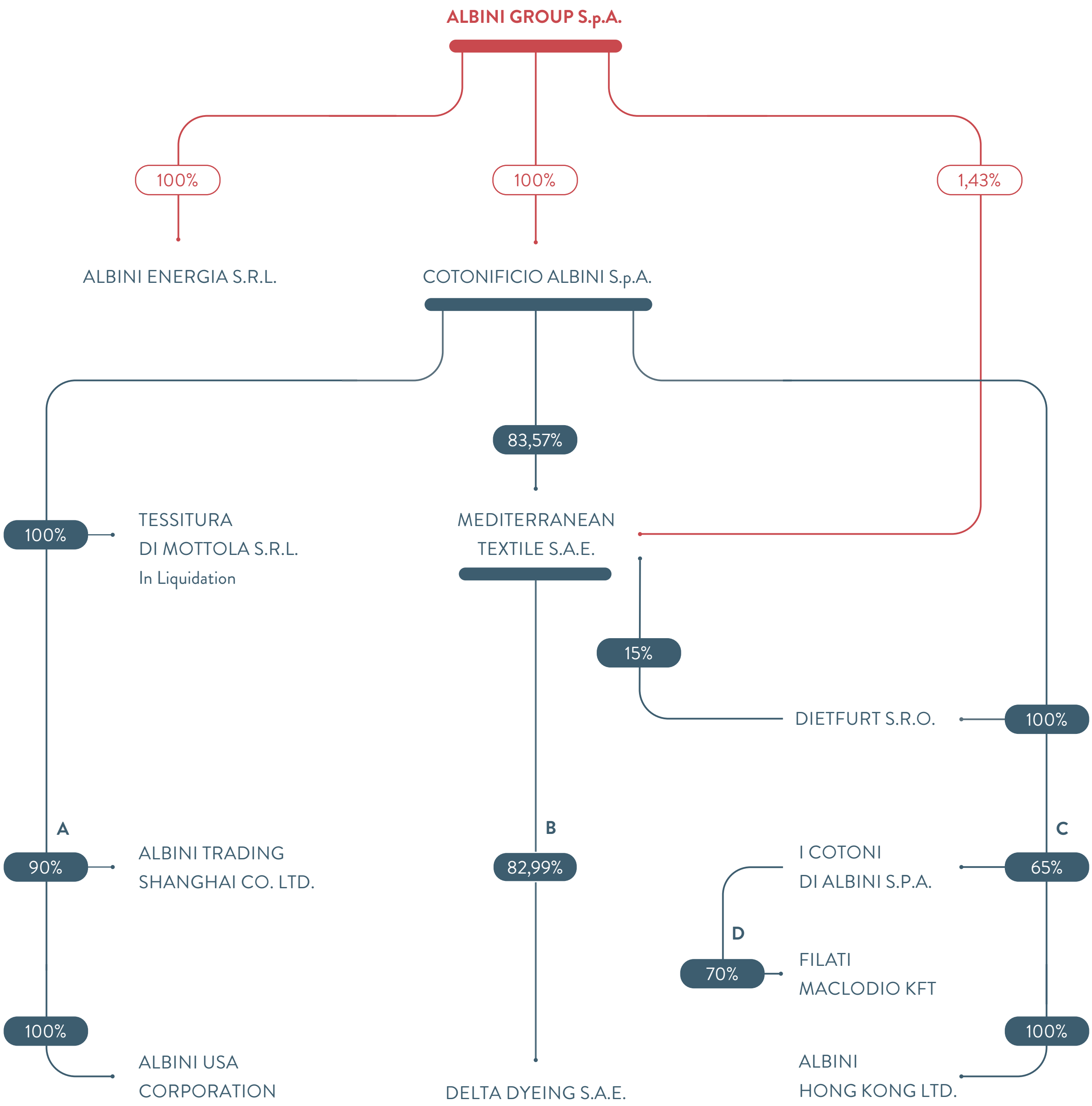
Managing Director of Contonificio Albini S.p.A.
(Dott. Fabio Tamburini)

Fabio Tamburini

DIRECT WORLDWIDE PRESENCE

THE GROUP STRUCTURE

AT 31.12.2022



A Essence Trading Co. Ltd. 10%
B Setcore Spinning 8,17% - Alba Albin Breitenmoser Holding AG 8,84%
C Modern Nile Cotton Co. 30% - Mr. Arioldi Daniele 5%
D Best Yarn Srl 30%

CORPORATE BODIES

ALBINI GROUP S.p.A.

BOARD OF DIRECTORS*

PRESIDENT	Fabio Albini
VICEPRESIDENT	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

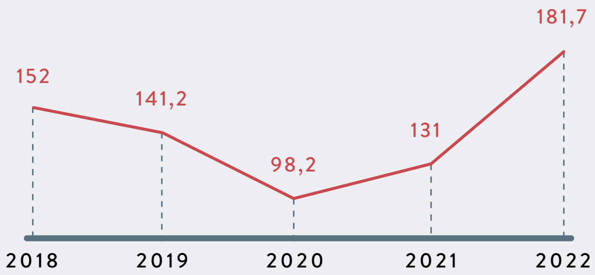
PRESIDENT	Danilo Arici
STATUTORY AUDITORS	Fabrizio Lecchi Lorenzo Gelmini
SUBSTITUTE AUDITORS	Laura Bertacchi Maria Speranza Crippa
EXTERNAL AUDITOR	KPMG S.p.A.

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

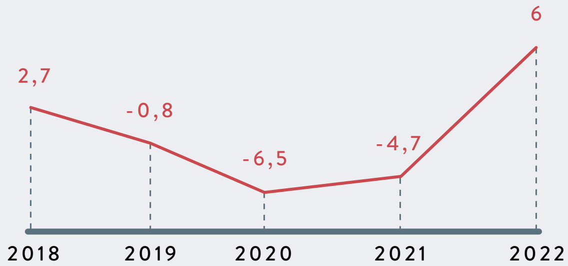
**Nominated on 05/07/2019 - term of office until approval of the financial statements as at 31/12/22

ECONOMIC AND FINANCIAL INDICATORS

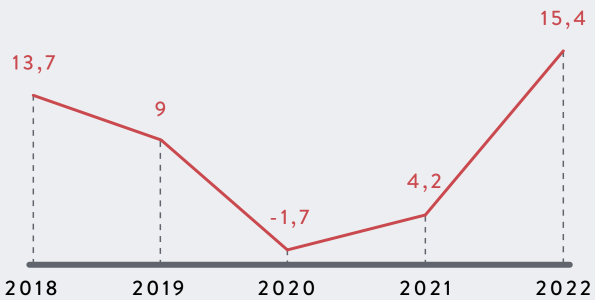
NET REVENUE
(in millions of Euros)



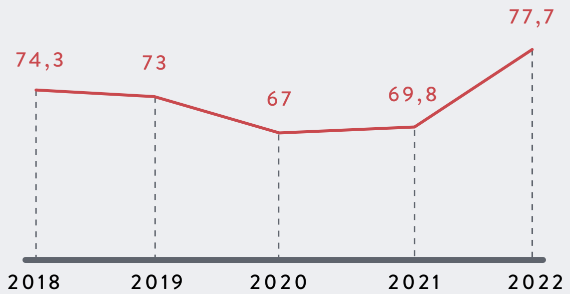
NET INCOME
(in millions of Euros)



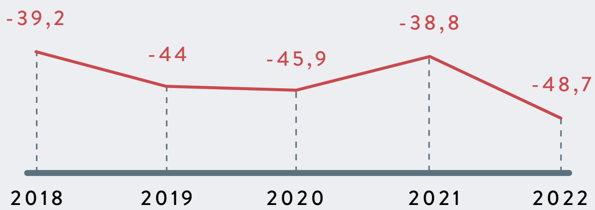
EBITDA
(in millions of Euros)



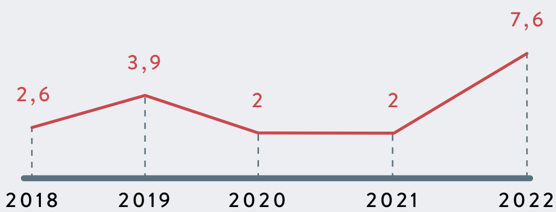
CONSOLIDATED SHAREHOLDERS' EQUITY
(in millions of Euros)



NET FINANCIAL POSITION
(in millions of Euros)



INVESTMENTS
(in millions of Euros)



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

VISION

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

MISSION

Since 1876 our commitment and ambition has been to create the most beautiful fabrics in the world.

VALUES

Innovation. Product excellence. Service that creates value. Brand identity. Family and territory. Sustainability.

146 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.

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.

2022

The Group consolidates its European production platform with the acquisition of a majority stake in the Maclodio KFT spinning mill in Hungary.

02

THE STRATEGY AND THE CONCRETE ACTIONS

Cliffs of Normandy

ENVIRONMENTAL SUSTAINABILITY

Aware of the textile industry's high degree of 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 towards more sustainable fashion.

To facilitate the strategic implementation of such efforts, a sustainability committee was formed in 2022. It is composed of the corporate front line and managers of divisions involved in ESG topics. From it, in order to take targeted action on the strategy and on material matters for the Albini Group, we have created a small working group that, throughout the year under review, has worked to establish concrete areas of development and create a roadmap for the years to come.

More specifically, in 2023, we will conduct research in preparation of the drafting of the Sustainability Report, to be published in 2024, ahead of European regulations. Moreover, a gap analysis will be carried out in order to address the need to have an Integrated Management System in view of the ISO certifications which will be pursued in upcoming years: we will supplement the ISO 14001:2015 certification already obtained for the Albino, Gandino and Brebbia facilities with ISO 9001 (Quality Management), ISO 45001 (Occupational Health and Safety), 50001 (Energy Management Systems) and 56002 (Innovation Management) certifications.

Below, the current main areas of reporting and intervention regarding environmental issues are examined.

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.

Vertical Traceability

- Direct control over raw material suppliers carried out by ICA Yarns (I Cotoni di Albini).
- 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.

GOTS
Certification that natural fibres from organic farming are used.

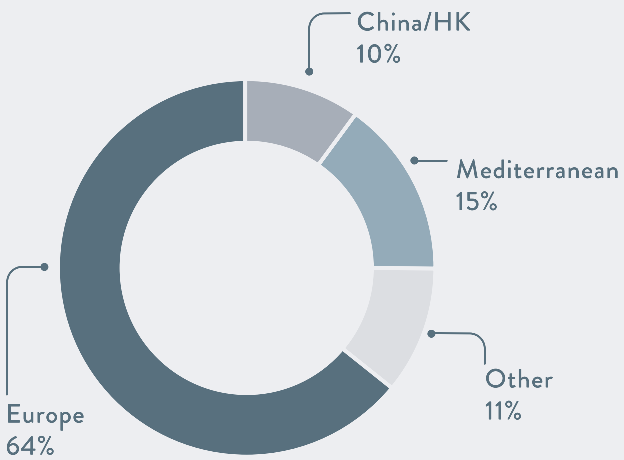
OCS
A certification guaranteeing the organic origin of textile fibres and their traceability along the environment-friendly production chain.

Horizontal traceability

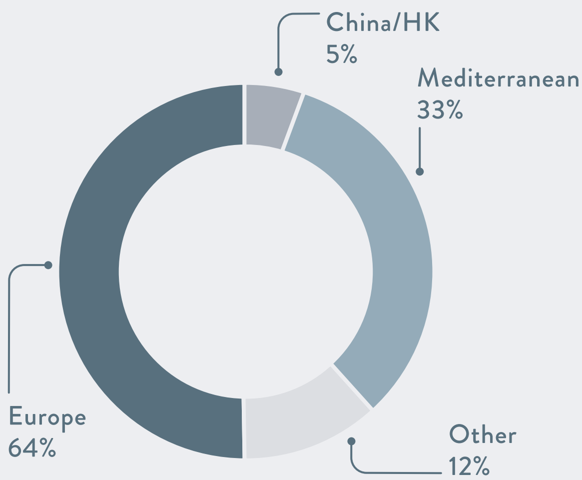
- Sustainability mapping of 71% of suppliers of chemicals and raw materials.
- The TRACE project to map and qualify the sustainability of raw material suppliers, subcontractors and outsourced processes.

The mapping process initially involved the company's entire production chain.The following chart and graphics demonstrate the geographical distribution of the number of suppliers and annual purchases.

GEOGRAPHICAL DISTRIBUTION SUPPLIERS



GEOGRAPHICAL DISTRIBUTION ANNUAL PURCHASES

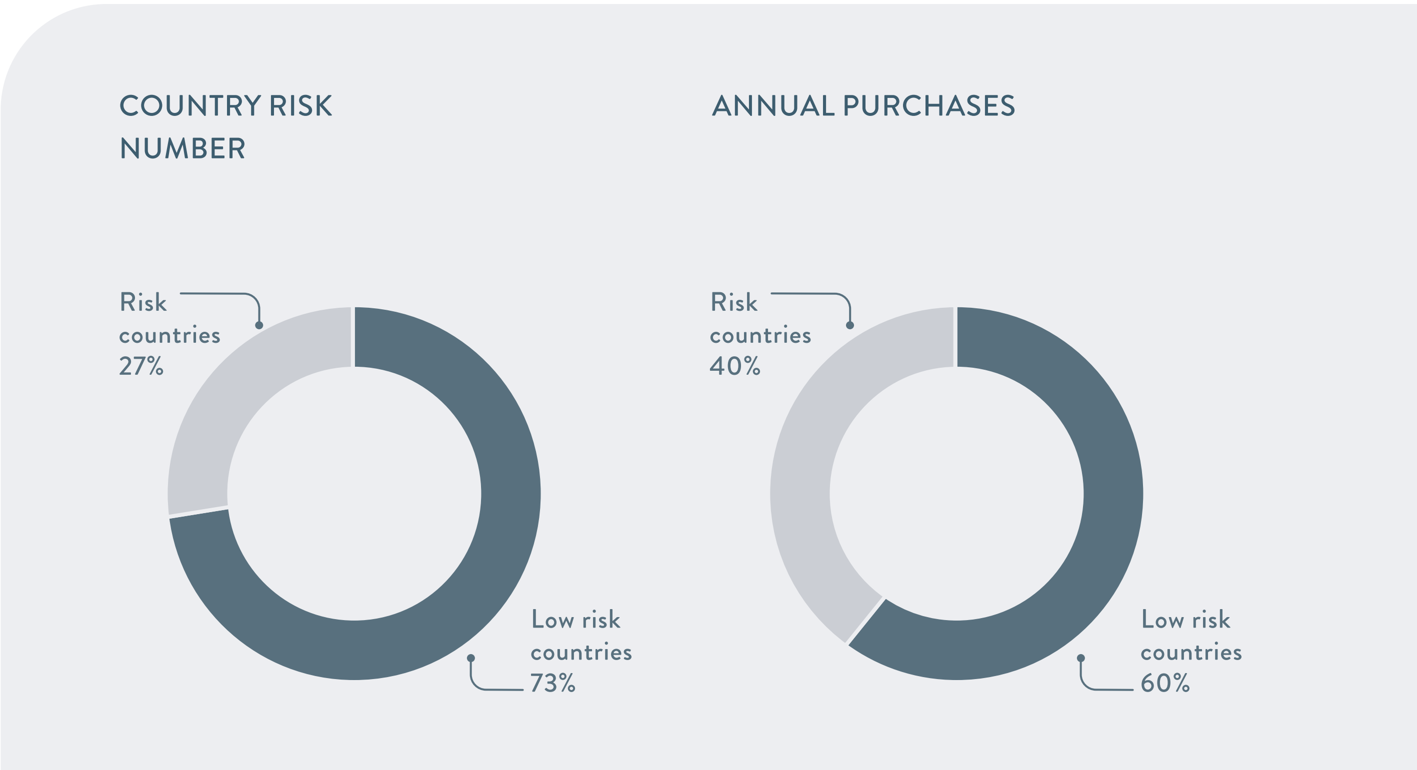


Totale mapped suppliers	131
Europe	84
China/HK	13
Mediterranean Area	20
Other (USA, Israel, Asia)	14

About 80% of the suppliers and over 83% of annual purchases originate in Italy and the Mediterranean (Egypt, Türkiye, Tunisia); all other suppliers/ purchases are spread out in areas that are further away.

The geographical distribution of suppliers also provides important information about the risk connected to the country where each supplier is located. Through the use of AMFORI charts, each country can be evaluated through a series of socio-political-financial indicators, which identifies their risk potential.

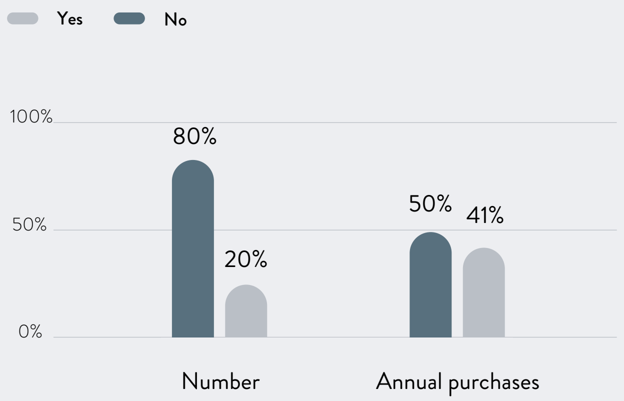
Governance Elements
1. Voice and Accountability
2. Political stability - Absence of violence and terrorism
3. Government effectiveness
4. Regulatory quality
5. Rule of Law
6. Control of Corruption



About ¾ of our suppliers, which make up 60% of our annual purchases, are found in low-risk countries.

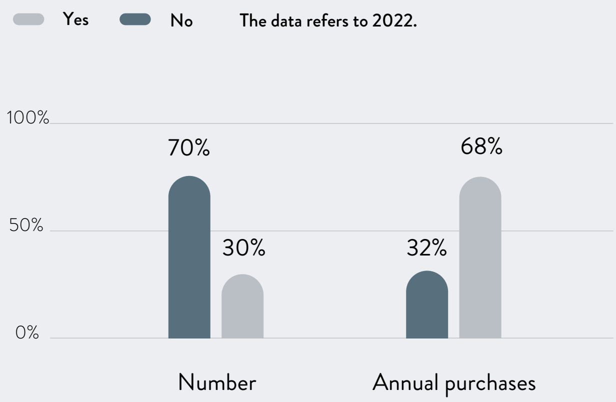
Albini Group has decided to concentrate the supply chain qualification process on the 30 suppliers identified as strategic.
In January 2023, the selected suppliers were sent the Supply Chain Sustainability Charter, with the request to sign it in agreement and to commit to compliance with the contents therein.
The graphics below show the current responses received thus far.

SUBSCRIPTION CDV



The 30 selected suppliers were also asked to complete a 4sustainability self-assessment questionnaire to gather information about the implementation of environmental and social sustainability policies.
The suppliers were sent an invitation to register on the Ympact platform to fill in the questionnaire.
An on-boarding process was launched at the same time to assist them along the process.
The numbers regarding participation demonstrate that 30% took part, which covers 68% of our annual purchases.

QUESTIONNAIRE COMPILATION



The goal of Albini is to improve the engagement of suppliers by getting them involved in the sustainable development strategy.

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 reinforce 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

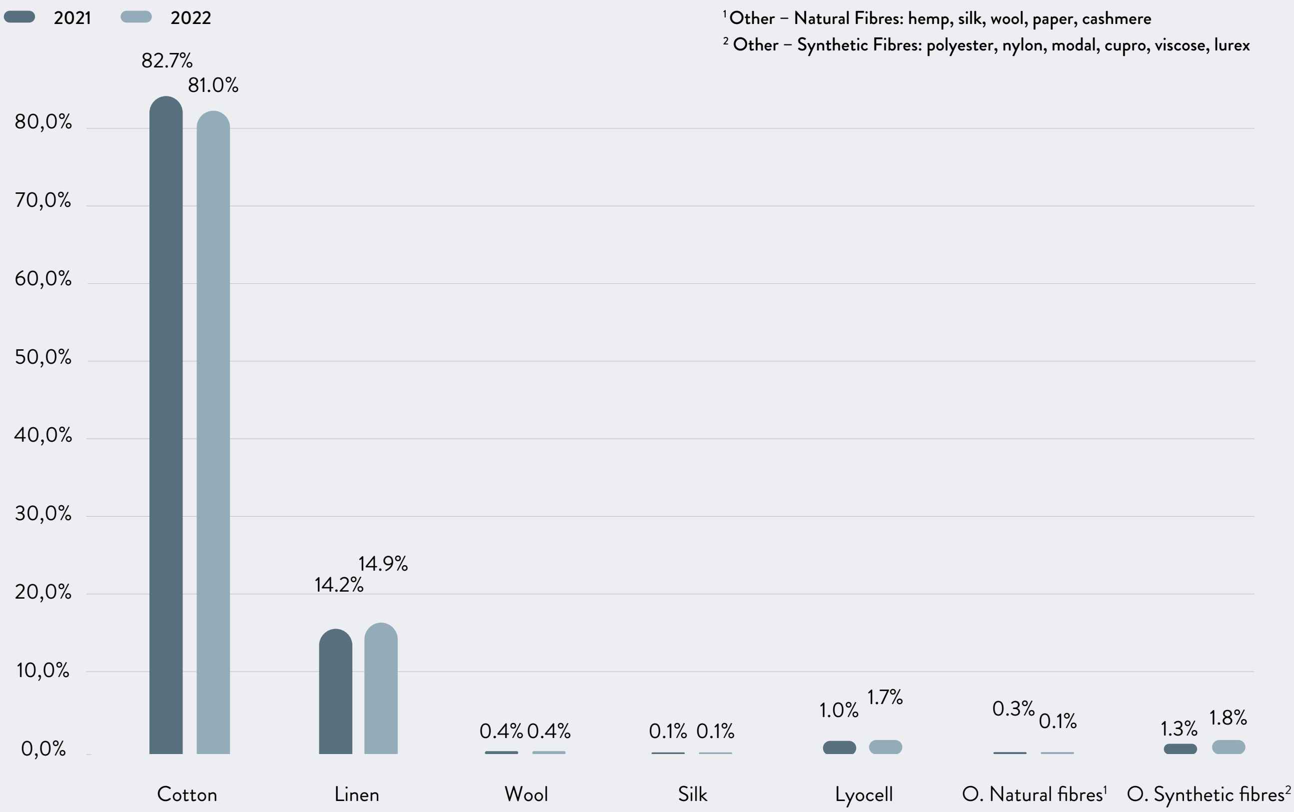
The Albini Group yarn purchasing policy is based on constant research and the selection of the finest raw materials so that we are able to offer high-performance, superior-quality yarn.

Note: The indicators shown here are relative to Albini Group production sites.

Purchasing according to fibre type							
	Cotton	Linen	Silk	Wool	Tencel	Other-Natural Fibres[1]	Other-Synthetic Fibres[2]
2021	82.7%	14.2%	0.1%	0.4%	1.0%	0.3%	1.3%
2022	81.0%	14.9%	0.1%	0.4%	1.7%	0.1%	1.8%

PURCHASES ACCORDING TO FIBRE TYPE

[1] Other – Natural Fibres: hemp, silk, wool, paper, cashmere
[2] Other – Synthetic Fibres: polyester, nylon, modal, cupro, viscose, lurex



Organic cotton purchases		
	Kg of organic cotton	
	2021	2022
Organic cotton purchased (Kg)	504 993.39	566 317.28
% organic cotton out of all yarn purchased	19.5%	17.9%

For the Albini Group, the purchase of controlled-origin, organic raw materials continues to be important, so that we may protect specific farming areas and reduce environmental impact.

Linen flowers

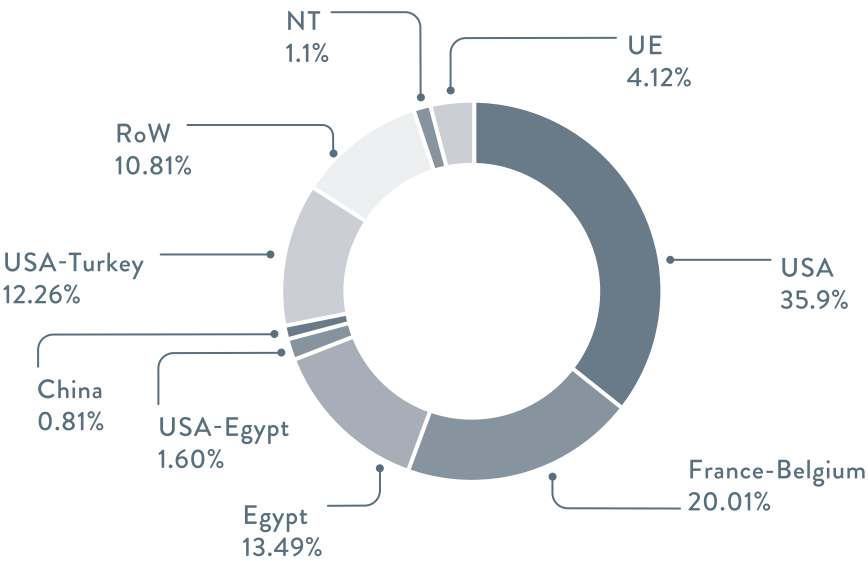
Origin of textile fibres

The following graphic demonstrates the geographical origin of the yarns purchased in 2022, as percentages.

	USA	France Belgium	Egypt	USA Egypt	China	USA Turkey	RoW	NT	Other EU countries
Kg	505 554	281 790	189 925	22 494	11 469	172 580	152 177	3 274	57 951
%	35.90%	20.01%	13.49%	1.60%	0.81%	12.26%	10.81%	1.1%	4.12%

*N/T (Non-Traceable); RoW (Rest of the World)

2022 - FIBRE ORIGIN



In 2022, purchases in Europe increased pursuant to the general increase in sales of European linen fabric.

Aware of its social and environmental responsibility, the Albini Group has signed partnerships with non-profit organisations such as the Better Cotton Initiative (BCI), Textile Exchange, and with the European agricultural-industrial organisation CELC, and is part of regenerative agriculture projects directly with local cotton farmers. 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.

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 resources and sources of energy, in accordance with the available economic resources.

Note: The indicators shown here are relative exclusively to the manufacturing sites of Cotonificio Albini S.p.A.

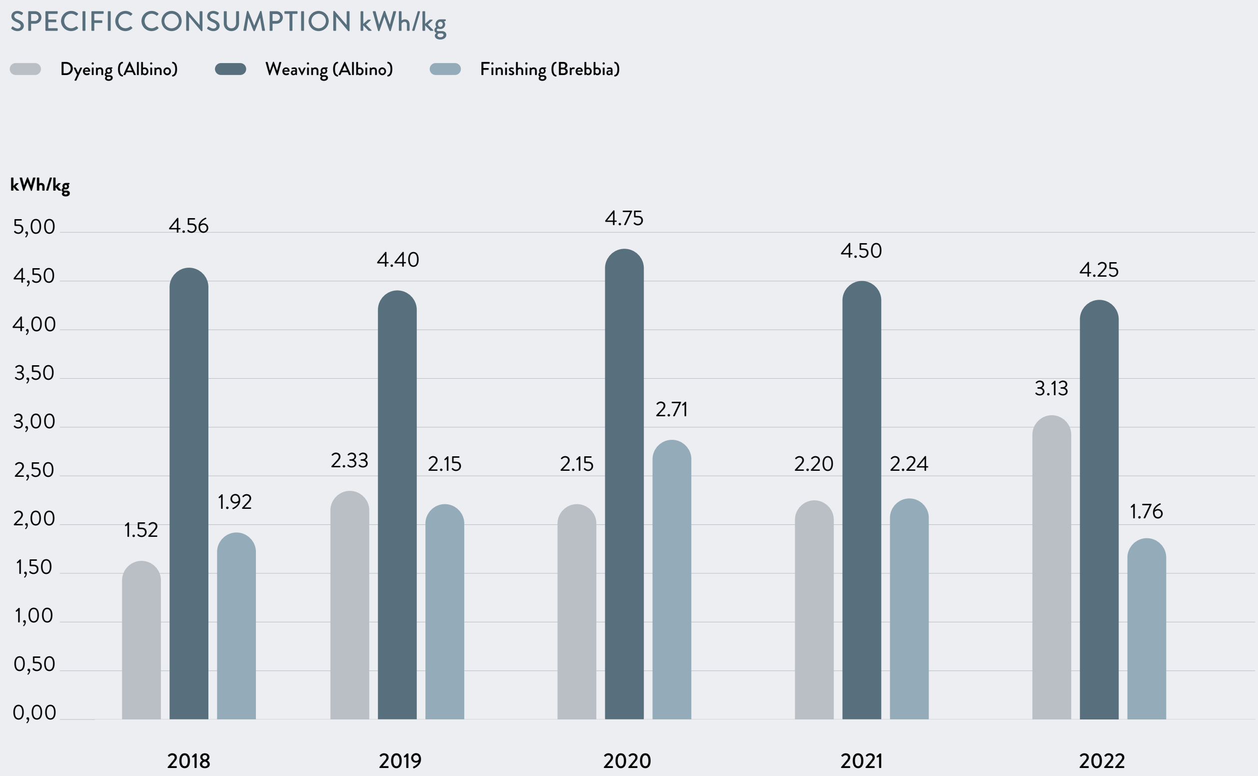
CONSUMPTION

To efficiently manage the use of water and power, data from monitoring software and measurement devices are collected monthly, with the goal of guaranteeing constant awareness of the use of resources.

Please note: the energy and water use data shown below are calculated according to metres of fabric produced, adopting a 0.2 standard conversion factor representing 200 grams per linear metre.

1. Electricity consumption

Year	Dyeing (Albino)			Weaving (Albino)				Finishing (Brebbia)			
	kwh/kg	kwh	kg yarn dyed	kwh/kg	kwh	kg fabrics	m fabrics	kwh/kg	kwh	kg finished fabric	m finished fabric
2018	2.07	1 152 580	557 331	4.56	2 545 245	557 735	2 788 674	1.92	3 852 089	2 007 313	10 036 567
2019	2.27	816 513	359 889	4.40	1 669 383	379 427	1 897 135	2.15	3 640 533	1 695 925	8 479 624
2020	3.70	1 280 798	346 414	4.75	922 262	194 139	970 697	2.71	3 208 935	1 184 309	5 921 546
2021	3.33	1 499 777	450 467	4.50	1 289 617	286 443	1 432 217	2.24	3 195 521	1 424 487	7 122 435
2022	3.13	1 343 865	429 480	4.25	1 328 993	312 765	1 563 824	1.76	3 366 014	1 912 472	9 562 360



2. Water consumption

In 2022, we recorded an increase due to increased production. However, there was also a notable decrease of the use of potable water coming from the water mains for manufacturing processes (-43%), in view of the water use reduction strategy which began in 2020, with the goal of preserving an increasingly precious resource.

	Total Cotonificio Albini S.p.A.			
Year	Total m^3 Consumed	M^3 well water	M^3 canal water	M^3 water main
2020	577 442	91 348	371 429	114 665
% in 2020		16%	64%	20%
2021	566 773	116 420	345 571	104 782
% in 2021		21%	61%	18%
2022	688 799	150 433	472 750	65 616
% in 2022		22%	69%	10%
% 2022/20	19%	65%	27%	-43%

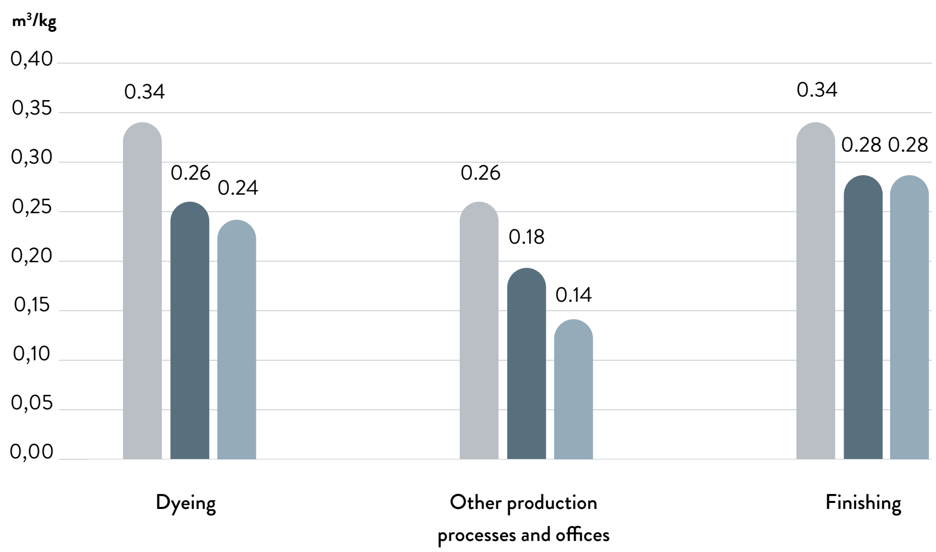
Note: The data presented here refer to 2020, the year in which the water reduction strategy began.

The chart shows how the use of water in the dye-works is consistently diminishing thanks to our efforts to reduce the number of washes and the use of the new Orgatex computer platform.

Year	Dyeing			Other production processes and offices				Finishing			
	m^3/kg	m^3	kg yarn dyed	m^3/kg	m^3	kg fabric	m fabric (Albino)	m^3/kg	m^3	kg finished fabric	m finished fabric (Brebbia)
2020	0.34	118 714	346 414	0.26	49 604	194 139	970 697	0.34	407 296	1 184 309	5 921 546
2021	0.26	118 448	450 467	0.18	52 402	286 443	1 432 217	0.28	393 822	1 424 487	7 122 435
2022	0.24	104 902	429 480	0.14	44 059	312 765	1 563 824	0.28	539 008	1 912 472	9 562 360
%2021 /2020	-23.3%	-0.2%	30%	-28.4%	5.6%	47.5%	47.5%	-19.6%	-3.3%	20.3%	20.3%
%2022 /2021	-7.1%	-11.4%	-4.7%	-23%	-15.9%	9.2%	9.2%	1.9%	36.9%	34.3%	34.3%

SPECIFIC WATER CONSUMPTION m^3/kg

2020 2021 2022

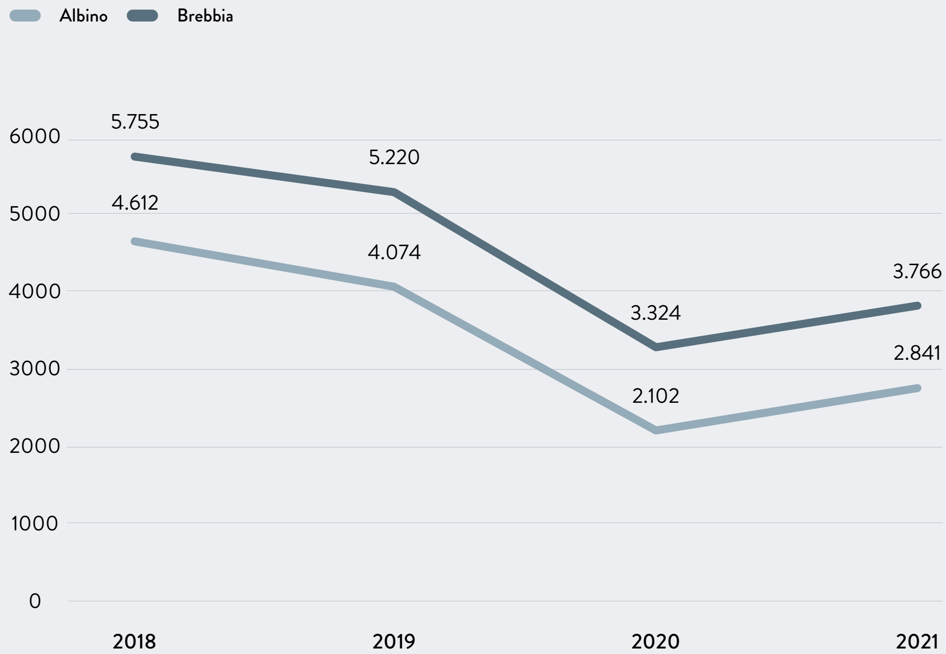


As the graphic shows, since 2020, the specific consumption of Albino has decreased, while Brebbia's water use has decreased since 2020, though its specific consumption was equal to 2021.

3. Atmospheric emissions

The following graph shows a reduction in CO_2 equivalent emissions for 2021, primarily due to good energy purchasing practices. In 2022, green energy was not purchased due to the instability of the market and increased supply costs; for that reason, specific consumption also increased. However, in 2022, the projects to install the solar plants for the Albino, Brebbia and Gandino facilities began. As of writing, all sites in Italy, including ICA Yarns, have a solar panel system for the production of electricity. The sourcing of electricity from increasingly renewable resources, according to the progress of the market, is an integral part of the Albini Group strategy.

TOTAL TONNES OF CO_2 EQ./KG PRODUCED



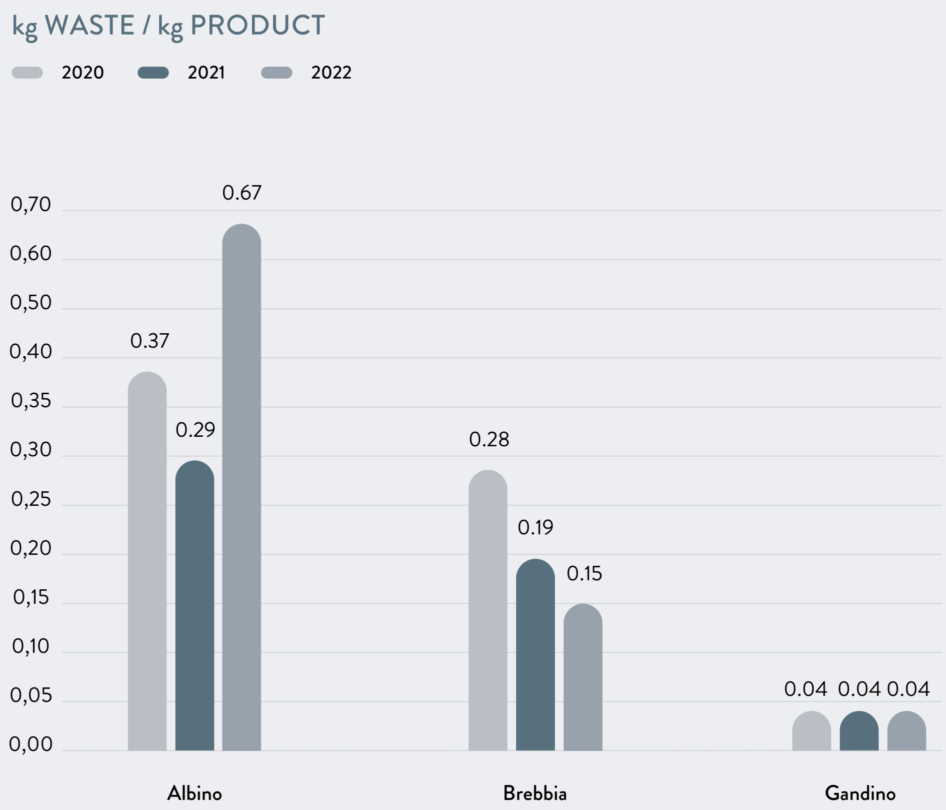
Waste reduction and recycling

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

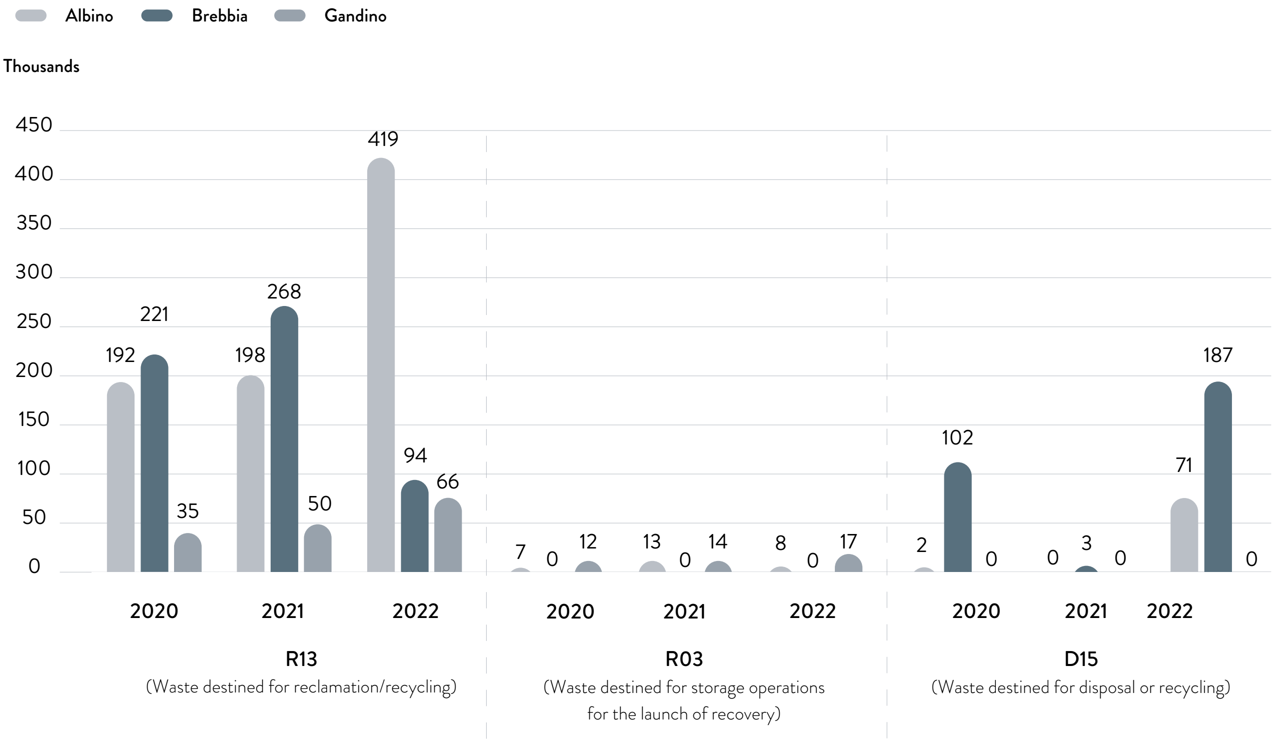
Note: The indicators shown here regard only the Group company known as Cotonificio Albini S.p.A.

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

The only exclusion is for the Albino manufacturing site in 2022; the work done on the roof for the installation of the solar panels involved the renovation of the roofing, which generated extra waste. Nonetheless, we can also note that the % of recycled materials at Albino increased significantly.



WASTE MANAGEMENT



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.

The Albini Group continues the commitment it began in 2018 to be an Official Contributor to ZDHC, 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 2022 the following stand out:

- 100% compliance with ZDHC requirements for wastewater discharge.
- 88% of production volumes are covered by the chemical management system.
- The remaining 12% of production volumes at subcontractors are managed with attentive supplier qualification for Cotonificio Albini S.p.A's chemical management requirements.

RAW MATERIALS

PRESTIGIOUS, RARE AND SUSTAINABLE

The quality of the Albini Group fabrics begins with research and with the responsible choice of the most precious and sustainable natural raw materials, strictly selected and cultivated with respect for the environment and the populations. 2022 continues in this direction, following and in many cases anticipating the strong market drive towards increasingly sustainable choices.

Cotton field in Puglia

BIOFUSION®

- BIOFUSION® is scientifically traceable organic cotton, the result of a blend of two American organic cottons, specifically Supima®, the finest American Extra-Long Staple cotton, and Upland, a superior quality long-staple cotton. Traceability is guaranteed from the field to the fabric thanks to an innovative method based on forensic science and promoted by Oritain™, industry leader.
- After 70 years, Albini Group reinstates the culture of cotton in Italy: Biofusion® – Italian Selection, is an organic and scientifically traceable cotton grown in the province of Foggia (Puglia), in an area where organic farming of the highest quality has been practised for years.

GIZA 45 AND GIZA 87

Egyptian cotton is the best in the world.

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

Giza 87 is the brightest cotton among the Egyptian Extra-Long Staples and is ideal for creating particularly bright and white fabrics.

Albini Group plays an active role in the cultivation of Giza 45 and Giza 87 cottons in Egypt and direct control of production.

Cotton flower

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

West Indian Sea Island is one of the rarest, oldest and most valuable varieties 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.
Albini Group has established partnerships directly with farmers, obtaining the exclusivity of 100% of Sea Island cotton in Barbados and 90% of Jamaican cotton.

Cotton seeds

Linen field in Normandy

LINEN

The secret behind the finest linen shirting fabric is hidden in a beautiful light blue flower that grows on the Normandy cliffs. Indeed, 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.

Vertical Indigo, Black Wood and Hyphae projects

ALBINI_next

TEXTILE INNOVABILITY

Founded in 2019, ALBINI_next is the Albini Group think tank devoted to accelerating ideas and the technological transfer between science and the textile industry.

In 2022, ALBINI_next continued to search for creative, practical and sustainable solutions along with a growing number of academic and industrial partners, confirming the success of the open innovation model. Collaborations with the University of Bergamo and the University of Milano-Bicocca were important, with funding provided for two PhDs on topics that are strategic to our company.

4
Industrialised projects

1
Pilot project

3
Projects under developement

1
International award

All research projects on new materials were guided by one of these three trajectories:

FROM NATURE

Raw materials from crops: improve the impact of conventional farming, making it more efficient, and support alternative experimental agricultural methods, such as hydroponics, aeroponics and regenerative agriculture.

FROM WASTE

From rubbish to resource: reuse scraps to reduce waste, improving manufacturing efficiency and proper waste management and, when possible, propose the creation of circular models that create new value for the latter (upcycling).

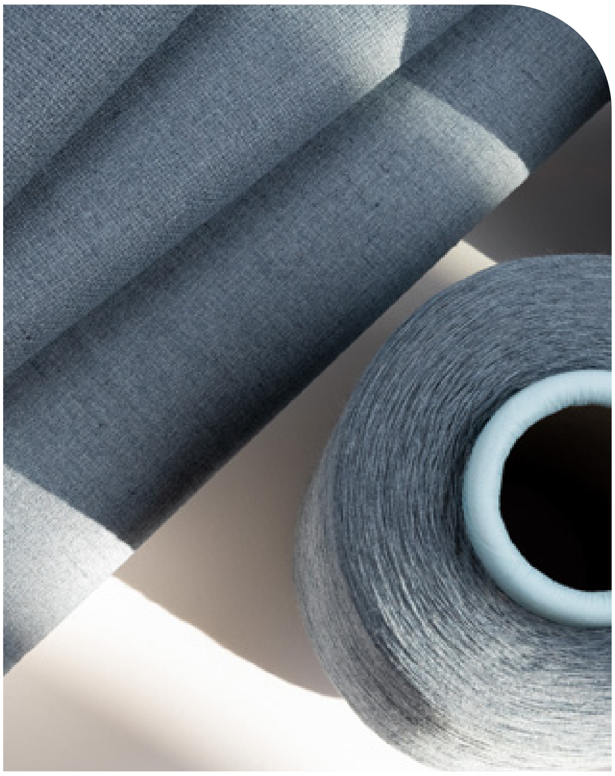
FROM THE LAB

Products that are grown or synthesized in a laboratory: use knowledge of biotechnology and chemistry to create new processes and products and/or add them to the production chain (e.g., finishes or colours from micro-organisms).

In this perspective, four projects were successfully applied to production processes in 2022:

FUTURA

A type of paper made from Albini Group fabric scraps as part of a circular economy process, developed with Fedrigoni, the European leader in the production of special paper.



RETWIST+

Yarn made by unravelling 100% cotton denim scraps from the Albini Group.

BLACK WOOD

The use of BioBlack TX (an organic black pigment made from wood scraps) by Nature Coatings in traditional textile printing and yarn spray dyeing processes.

RE-OXYDE

A set of inorganic pigments based on metallic oxides obtained from the upcycling of ferrous scraps coming from the consumer appliance industry.

THE GROUNDBREAKER AWARD FROM THE NATIONAL CHAMBER FOR ITALIAN FASHION (CNMI)

Along with its American partner Stony Creek Colors, ALBINI_next was given this prestigious prize during the 2022 CNMI Sustainable Fashion Awards for the Grounded Indigo project, in which natural indigo cultivated via regenerative agriculture is used for cone-type yarn dyeing.

Stefano Albini awarded at the CNMI Sustainable Fashion Awards 2022

Grounded Indigo, picking of natural indigo

Maclodio Kft Yarn

2022 INVESTMENTS

7.6 million Euros were invested in 2022 and mainly concerned digitalization, automation and adaptation of three Cotonificio Albini site roofs to accommodate photovoltaic panels producing total power of about 1.7 MW between 2022 and 2023 and that will cover about 15-20% of electricity consumption when at full capacity. The purchase of 70% of Hungarian Maclodio Kft Yarn spinning mill shares resulted in the simultaneous acquisition of the property and machinery from a Hungarian company for approximately 2.6 million Euro.

7.6 mm

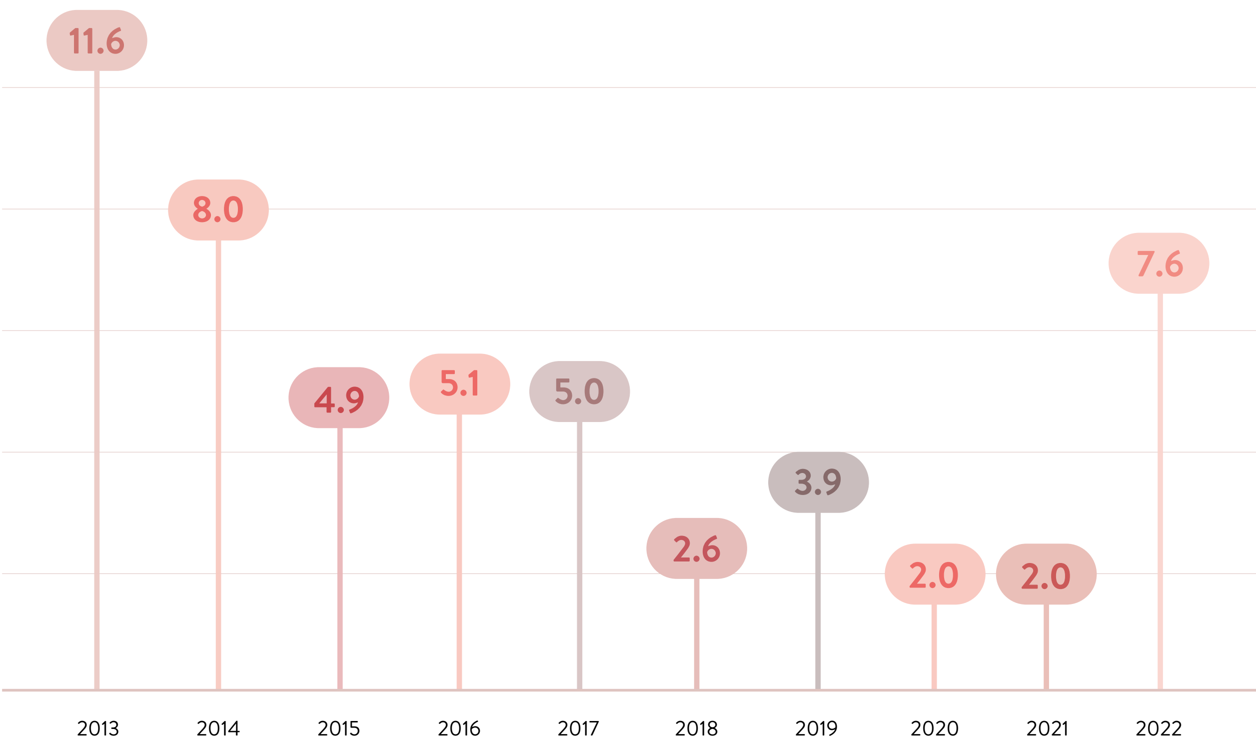
Total investments in 2022

Investments in intangible and tangible fixed assets from 2013 to 2022 can be found in the graph below.

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 INTANGIBLE AND TANGIBLE FIXED ASSETS

(mm)



INTERNATIONALISATION

LOCAL PRESENCE, WORLDWIDE STRATEGY

In 2022, Albini Group exported over 67% of its sales directly to 85 countries worldwide.

The geographical division of the company's revenue confirms its leadership in Europe, which once again this year was the reference market with 36.9% of overall turnover. It is interesting to note that 32.8% of total revenue came from the Italian market, with a satisfying increase of 2.4% over 2021.

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

Hong Kong

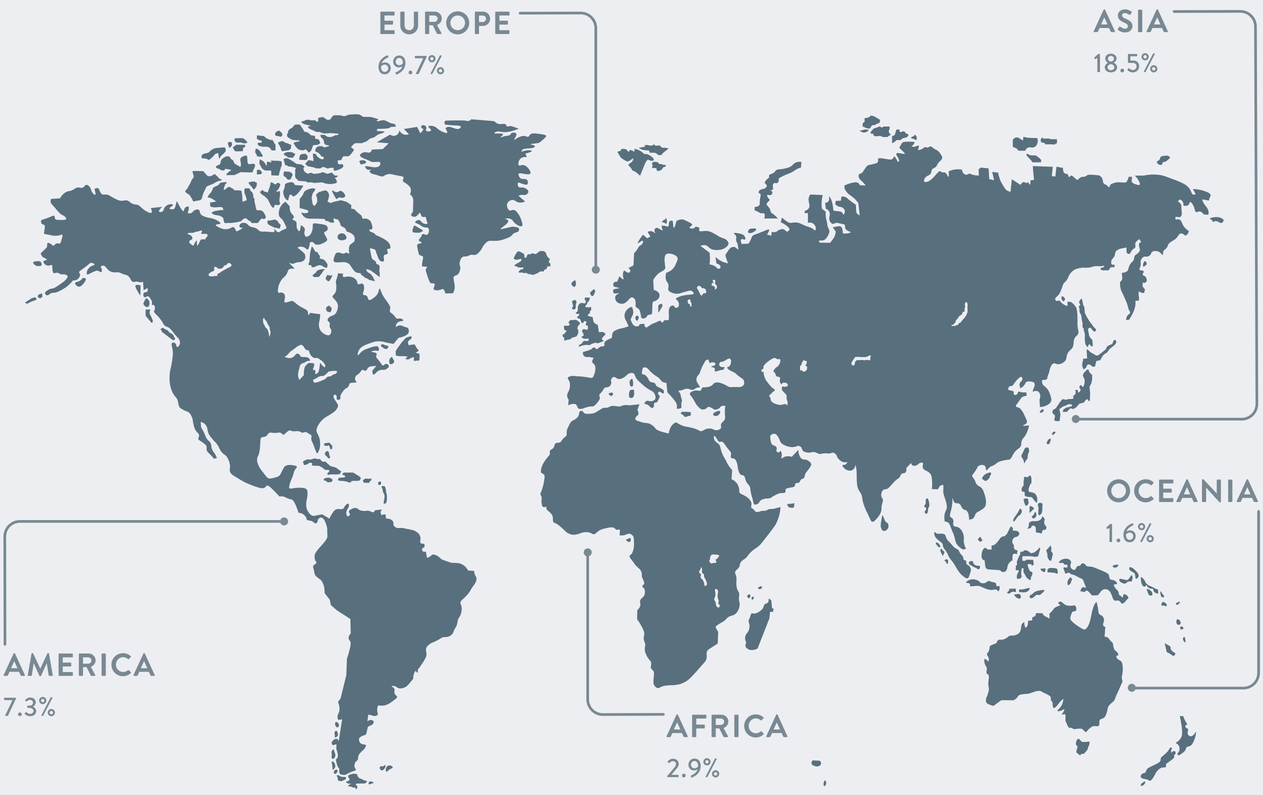
67%
Directly exported turnover in 2022

85
Countries reached by exports

TURNOVER BY GEOGRAPHICAL SEGMENT

36.9% Europe	32.8% Italy	17.9% East Asia	6.8% North America
2.9% Africa	1.6% Oceania	0.6% Middle East	0.5% Central South America

TURNOVER FOR CONTINENT



HUMAN RESOURCES

THE DEVELOPMENT OF PEOPLE

In relation to the training and professional growth activities carried out in the period of reference, plenty of effort was dedicated to the creation of pathways to support managerial development.

The goals pursued were those of alignment of our human capital with the overall context of reference and with the challenging business objectives. Specifically:

- All of the company's top and middle management were involved in detailed paths of managerial development, with particular attention paid to the advancement of strategy formulation and tactical planning mechanisms.
- Some individual coaching programmes were launched too.
- The Group continued to strengthen the Performance Measurement Process, which had been introduced previously. New hires and resources in new roles were trained, for a total of 12 people.
- One employee took part in the 8th edition of the Master in Technologies and Processes for the Textile Supply Chain organized by the SDM School of Management at the University of Bergamo, a course that lasts 1 year and aims to provide technical and managerial skills and knowledge in the textile sector.

TOTAL EMPLOYEES

1.291

542
Cotonificio Albini S.p.A.

264
Mediterranean Textile S.a.e.

202
Dietfurt S.r.o.

118
Filati Maclodio KFT

108
Tessitura di Mottola S.r.l.

20
Delta Dyeing S.a.e.

18
I Cotoni di Albini S.p.A.

9
Albini Hong Kong Ltd.

8
Albini Energia S.r.l.

2
Albini USA Corporation

Customed cutter at the Gandino mill

SMART WORKING

2022 also saw substantial consolidation in the remote work experience and the resulting positive impact in terms of digital development, managerial development, goal-based work, and even a better work-life balance.

Those involved went from 30 in 2021 to 55 by the end of 2022.

TRAINING AND SKILLS

In relation to the development of skills, the following training courses were offered in 2022:

- A Remote Work Course, in which 28 employees took part, including managers and work-from-home staff, aimed at working on topics such as responsibility, trust and goal-based work.
- Computerization: basic computer training classes were offered, aimed at staff members who have changed roles at the company as a result of internal redundancy between production and offices, together with advanced courses tailored to specific needs.
- A "Sustainable Development in the Textile Industry" course, aimed primarily at managers and their main colleagues, with the goal of developing specific skills concerning sustainability (technical and/or managerial). All activities covered the following topics:
  - ESG Reporting and Sustainability Reports;
  - Ecodesign development of sustainable products - labelling and product certification;
  - Sustainable communication;
  - Sustainable development;
  - The green transition;
  - Sustainability, ethics and social aspects.

3020
Hours of training and up-skilling

143
People who participated in the training and up-skilling classes

15
Curricular and extracurricular traineeships activated

2651
Hours of occupational safety training

Adept to the gauze machine at the Brebbia mill

LOCAL RELATIONSHIPS

Collaborations with local technical institutes and universities continued this year. The relationship with the ITIS Paleocapa school in Bergamo was extremely constructive, aimed at guiding young people towards technical professions at textile companies thanks to curricular traineeships and specific projects carried out through a close collaboration between the school and company staff.

Introductory rules for innovative flexibility

The need to limit work costs, given the challenges posed in part by high energy prices, has made it necessary to evaluate professional contracts that can protect both the economic balance of the company and support for workers' salaries, using the forms of flexibility allowed for by the CCNL (Italy's National Labour Collective Agreement).
In particular, the group has taken this chance to discuss and share with the employee representatives at the Brebbia division a little-used by very effective hourly schedule, implementing a 4-day work week.
Workers were offered a weekly hourly reduction to compensate for the possible inconvenience caused by the particular work schedule adopted, which results in longer work days for regular full-time employees. It's a solution that has made it possible to reduce the number of days worked, without having to resort to social safety nets while protecting the income of the involved staff.

On 28 October 2022, and agreement was signed with the workers' representatives, lasting until 31 March 2023. In return for the organizational change, company management agreed to give each worker benefit vouchers.

Warehouse worker at
Gandino mill

HIRING OF SPECIALISTS IN CRITICAL POSITIONS

In 2022, some specialized professionals were sought out and hired in order to guarantee the continuity of the skills or strategic evolution of a few roles, as necessary.

VOUCHER

As a tangible way to share the results of the efforts made in 2022, the production staff has been given a one-off benefit in the form of vouchers.

BESPOKE

OUR MADE-TO-MEASURE SERVICES

Bespoke is the Albini Group business unit that offers cut lengths of fabric to tailors and shirt makers around the globe, delivered within 24-48 hours.

The products are offered as two lines: Albini Su Misura and Thomas Mason Bespoke, whose DNA comes from two product brands: Albini 1876 and Thomas Mason.

EVERYWEAR

In 2022, the Albini Su Misura line entered a new market niche, launching Everywear: a catalogue of heavyweight tailoring fabrics that are ideal for the creation of custom suits, trousers, jackets and overshirts.

This product arose from a market analysis that lasted more than six months. As a result, it was discovered that sartorial head-to-toe looks in cotton and linen was an underdeveloped area, and thus appealing to our Bespoke business unit. The raw materials, the structures of our fabric, and the most suitable colours for this market have been selected, while ensuring that the made-to-measure service principles that we are known for remain unchanged: fabric that's cut to order and delivered within 24-48 hours, plus the ability to order online.

The Everywear catalogue was presented through exclusive events held in Barcelona and London, and through individual meetings with clients that were selected according to style and approach to sales.

The marketing campaign was well received and will continue for all of 2023, with the goal of turning the product into a strategic tool for the evolution of the presence of Albini Su Misura in the relevant market.

630

Active clients

10%

Master Ambassador Clients

315.000

Metres sold

85%

Orders placed online and via the Fabric Butler app

Book Everywear

Textum Book

MARKETING AND COMMUNICATION

Albini Group is aware that, in order to maintain its place of leadership in the market, synergy and consistency are necessary between the quality of the products and services offered, and the communication that supports them. This vision has guided all activities of the Marketing and Communication Department, managed according to an cross-functional approach that has produced results that are even more solid and convincing in relation to our clients and all stakeholders.

Milano Unica

TEXTUM: THE CATALOGUE OF READY-TO-DYE AND READY-TO-PRINT BASES

A new catalogue of fabrics that are ready to be dyed and printed, from the Albini 1876, Albini Donna, Thomas Mason and Albiate 1830 brands, selected according to an analysis of sales trends, designed to simplify the fabric offered in this category and to give clients a wide range of customizable products that can be ordered quickly.
A corner and an inspirational video were dedicated to the catalogue during the Milano Unica textile fair in July 2022.

DENIM DESIGN: THE SIGN OF DENIM

This collection gathers 12 types of denim, all ready for quick delivery, divided into 3 catalogues which have been designed for easy, intuitive and updatable consultation. To conform to the values of the circular economy and the sustainability of the Albiate 1830 brand, even the packaging has been specially designed, choosing to use a type of paper called Futura, composed of 25% textile scraps from Albini Group factories. Moreover, the brand has chosen to use a container-duffel bag created from the leftovers of the collection and sewn by prisoners at the Don Fausto Resmini Prison in Bergamo.

The market launch of Denim Design took place through an important multi-channel marketing campaign and a special event at the Albini Group showroom in Milan.

EVERYWEAR BESPOKE

This catalogue was created after a market analysis that lasted over six months, carried out jointly with the Bespoke Business Unit, in which the raw materials, structures and colours best suited to clients in the tailoring industry were selected. The product was launched through exclusive micro-events held in major European cities.

Book Denim Design

BUSINESS INTELLIGENCE FOR COMMERCIAL STRATEGIES

In 2022, Board, the business intelligence and planning software came into full force. This software has led to improved monitoring of company performance; data-based business planning, and a more agile decision-making process that connects different roles.

Aditi Sahoo “The Last Ball” project, Central Saint Martins

#ALWAYSSUPPORTALENT: SCHOOL, UNIVERSITY AND TALENTS

Albini Group continues to collaborate with schools and universities in Italy and beyond, from Central Saint Martins to PoliModa, from the Fashion Institute of Technology to the Institut Français de la Mode, so that together we can come up with ideas and projects that support the creation of a new paradigm: increasingly responsible and sustainable fashion.

COMMUNICATE TO ENGAGE

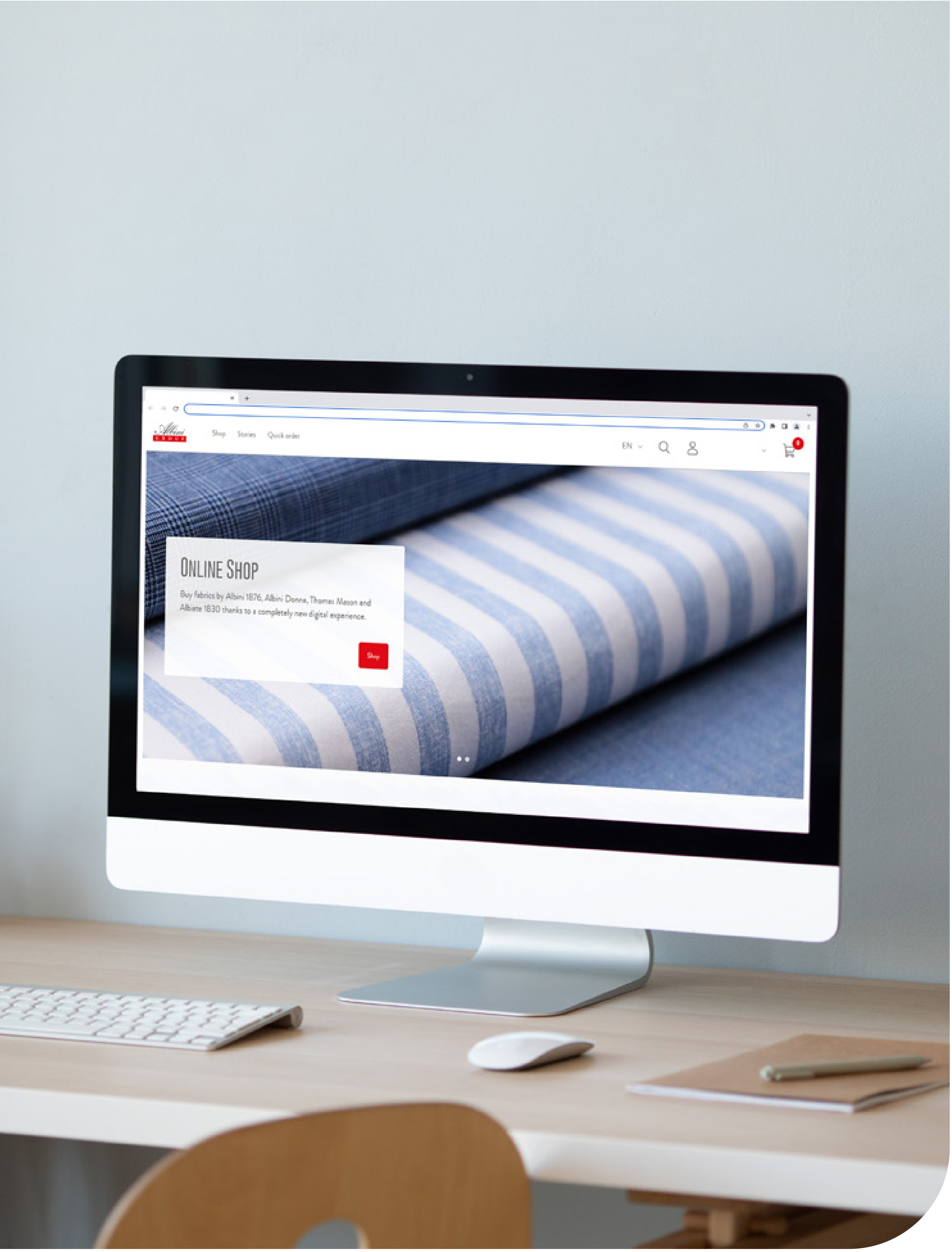
In-house communication is an essential tool to ensure that all employees are involved in the principles, values and goals of the company. For this reason, the Group launched the new company Intranet, Albini Square, a virtual town square for the management of news and announcements, the publication of documents helpful to everyday work, and the digitization of some in-house processes. The project is constantly evolving and, in 2023, it will expand in order to offer access to production departments too.

THE SEARCH FOR INSPIRATION, MADE EASIER: DIGITAL ASSET MANAGEMENT (DAM)

The configuration of the DAM platform has laid the foundations for the creation of a digital archive of fabric and designs developed at the company. This constantly updated tool will also be a container for photographs of the fabric in the Thomas Mason and David and John Anderson archives, thereby becoming a vital space to safeguard the past and to spark the creative and design processes of the future.

A SINGLE PLATFORM, THE ENTIRE ALBINI GROUP ONLINE SHOP

The company has launched its own online shop dedicated to the world of ready-to-wear clients. The e-commerce platform will be completed in 2023, strengthening the digital presence of the group. This one single platform will contain all the existing online shops and all the business areas: from the Bespoke world to seasonal collections and promotions, all collections will be easy to view and order for all clients.


Shop
Stories
Quick order
EN
ONLINE SHOP
Buy fabrics by Albini 1876, Albini Donna, Thomas Mason and Albiate 1830 thanks to a completely new digital experience.
Shop

Albiate 1830, Thomas Mason, Albini 1876 and Albini Donna fabrics

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.

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.

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.

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.

03

HIGHLIGHTS

ICA YARNS

SUSTAINABLE AND PRECIOUS YARNS

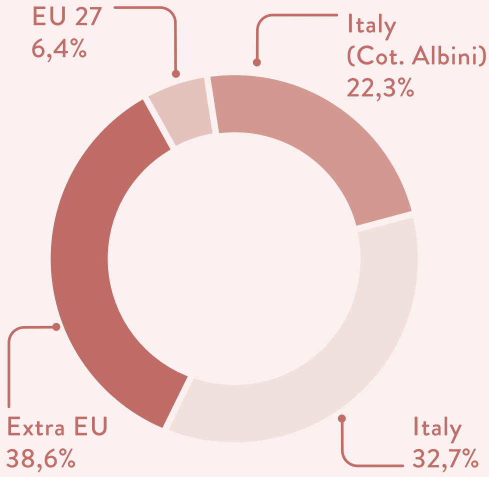
In 2022, ICA Yarns (I Cotoni di Albini S.p.A.) registered a strong upswing in its business compared to the previous year, achieving a turnover of 60.7 million Euro (+16%) and confirming the complete maturation of its market leadership.

The performance was promoted by the excellent trend of knitted fabrics, a type of clothing particularly appreciated by end consumers, and by the issues related to sustainability that more and more customers are looking for from their suppliers.

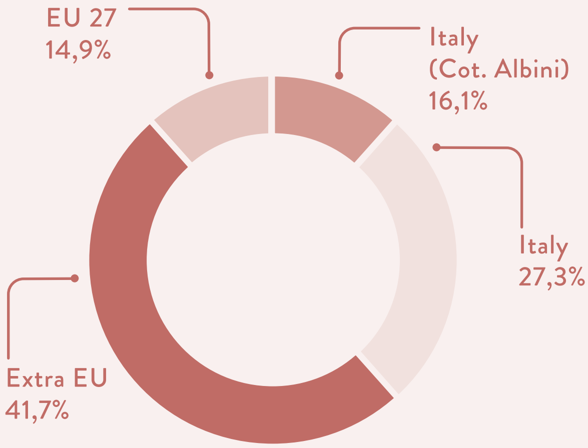
In terms of sales, the share of non-EU exports witnessed an increase from 38.6% to 42% over 2021 driven by large customers with finished garment production in Eastern countries. Sales at the parent company Cotonificio Albini decreased by six percentage points, while sales increased in the European Community.

Cotton picking

TURNOVERS BY GEOGRAPHICAL AREA



2021



2022

In this context, ICA Yarns managed to successfully confirm 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.

+ 16%
Turnover compared to 2021

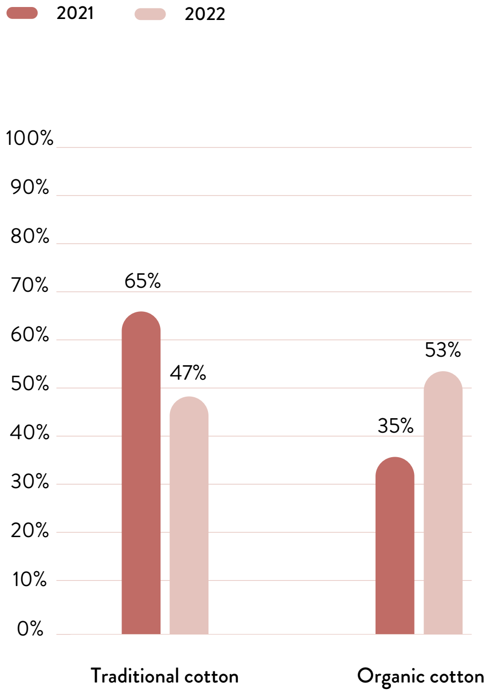
18%
Biofusion® cotton sales

42%
Extra-EU export

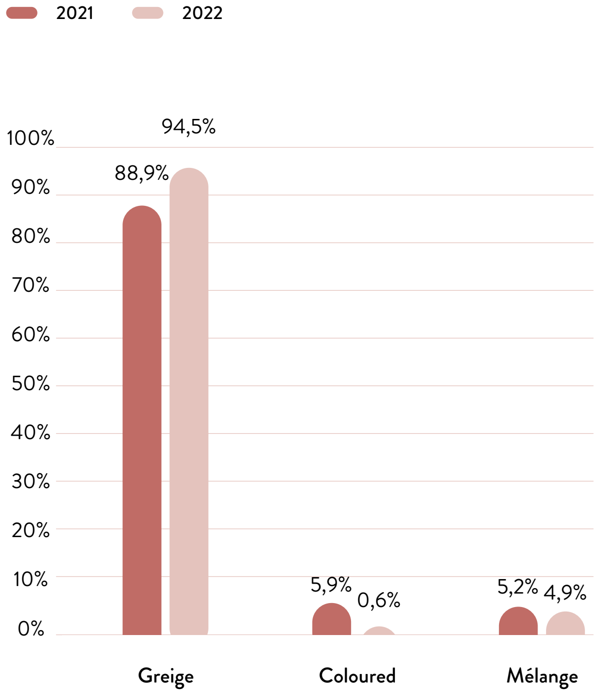
In 2022, the company continued to diversify its range of raw yarns, which saw an increase of five percentage points compared to 2021, while the sale of melange yarns remained stable.

The most important trend is the growth in the share of yarns produced with organic cotton: sales of BIOFUSION® cotton continue to increase this year, rising from 35% in 2021 to 53% in 2022, surpassing sales of conventional yarn:

TRADITIONAL/ORGANIC COTTON YARNS MIX



GREIGE/COLOURED/MELANGE YARNS MIX



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. Other studies or research are aimed at obtaining yarns that can be used with fine thread counts from other sustainable natural fibres, such as Kapok.

ICA Yarns spools

ALBINI ENERGIA

BUILDING A SUSTAINABLE FUTURE

2022 was a turning point for Albini Energia, with a 40% increase in turnover thanks to the supply of solar panels installed on industrial buildings.

That activity joins the pre-existing ones, demonstrating the company's ability to expand its experience, helping its clients along a path to energy savings and environmental sustainability.

Solar panels at Gandino mill

ENERGY AND ENVIRONMENTAL CONSULTING SERVICES

Over the course of 2022, the company's collaboration with AII (Apparel Impact Institute) was strengthened. In fact, Albini Energia carried out an important audit for 6 of AII's industrial clients, which participated in the Clean by Design programme.

The results demonstrate how in-depth knowledge of the textile production process makes it possible for Albini Energia to guarantee projects that increase efficiency and make it possible to save not only energy, but also water.

ENGINEERING SERVICES

Albini Energia supported its clients in the design of industrial plants to be realized with turnkey solutions. For these projects, which follow up on the energy audits mentioned above, Albini Energia offers end-to-end services, from detailed project design, to the supply and installation of fully automated plants. The result is maximized energy efficiency, thereby reducing consumption and thus recurring costs thanks to the design of efficient building methods and the conscious use of the available energy resources.

ENVIRONMENTAL ENGINEERING SERVICES

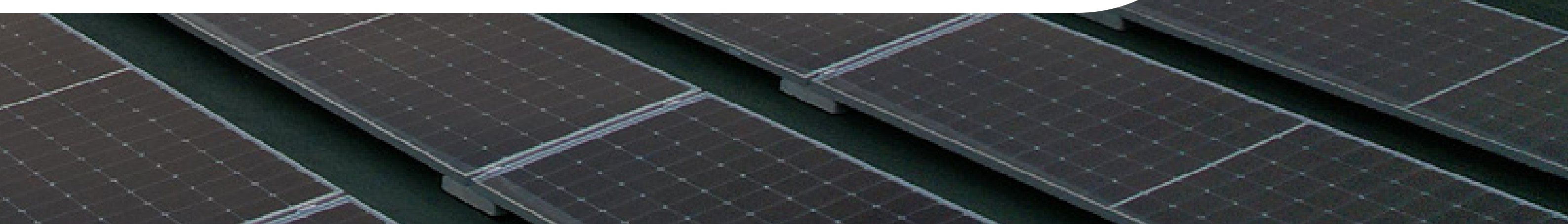
The company handled the executive design of plants for water treatment, flue treatment, and the recovery of industrial effluent, guaranteeing complete services that include the management of the necessary activities to obtain environmental authorizations and certifications.

INDUSTRIAL PLANTS AND SOLAR PANELS

In 2022, rising energy prices pushed the market to increasingly seek out the supply and installation of solar energy systems to reduce reliance on the national power grid.

Albini Energia has seized this opportunity and has designed and sold not only heat recovery plants, but also important projects for the supply of increasingly large photovoltaic systems.

The sales numbers for those systems has amply exceeded expectations, reaching 6 MWp installed throughout the year, allowing for the acquisition of similarly large orders for 2023.



04

CONSOLIDATED FINANCIAL STATEMENT

DIRECTORS' REPORT

ALBINI GROUP S.P.A.

Registered office: Via Dr. Silvio Albini 1, Albino (BG)
Share capital: €2,024,035.52 fully paid-up - Bergamo company registration no. and tax code 01736210160

Dear shareholders,

The group's net turnover came to €181.7 million in 2022, a 38.7% increase on the €131 million of 2021.
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.

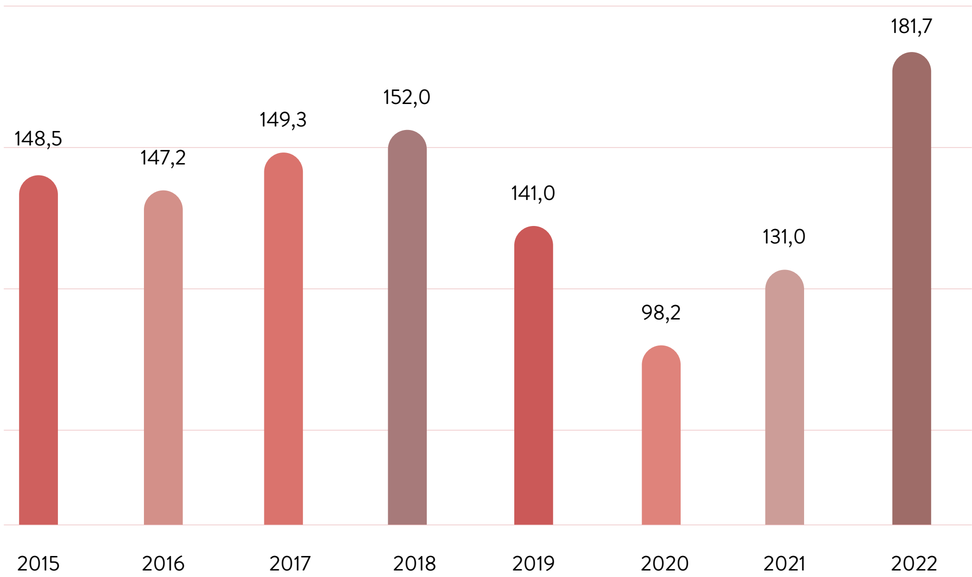
The group performed very well in its three sectors in 2022:

- Making up roughly 67% of the group's total revenues via Cotonificio Albini S.p.A., the fabrics market recorded huge growth in revenues which begun in the last four months of 2021. Revenues for 2022 came to €131.5 million, up 33% on the previous year. Production revenues, which also include changes in inventory and other revenues, amount to €148.2 million compared to €102.2 million in 2021 (+45%). It recorded a pre-tax profit of €4.3 million, improving on a pre-tax loss of €5.3 million in 2021. Amortisation and depreciation amount to €3.0 million (2021: €3.3 million). Gross operating profit (EBITDA) of €8 million, before provisions for risks and charges and net of inventory write-downs of €0.3 thousand, improved by €8.7 million from a gross operating loss of €0.7 million in 2021;
- In the yarn market, mainly the knitwear sector, the subsidiary I Cotoni di Albini S.p.A. (accounting for 29% of consolidated revenues) continued to record growth in revenues, reaching €60.7 million (up 16% on 2021), and satisfactory profits;
- The energy sector of the subsidiary Albini Energia (accounting for 3.8% of consolidated revenues) also saw a surge in revenues, reaching €7 million (+60% on 2021), and brought its profitability to interesting levels (net profit reaching 5% of turnover).

The following graphs show trends in the group's turnover:

REVENUES FROM SALES AND SERVICES

(in millions of Euro)



The group recorded a net profit for the year of €5.9 million, compared to a net loss of €4.7 million in 2021. Gross operating profit (EBITDA) before provisions for risks and charges came to €15.4 million, compared to €4.2 million in the prior year. Amortisation and depreciation of the year totalled €5.8 million, down from €6.2 million in 2021. Net financial indebtedness at 31 December 2022 amounted to €48.7 million, worsening by €10 million on the previous year end (€38.7 million).

OPERATIONS AND DEVELOPMENTS

2022 will not soon be forgotten with its complexities and economic and geopolitical instability. The post-pandemic economic revival in Italy and all over the world took off strongly in the second half of 2021. Italy's GDP grew by 3.7% in 2022, compared to 6.6% in 2021.

The group's sector, Italian men's fashion (including tailoring, knitwear, shirts, ties and leather clothing), is expected to reach turnover of around €11.3 billion in 2022, up 20.5% on 2021 and outperforming pre-Covid levels of €10.1 billion in 2019. The men's sector is estimated to account for 18.3% of the Italian fabrics and fashion industry in 2022. [(1)]

According to Confindustria Moda (the Italian fashion industry association) research centre estimates, the Italian textile industry recorded turnover of €8.1 billion in 2022, up 31.9% on 2021 and 7.1% on 2019.

The Italian yarn industry, where I Cotoni di Albini S.p.A. operates, also performed strongly, continuing the positive trend begun in 2021.

(1) SMI research centre data: Italian men's fashion 2022-2023.

The annual increase in turnover is estimated at 27.8% according to Confindustria Moda data and estimates. The effect of estimated price increases of approximately 17% was crucial as it offset the surge in raw material costs on the global markets.

In the group's sector, the cotton A-Index Euro price leapfrogged 44.6% in 2022. [(2)]

In the energy industry, where Albini Energia S.r.l. operates, 2022 was a year of strong growth (+46%) due to industry's significant and rapid demand for photovoltaic system installation. Albini Energia S.r.l.'s experience and capacity for technical customisation was welcomed and continues to receive positive feedback on the market.

The foreign subsidiaries that perform weaving and dyeing processes for the parent - Dietfurt S.r.o. in the Czech Republic and Mediterranean Textile S.a.e. and Delta Dyeing S.a.e. in Egypt - recorded a surge in turnover driven by higher volumes requested by the parent, Cotonificio Albini S.p.A..

The foreign commercial subsidiaries, Albini Hong Kong and Albini USA Corporation, continued to successfully develop trading on their respective markets: Eastern Asia and North America.

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 2023 without debts by continuing to use the site and, above all, by outplacing all the workers.

The group managed to achieve these positive results in a complex year blighted by uncertainty. While, on the one hand, the worldwide men's clothing and fabrics market continued its upward trend that began in September 2021, after the restrictions enforced during the pandemic, new threats and altering effects on the economy - especially the European economy - turned up in force, caused by geopolitical tensions triggered by the Russo-Ukrainian war which pushed energy prices sky high starting from late 2021.

In addition to the logistical issues that emerged in 2021 and spiralling prices for all main raw materials, this spike in energy costs quickly provoked price adjustments for all consumer goods and a surge in inflation all over the world, swiftly followed by restrictive policies from the central banks of the main countries.

All group companies promptly dealt with escalating costs by gradually adjusting their price lists from July 2021 and streamlining logistics and production to boost efficiency. This progressive and structured process begun during the pandemic aims to maintain the group's level of quality and sustainability that sets it apart from the competition.

Inflation in Italy was 8.1% in 2022, 4.1% net of energy cost increases [(3)]. Commodity prices skyrocketed in 2022, with an average of +47.5% for cotton.[(4)]

(2) SMI research centre data: Italian yarn industry in 2022-2023

(3) ISTAT (the Italian national institute of statistics) March 2023 figures

(4) Sistema Moda Italia (the Italian textile and fashion industry federation) figures ("Commodity prices in the fashion industry")

The price of the American long fibre cotton Pima had climbed from USD1.34 per pound at the end of 2020 to USD3.45 per pound at the end of 2021. It remained at this level up to the final quarter of 2022 when it rapidly dropped to USD2.00.

Despite the economy's adverse effects on prices mentioned earlier, the parent managed to raise prices and, most of all, to complete its cost cutting and production streamlining process at its facilities, achieving greater production efficiency and lower average production cost.

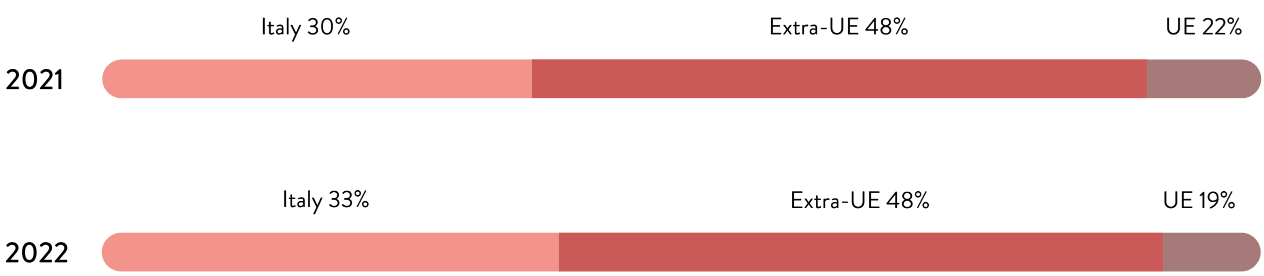
With regard to procuring raw materials, the supply chain is managed via I Cotoni di Albini S.p.A. whose consolidated and productive relations with suppliers is key. The procurement of raw materials was intentionally stepped up at year end, thus raising inventory above budgeted amounts. This strategy was motivated by the strong upswing achieved, in light of the price increases and the groups ambition to maintain its hold on the market of precious types of yarn, especially for more sustainable products which the group is honing in on to satisfy a growing demand. Organic cotton fabrics produced with the group's "Biofusion" cotton have flourished. As this cotton can be traced directly from the field and all along the chain and the genuine properties that distinguish the parameters of an organic cotton are absolutely guaranteed, the group has become an exclusive supplier at its customers, especially in the luxury and premium segments.

In the first half of 2022, the group finalised the acquisition of a 70% investment in the Hungarian yarn processing site and group supplier Filati Maclodio Kft. This completes the group's direct and indirect control of the entire supply chain, from the cotton field to the finished fabric, bringing with it huge advantages in terms of quality control, traceability and the parameters of reliable and genuine sustainability along the supply chain.

The percentage of exports outside the EU remained unchanged on the previous year, while exports within Europe rose from 19% to 22%, with sales in Italy dropping.

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

TURNOVER BY GEOGRAPHICAL SEGMENT



In terms of style and products, the gradual return to a fuller social life after the pandemic that begun in 2021 revived sales of clothing in high-performance fabrics, especially non-synthetic cotton fabrics. More formal or classic fabrics also thrived with the return to formal occasions and parties in general. In all segments, the demand for traceable and sustainable products continued to grow further. In this market segment, the group's organic cotton "Biofusion"® was hugely successful, as mentioned above, thanks to its top quality and its valid and reliable sustainability as certified by independent third parties. Items made from recycled yarn were also an important part of the collection, especially in Albiate1830's line for young people. The well-established line of "bespoke" products continued to contribute significantly to total sales.

Innovation and research activities continued at the Open Innovation centre of the "Albini Next" division located at Kilometro Rosso, one of Europe's top innovation districts located near Bergamo.

The group of Albini's young talents are continuing to collaborate 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 and a return to normal levels in 2021. There were no critical situations during the year, with write-downs kept to a very low percentage of turnover and accruals to the provision for bad debts covering all situations of probable insolvency.

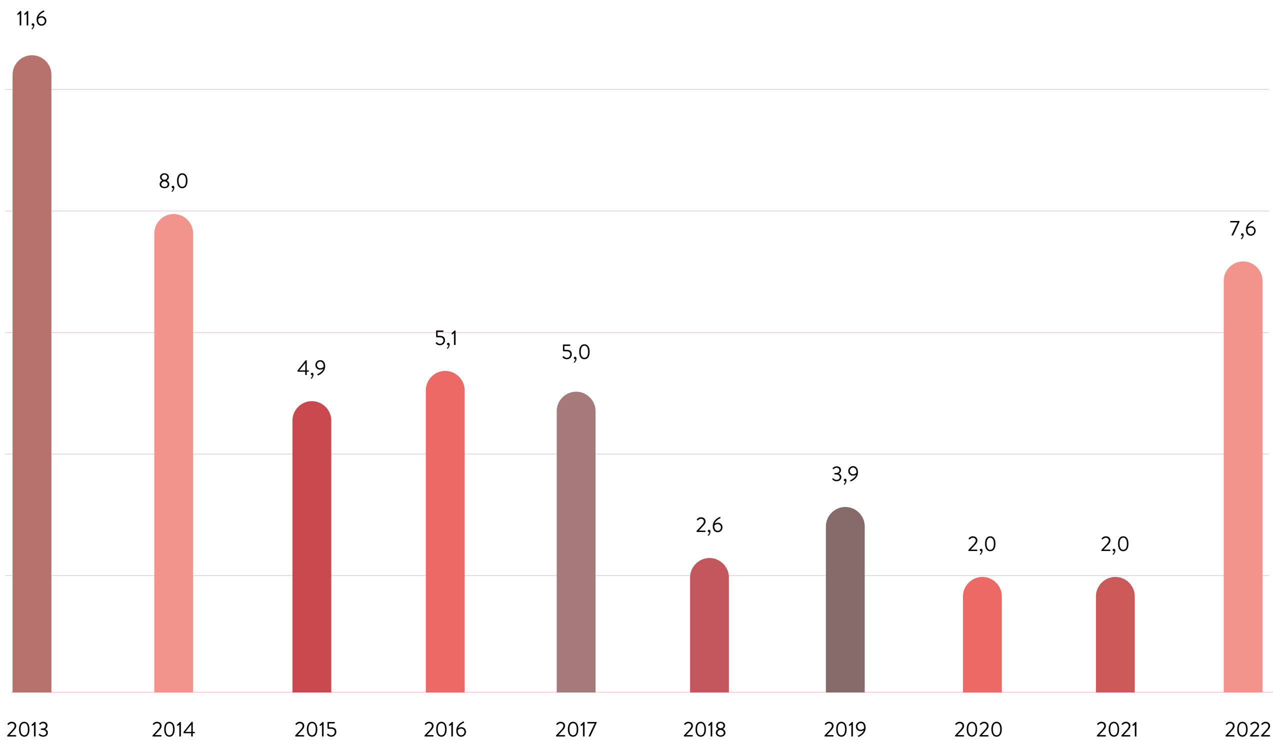
INVESTMENTS IN TANGIBLE AND INTANGIBLE FIXED ASSETS

Investments made in 2022 came to €7.6 million and mainly related to digitalisation and automation projects and the upgrading of roofs at Cotonificio Albini's three sites for the installation of solar panels which were connected between late 2022 and early 2023 for a total power of roughly 1.7 MW. When fully up and running, these will cover around 15-20% of energy consumption. The acquisition of the 70% investment in the Hungarian yarn processing site Filati Maclodio Kft also involved the simultaneous acquisition of the building and machinery from a Hungarian company for approximately €3.7 million.

The following graph shows investments in intangible and tangible fixed assets from 2013 to 2022:

INVESTMENTS IN TANGIBLE AND INTANGIBLE FIXED ASSETS

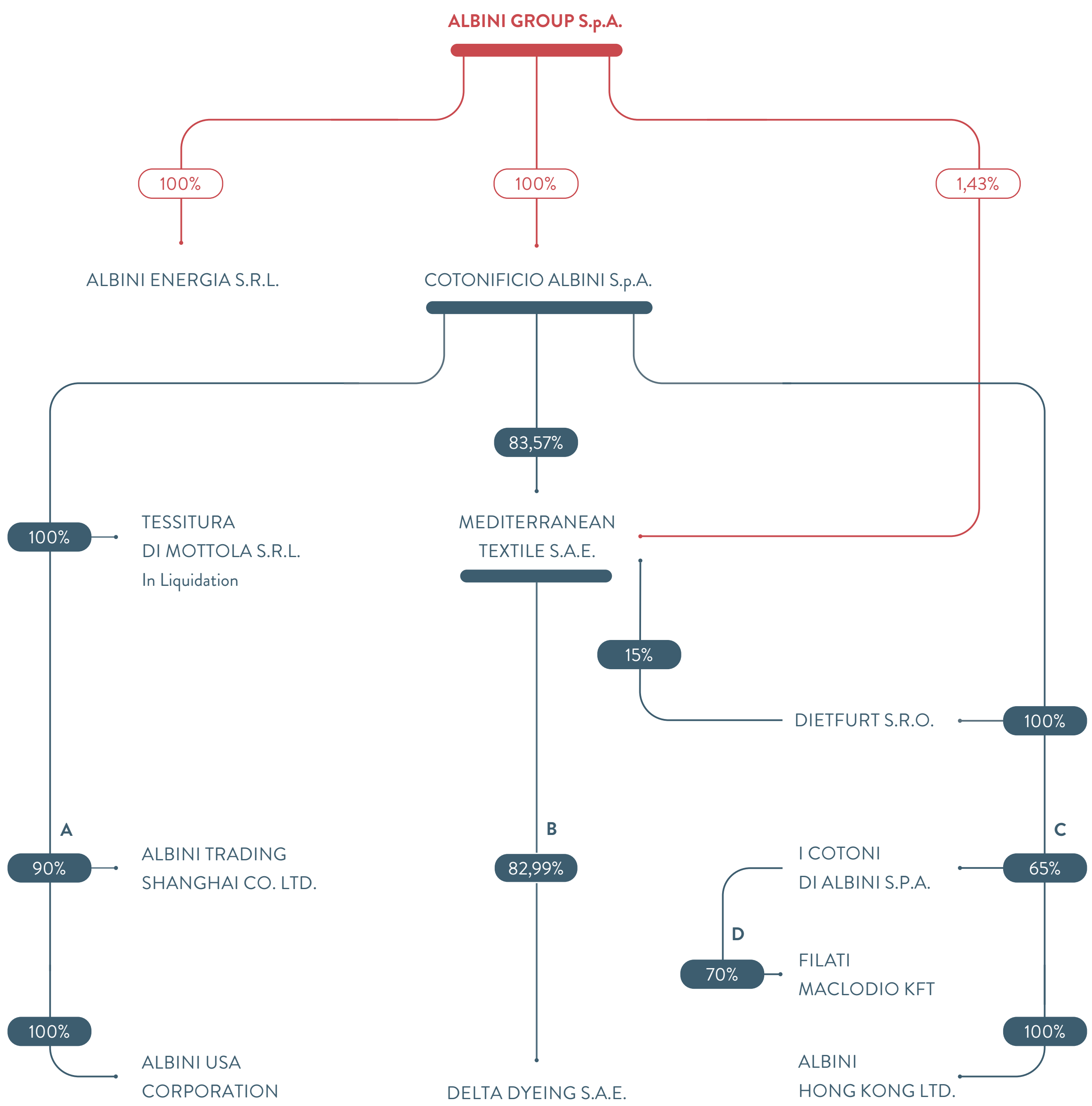
(in millions of Euro)



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 31.12.2022



A Essence Trading Co. Ltd. 10%
B Setcore Spinning 8,17% - Alba Albin Breitenmoser Holding AG 8,84%
C Modern Nile Cotton Co. 30% - Mr. Arioldi Daniele 5%
D Best Yarn Srl 30%

Cotonificio Albini S.p.A.

This direct subsidiary and industrial and operating sub-holding recognised revenues from sales and services of €131.5 million, up 33% on 2021 (€99 million). It ended the year with a net profit of €3.7 million, compared to a net loss for 2021 of €4.4 million, after amortisation and depreciation of €3 million, compared to €3.3 million in 2021.

Gross operating profit (EBITDA) of €8 million, before provisions for risks and charges and net of inventory write-downs of €0.3 thousand, improved by €8.7 million from a gross operating loss of €0.7 million in 2021.

Investments in tangible and intangible fixed assets in 2022 totalled €1.4 million (2021: €1 million).

Tessitura di Mottola S.r.l. in liquidazione

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 loss for the year of €122 thousand, compared to a net profit of €344 thousand in 2021. The subsidiary continued negotiations with companies and players interested in reindustrialising the site which would entail reintegrating the workforce and acquiring the entire production facility. The parent, Cotonificio Albini S.p.A., provided financial support to the subsidiary, ensuring the funds needed to cover personnel expenses and property maintenance costs.

Dietfurt S.r.o.

The Czech company is also a wholly-owned subsidiary of Cotonificio Albini S.p.A.. It recognised a net profit for the year of €192 thousand (2021: net loss of €271 thousand), after amortisation and depreciation of €370 thousand (2021: €440 thousand).

Turnover from processing totalled €7.3 million in 2022, up 67% from €4.5 million in 2021, and relates to processing carried out for its parent, Cotonificio Albini S.p.A. also including processing outsourced to local weavers. 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 profit for the year of €535 thousand, compared to a net loss of €627 thousand in 2021. It recognised amortisation and depreciation of €760 thousand (2021: €591 thousand), while turnover also grew substantially, amounting to €25.6 million compared to €12.7 million in 2021, exclusively for fabric sales to its parent, Cotonificio Albini S.p.A.. The subsidiary invested €601 thousand in buildings, machinery, electronic machinery and industrial patents during the year. Like Dietfurt, it outsourced weaving to local third parties. It made a USD2 million capital injection into its subsidiary Delta Dyeing SAE in 2022.

Delta Dyeing S.a.e.

Indirectly owned (82.99%) through Mediterranean Textile S.a.e., Delta Dyeing S.a.e. incurred a net loss for the year of €87 thousand, compared to €390 thousand in 2021. 2022 turnover totalled €2.1 million and related to the sale of yarns and dyeing on behalf of the group and third parties, compared to €1.7 million in 2021. This subsidiary recognised amortisation and depreciation of €357 thousand (2021: €318 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 aimed at boosting energy efficiency, focusing particularly on installing solar panels following the rise in energy costs on global markets. It provides these services to both group companies and third party customers. The company posted a net profit for the year of €344 thousand, compared to €58 thousand in 2021. Turnover for 2022 came to €7 million, compared to €4.4 million in 2021.

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 €60.7 million, compared to €52.6 million in 2021. 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 (80%). The subsidiary posted a net profit for the year of €1,925 thousand compared to €1,609 thousand in 2021 after amortisation and depreciation of €206 thousand (2021: €228 thousand). Investments made during the year (€81 thousand) mostly related to upgrades to production lines for processing melange yarns.

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. The acquisition of the Hungarian company Filati Maclodio Kft was completed in 2022 for €170 thousand. Details on the subsidiary's operations and positive development are provided in the section on Operations and developments.

Filati Maclodio K.f.t.

This company based in Demecser, Hungary, was acquired in 2022. It has operated for many years in transforming raw materials, mainly cotton but also blends with silk, wool or other fibres including synthetic or artificial fibres, into yarn which are mostly sold to I Cotoni di Albini S.p.A.. It recorded turnover of €4 million in 2022, compared to €3.2 million in 2021. The company recorded a net loss of €68 thousand in 2022, mainly due to huge hikes in energy costs during the year.

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 starting from 2020. The company recorded a net profit for the year of €4 thousand, compared to a net loss of €26 thousand in 2021. 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 2022, it continued to reinforce the group's coverage of the local market. Its net profit for the year came to €328 thousand, compared to €153 thousand in 2021. Turnover from fabric sales rose from €1.7 million in 2021 to €2.3 million in 2022, 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 €991 thousand compared to €550 thousand in 2021. It posted a net profit for the year of €294 thousand, compared to €182 thousand in 2021. 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 2022 financial statements and the previous two years.

Highlights	2022	2021	2020
Net revenues (€ millions)	181,7	131	98,2
GOP (€ millions)	32,2	19,5	13,8
EBIT (€ millions)	9,5	(3)	(7,6)
EBITDA, before provisions for risks and charges (€ millions)	15,4	4,2	(1,7)
Net profit/(loss) for the year attributable to the group (€ millions)	6,0	(4,7)	(6,5)
Personnel expenses (€ millions)	32,3	28,5	27,1
Cash flows from (used in) operating activities (€ millions)	12,3	2,5	(1,5)
Bank loans and borrowings (€ millions)	(48,7)	(38,8)	(45,9)
Net equity (€ millions)	77,7	69,8	67
Turnover per employee (€ thousands)	143	98	74
Personnel expenses per employee (€ thousands)	25,4	21,3	20,3
Average number of employees in the year	1.270	1.336	1.336
Earnings (loss) per share (€)	1,5	(1,4)	(1,9)

Bank loans and borrowings increased from €38.7 million to €48.7 million. During 2022, as mentioned earlier, the 47.2% rise in production revenues and raw materials and energy costs led to a significant rise in net working capital, especially inventory, which led to an increase in net financial debt. Inventory turnover dropped from 193 days in 2021 to 173 days in 2022, while net working capital decreased from 50% to 41% as a percentage of production revenues. However, these numbers remain significant. As growth in turnover is forecast to be low in 2023, the aim will be to optimise inventory management and thus reduce the latter percentage.

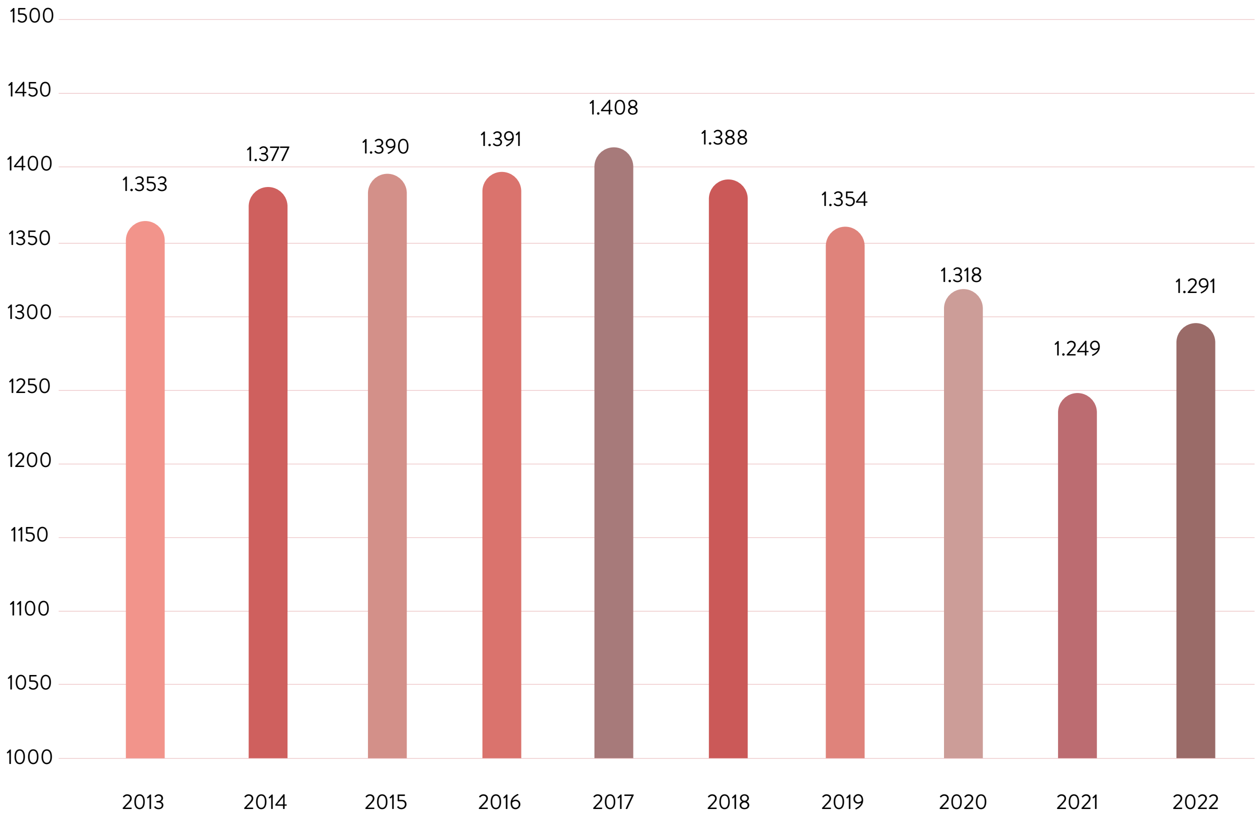
Performance indicators	2022	2021	2020
Return on equity (ROE)	7,7%	-6,8%	-9,8%
Return on sales (ROS)	5,2%	-2,3%	-7,7%
Return on investment (ROI)	6,6%	-2,4%	-5,8%
Equity ratio	0,36	0,36	0,37
NFD/Net equity	0,63	0,56	0,69
EBIT margin	5,2%	-2,3%	-7,7%
EBITDA margin, before provisions for risks and charges	8,5%	3,2%	-1,7%
Bank loans and borrowings/EBITDA	3,2	9,3	-27,3
Cash flows as a percentage of sales	6,7%	1,9%	-1,5%
Net working capital as a percentage of sales	45,6%	52,6%	73,0%
DSO	74,2	99	113
Inventory turnover	173	193	251
Research and development costs as a percentage of sales	1,3%	1,9%	2,6%

WORKFORCE

Group employees totalled 1,291 at 31 December 2022, 42 more than at 31 December 2021. They are distributed across the various group companies as follows:

	2021	2022
Cotonificio Albini S.p.A.	605	542
Tessitura di Mottola S.r.l. in liquidazione	114	108
Albini Energia S.r.l.	10	8
I Cotoni di Albini S.p.A.	15	18
Filati Maclodio K.f.t.	-	118
Albini Trading Shanghai Co. Ltd.	-	-
Albini Hong Kong Ltd.	9	9
Dietfurt S.r.o.	212	202
Mediterranenan Textile S.a.e.	261	264
Delta Dyeing S.a.e.	21	20
Albini USA Corporation	2	2
Totale employees	**1.249**	**1.291**

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 minimuma;
- 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;
- Sanitising work environments using specialised companies.

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

OTHER INFORMATION

Pursuant to article 2428.2.6-*bis* of the Italian Civil Code, we set out below the group's financial risk management objectives and policies. The risk analysis performed covers all risk types, including strategic, management and financial risks.

Group Risks Factor

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 also invoiced external customers, such as I Cotoni di Albini S.p.A., Albini Energia S.r.l., Delta Dyeing S.a.e. and Albini Hong Kong 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 so as to have alternative options available in the event of unexpected economic, exchange rate and/or political changes in one of these areas. The price hikes seen in the second half of 2021 which continued into early 2022 in all raw materials markets are an element of risk for the parent and group's profitability.

As mentioned earlier, the conditions of the global economic situation are still fairly uncertain with the continuing military conflict in Ukraine and spiralling inflation particularly triggered by jumps in energy prices and commodity costs.

The parent promptly and decisively tackled the situation by investing in the photovoltaic industry and taking advantage of varied procurement plans based on long-term strategic agreements with leading suppliers.

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 20% 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 2022 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, the group seeks to optimise liquidity among group companies, including through non-current loans bearing market interest rates.

Risks covered by insurance

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

Briefly, all group companies are insured against the following risks: third-party liability, accident, fire - all risks, 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 2022.

The direct subsidiary Cotonificio Albini S.p.A. continued its research and development activities in 2022 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", "Analysis, study, design and testing of new technologies aimed at improving the eco-sustainability of the fabrics" and "Analysis, study, design and testing of new technologies for the digital transition of company processes as part of Industry 4.0". 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 2021, the indirect subsidiary I Cotoni di Albini S.p.A. continued its research and development activities during the year, specifically focusing on the study, design and testing of innovative technical solutions in order to develop highly environmentally-friendly products for producing 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 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 Kilometro 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 development 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 €2.3 million (1.3% of net turnover), mainly include 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 2023.

Outlook

Over the past three years, the group has lived through a series of unpredictable and disruptive external events, such as the Covid-19 pandemic, tensions in commodity and energy prices, global logistics issues and the military conflict between Russia and Ukraine. Despite this extremely complex and troubled period, the group's strong resilience and clear capacity for change meant it recorded a good year and re-emerged on the global markets with a better and stronger position than in 2019.

The good inflow of orders in the last quarter of 2022 allowed the group to achieve positive results in turnover and profits in the first quarter of 2023 compared to the same period of the previous year. As a result, it expects to end the first half of the year better than in 2022.

While feeling confident of meeting budget estimates, i.e., moderate growth in turnover and a good operating profit, the group remains prudent and aware of the prevailing uncertainty and riskiness of the international scenario in light of geopolitical tensions between different forces representing eastern and western blocks along with spiralling inflation and tensions on global financial markets.

Albino, 28 april 2023

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

ANNEX 1

RECLASSIFIED BALANCE SHEET

(values in thousands of Euro)

	2022	2021
Intangible fixed assets	2.701	2.471
Tangible fixed assets	57.659	52.832
Financial fixed assets	244	3
Provisions and employees' leaving entitlement	0	(9.008)
Net working capital	(8.987)	69.901
Net other medium-term receivables	82.925	2.131
Net invested capital	608	**117.330**
	135.150	
Net financial debt	**(48.717)**	**(38.757)**
Bonds - shareholders	**(8.757)**	**(8.757)**
Net equity	**77.676**	**69.815**
of which: attributable to the group	**74.864**	68.123
attributable to minority interests	2.812	1.692
Net working capital		
Inventory	99.329	73.277
Trade receivables	36.914	35.550
Trade payables	(53.679)	(42.044)
Other net receivables	361	2.118
Total	**82.925**	**68.901**
Net financial debt		
Bank loans and borrowings	(54.366)	(53.278)
Bonds - banks	-	-
Loans and borrowings from other financial backers	(5.895)	(5.443)
Bank deposits and cash and cash equivalents	11.544	19.963
Total	**(48.717)**	**(38.757)**

ANNEX 2

RECLASSIFIED PROFIT AND LOSS ACCOUNT (*)

(values in thousands of Euro)

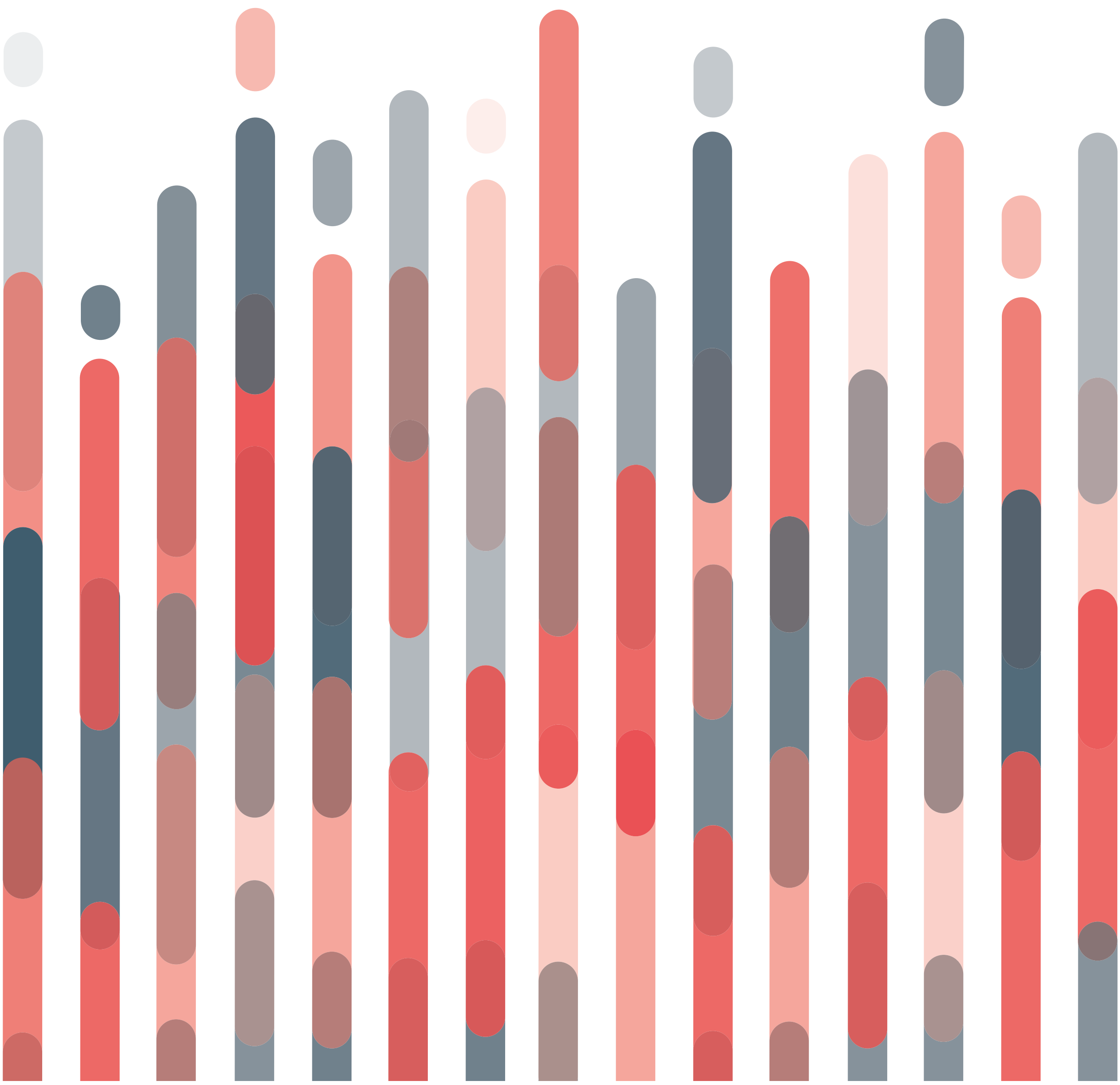
	2022	2021
Net revenues	181.686	130.967
Cost of sales	(149.471)	(111.483)
Gross operating profit	**32.215**	**19.484**
Sales costs	(10.920)	(9.769)
Product research costs	(2.732)	(2.639)
Administrative costs and overheads	(11.801)	(10.823)
Other operating income	2.773	762
Operating profit/(loss) (EBIT)	**9.536**	**(2.984)**
Net financial charges	(2.174)	(1.761)
Net extraordinary income/expense	0	-
Pre-tax profit (loss)	**7.362**	**(4.745)**
Income taxes	(777)	469
Net profit (loss) for the year, including minority interests	**6.585**	**(4.276)**
Net profit for the year attributable to minority interests	**633**	**470**
Net profit (loss) for the year attributable to the group	**5.952**	**(4.746)**
AS A % OF NET REVENUES		
Gross operating profit	17,7%	14,9%
EBITDA margin	8,5%	3,2%
EBIT margin	5,2%	(2,3)%
Net profit (loss) for the year attributable to the group	3,3%	(3,6)%
Cost of sales	82%	85%
Sales costs	6%	7%
Product research costs	1,5%	2%
Administrative costs and overheads	6,5%	8,3%

(*) reclassified by allocating costs to cost centres

CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

ALBINI GROUP S.P.A.

Registered office: Via Dr. Silvio Albini 1, Albino (BG)
Share capital: €2,024,035.52 fully paid-up - Bergamo company registration no. and tax code 01736210160



BALANCE SHEET

ASSETS	31.12.2022		31.12.2021	
(values in thousands of Euro)	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		271		193
4. Concessions, licences, trademarks and similar rights		1.090		1.155
5. Goodwill		187		255
6. Assets under development and payments on account		618		511
7. Other		535		665
Total		2.701		2.779
II. *Tangible fixed assets*				
1. Land and buildings		41.778		42.436
2. Plant and machinery		14.307		8.814
3. Industrial and commercial equipment		119		41
4. Other assets		727		637
5. Assets under construction and payments on account		728		596
Total		57.659		52.524
III. *Financial fixed assets*				
2. Financial receivables				
d bis) From others		3		3
4. Derivatives		241		-
Total		244		3
Total fixed assets		60.604		55.306
C) Current assets				
I. *Inventory*				
1. Raw materials, consumables and supplies		47.115		35.332
2. Work in progress and semi-finished products		26.791		19.287
3. Contract work in progress		804		473
4. Finished goods		24.619		18.185
5. Payments on account				
Total		99.329		73.277

ASSETS	**31.12.2022**		**31.12.2021**	
(values in thousands of Euro)	partial	total	partial	total
II. *Receivables*				
1. Trade receivables				
due within one year		36.914		35.550
due after one year		-		538
5bis. Tax receivables due within one year		3.893		3.719
Tax receivables due after one year		27		27
5ter. Deferred tax assets		3.338		3.325
5quater. From others due within one year		1.661		1.501
From others due after one year		581		1.516
Total		46.414		46.176
III. *Current financial assets*				
5. Derivatives		-		50
6. Other securities				
Total		-		50
IV. *Liquid funds*				
1. Bank and postal accounts		11.526		19.946
2. Cheques on hand		-		-
3. Cash-in-hand and cash equivalents		18		17
Total		11.544		19.963
Total current assets		157.287		139.466
D) Prepayments and accrued income				
- prepayments and accrued income		432		321
Total prepayments and accrued income		432		321
Total assets		**218.323**		**195.093**

BALANCE SHEET

LIABILITIES	31.12.2022		31.12.2021	
(values in thousands of Euro)	partial	total	partial	total
A) Net equity				
I. Share capital		2.024		2.024
II. Share premium reserve		5.624		5.624
III. Revaluation reserve				
IV. Legal reserve		364		364
V. Statutory reserves				
VI. Other reserves:				
- Extraordinary reserve	1.837		2.024	
- Capital injections	207		207	
- Liquidation reserve	(78)		222	
- Revaluation reserve as per Law no. 266/05	-		2.108	
- Revaluation reserve as per Law no. 02/09	9.912		12.247	
- Revaluation reserve as per Law no. 126/20	2.134		2.135	
- Translation reserve	3.354	17.366	2.497	21.440
VII. Hedging reserve		181		(81)
VIII. Reserve for undistributed profits		43.353		43.498
IX. Net profit (loss) for the year		5.952		(4.746)
X. Reserve for own shares				
Total net equity attributable to the group		**74.864**		**68.123**
Net equity attributable to minority interests		2.179		1.222
Net profit for the year attributable to minority interests		633		470
Total net equity attributable to minority interests		**2.812**		**1.692**
Total net equity		**77.676**		**69.815**
B) Provisions for risks and charges				
1. Pension and similar provisions		1.313		1.247
2. Tax provision, including deferred tax liabilities		855		706
3. Derivatives		-		102
4. Other provisions		1.327		1.554
Total provisions for risks and charges		**3.495**		**3.609**
C) Employees' leaving entitlement		**5.492**		**5.399**
D) Payables				
1. Bonds				
Due within one year		-		-
Due after one year		8.757		4.157

LIABILITIES	31.12.2022		31.12.2021	
(values in thousands of Euro)	partial	total	partial	total
2. Convertible bonds				
Due within one year		-		-
Due after one year		-		4.600
4. Bank loans and borrowings				
Due within one year		26.926		24.183
Due after one year		27.440		29.095
5. Loans and borrowings from other financial backers				
Due within one year		947		1.153
Due after one year		4.948		4.290
6. Payments on account due within one year		908		655
7. Trade payables due within one year		53.679		42.044
12. Tax payables due within one year		1.579		974
13. Social security charges payable due within one year		1.764		1.278
14. Other payables due within one year		3.609		3.376
Total payables		130.557		115.805
E) Accrued expenses and deferred income				
- accrued expenses and deferred income		1.103		465
Total accrued expenses and deferred income		1.103		465
Total liabilities		**140.647**		**125.278**
Total net equity and liabilities		**218.323**		**195.093**

PROFIT AND LOSS ACCOUNT

	31.12.2022		31.12.2021	
(values in thousands of Euro)	partial	total	partial	total
A) Production revenues				
1. Revenues from sales and services		181.686		130.967
2. Change in work in progress, semi-finished products and finished goods		13.504		1.306
3. Change in contract work in progress		1.724		73
4. Internal work capitalised		-		17
5. Other revenues and income:				
- sundry	2.085		2.740	
- grants related to income	2.828	4.913	2.048	4.788
Total production revenues (A)		**201.827**		**137.151**
B) Production cost				
6. Raw materials, consumables, supplies and goods		115.241		74.939
7. Services		47.793		34.137
8. Use of third party assets		1.273		1.009
9. Personnel expenses:				
a. Wages and salaries	22.688		20.286	
b. Social security contributions	7.359		6.281	
c. Employees' leaving entitlement	1.928		1.753	
d. Pension and similar costs				
e. Other costs	279	32.254	159	28.479
10. Amortisation, depreciation and write-downs:				
a. Amortisation of intangible fixed assets	610		534	
b. Depreciation of tangible fixed assets	5.166		5.633	
c. Other write-downs of fixed assets				
d. Write-downs of current receivables and liquid funds	125	5.901	299	6.466
11. Change in raw materials, consumables, supplies and goods		(11.050)		(6.354)
12. Provisions for risks		-		671
13. Other provisions				
14. Other operating costs		879		788
Total production cost (B)		192.291		140.135
Operating profit/(loss) (A-B)		**9.536**		**(2.984)**

	31.12.2022		31.12.2021	
(values in thousands of Euro)	partial	total	partial	total
C) Financial income and charges				
16. Other financial income:				
d. Other income:				
- Other	24	24	2	2
17. Interest and other financial charges:				
- Other	(2.405)		(1.993)	
17bis. Net exchange rate gains (losses)	94	(2.311)	(17)	(2.010)
Net financial charges (15+16-17±17bis)		(2.287)		(2.008)
D) Adjustments to financial assets				
18. Write-backs:				
d. Derivatives	129	129	253	253
19. Write-downs:				
d. Derivatives	(16)	(16)	(6)	(6)
Total adjustments (18-19)		113		247
Pre-tax profit (loss) (A-B±C±D)		7.362		(4.745)
20. Income taxes				
- Current	(837)		(703)	
- Deferred	15		132	
- income from participation in the national tax consolidation scheme	45		1.040	
Total current and deferred taxes		(777)		469
21. Net profit (loss) for the year before minority interests		6.585		(4.276)
Net profit for the year attributable to minority interests		633		470
21bis. Net profit (loss) for the year attributable to the group		(5.952)		(4.746)

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

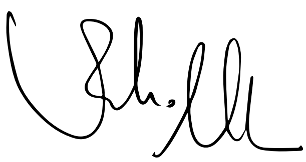
CASH FLOW STATEMENT

(indirect method)

(values in thousands of Euro)	2022	2021
A. Cash flows from operating activities		
Net profit/(loss) for the year	6.585	(4.276)
Income taxes	777	(469)
Net interest expense	2.381	1.630
Dividends	-	-
Gains on the sale of assets	(381)	(195)
1. Profit (loss) for the year before income taxes, interest, dividends and gains/losses on the sale of assets	***9.362***	***(3.310)***
Adjustments for non-monetary elements that did not affect net working capital		
Increase in provisions	2.011	2.584
Amortisation and depreciation	5.776	6.167
Write-downs for impairment	-	-
Write-downs of derivatives that did not involve cash flows	50	(59)
Other non-monetary adjustments	(205)	(647)
Adjustments for non-monetary elements that did not affect net working capital	7.632	8.045
2. Cash flows before changes in net working capital	***16.994***	***4.735***
Changes in net working capital		
Decrease/(increase) in inventory	(26.052)	(8.164)
Decrease/(increase) in trade receivables	(826)	(5.699)
Increase/(decrease) in trade payables	11.635	20.238
Decrease/(increase) in prepayments and accrued income	(111)	(162)
Increase/(decrease) in accrued expenses and deferred income	638	(1.200)
Other changes in net working capital	2.470	(5.442)
Total changes in net working capital	(12,246)	(429)
3. Cash flows after changes in net working capital	***4.748***	***4.306***
Other adjustments		
Interest paid	(2.381)	(1.899)
Income taxes paid	-	(19)
Dividends collected	-	-
Utilisation of provisions	(2.079)	(1.447)
Other collections/payments	-	-
	(4.460)	(3.365)
Cash flows from operating activities (A)	**288**	**941**
B. Cash flows from investing activities		
Tangible fixed assets		
Investments	(10.851)	(1.015)
Disinvestments	1.687	1.289

(values in thousands of Euro)	2022	2021
Intangible fixed assets		
Investments	(514)	(562)
Disinvestments	-	-
Financial fixed assets		
Investments		-
Disinvestments		-
Current financial assets		
Investments		-
Proceeds from sales		-
Cash flows used in investing activities (B)	**(9.678)**	**(288)**
C. Cash flows from financing activities		
Third-party funds		
Increase (decrease) in short-term bank loans and borrowings	4.009	(453)
New loans	2.452	18.000
Repayment of loans	(5.490)	(23.145)
Own funds		
Capital increase against payment	-	5.750
Dividends and interim dividends paid	-	(51)
Cash flows from financing activities (C)	**971**	**101**
Increase/(decrease) in liquid funds (A ± B ± C)	**(8.419)**	**754**
Liquid funds at 1 January	**19.963**	**19.209**
Including:		
Bank and postal accounts	19.946	19.192
Cheques on hand	-	-
Cash-in-hand and cash equivalents	17	17
Liquid funds at 31 December	**11.544**	**19.963**
Including:		
Bank and postal accounts	11.526	19.946
Cheques on hand	-	-
Cash-in-hand and cash equivalents	18	17

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ALBINI GROUP S.P.A.

Registered office: Via Dr. Silvio Albini 1, Albino (BG)
Share capital: €2,024,035.52 fully paid-up - Bergamo company registration no. and tax code 01736210160

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 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.

COMPANY	SHARE/QUOTA CAPITAL		
ALBINI GROUP S.p.A. Financial holding company - registered office in Albino (Bergamo)		EUR	2.024.036
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 82.98% indirectly owned	(2)	USD	7.200.000
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
FILATI MACLODIO KFT Registered office in Demecser, Hungary 70% indirectly owned	(4)	HUF	3.000.000

(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. (4) Owned by I Cotoni di Albini S.p.A.

The consolidation scope changed in 2022 following the acquisition of a 70% investment in the Hungarian company Filati Maclodio Kft by the subsidiary I Cotoni di Albini S.p.A..

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 in these notes.

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. in liquidation 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 Reserve for undistributed profits, 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 31.12.2022	Average exchange rate 2022	Exchange rate 31.12.2021	Average exchange rate 2021
Czech koruna	24,116	24,5659	24,858	25,641
US dollar	1,0666	1,053	1,133	1,183
Chinese renminbi	7,3582	7,0788	7,195	7,628
HK dollar	8,3163	8,2451	8,833	9,193
Hungarian forint	400,87	391,2865	-	-

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 company 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 2022 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 2022 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	from 10% to 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

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. 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.

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 31.12.21	Purch.	Reclass/ Disinv.	Reval.	Balance at 31.12.22	Balance at 31.12.21	Amort.	Exchange rate fluc-tuation	Balance at 31.12.22	Net intangible fixed assets at 31.12.22
Industrial patents and in-tellectual property rights	3.580	73	248	-	3.901	(3.387)	(245)	2	(3.630)	271
Concessions, licences and archives	2.436	18	-	-	2.454	(1.281)	(82)	-	(1.363)	1.091
Goodwill	761	-	-	-	761	(506)	(85)	17	(574)	187
Assets under develop-ment and payments on account	511	380	(273)	-	618	-	-	-	-	618
Other	13.098	68	-	-	13.166	(12.433)	(198)	-	(12.631)	535
Total	**20.386**	**539**	**(25)**	**-**	**20.900**	**(17.607)**	**(610)**	**19**	**(18.198)**	**2.701**

Industrial patents and intellectual property rights increased by €73 thousand in 2022, 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 €18 thousand due to new costs to register the group's trademarks.

Assets under development and payments on account increased by €380 thousand, related to new software projects of the subsidiary Cotonificio Albini S.p.A.. 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 2021, 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 developing 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 31.12.2021	77.685	109.094	1.364	6.538	596	195.277
Accumulated depreciation at 31.12.2021	(35.249)	(100.280)	(1.323)	(5.901)	-	(142.735)
Balance at 31.12.2021	**42.436**	**8.814**	**41**	**637**	**569**	**52.524**
Changes of the year						
Historical cost:						
- acquisitions	954	3.806	5	365	1.941	7.071
- change in consolid. scope	-	3.939	223	27	-	4.189
- exchange rate fluct.	1.033	926	19	32	10	2.020
- reclassifications	-	808	-	25	(810)	23
- revaluation	-	-	-	-	-	-
- gross disinvestments	(1)	(2.725)	(6)	(168)	(1.009)	(3.909)
Accumulated depreciation:						
- depreciation of the year	(2.242)	(2.598)	(36)	(289)	-	(5.166)
- change in consolid. scope	-	(300)	(113)	(19)	-	(432)
- exchange rate fluct.	(402)	(816)	(19)	(28)	-	(1.265)
- revaluation	-	-	-	-	-	-
- disinvestments	-	2.453	5	145	-	2.603
Total changes of the year	**(658)**	**5.493**	**78**	**90**	**132**	**5.135**
Cost at 31.12.2022	78.543	110.609	1.608	6.814	728	198.302
Accumulated depreciation at 31.12.2022	(36.765)	(96.302)	(1.489)	(6.087)	-	(140.643)
Balance at 31.12.2022	**41.778**	**14.307**	**119**	**727**	**728**	**57.659**

The main increases of the year were as follows:
a) Installation of solar panels on the roofs of the Albino, Gandino and Brebbia facilities and related works (approximately €2 million);
b) Purchase of plant and machinery (approximately €3.7 million) for the yarn spinning facility of Filati Maclodio Kft (now 70% owned by Cotoni di Albini S.p.A.) in Hungary;
c) Renovation of the Milan showroom of Cotonificio Albini S.p.A. (roughly €0.2 thousand);
d) Purchase of machinery and accessories by Mediterranean Textile SAE (approximately €0.5 million).

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

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 2022 carried out by Cotonificio Albini S.p.A.:

	Land and buildings	Plant and machinery	Other assets	Total
Historical cost of the revalued assets	13.509	14.769	46	28.324
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	-	3.987	-	3.987
- pursuant to Law no 448/2001	-	11	-	11
- pursuant to Law no 266/2005	-	2.023	-	2.023
- pursuant to Law no 2/2009	17.853	-	-	17.853
- pursuant to Law no 126/2020	1.200	-	884	2.084
Economic revaluations on assets recognised at year end:				
- related to the 1987 merger	207	4	-	211
Total revaluations	**20.431**	**6.035**	**884**	**27.350**

a) Historical (gross) value of revaluations at 31/12/2022:
b) Carrying amount of revaluations at 31/12/2022:

Monetary revaluations on assets recognised at year end:	**Land and buildings**	**Other assets**
- pursuant to Law no. 413/1991	226	-
- pursuant to Law no. 2/2009	10.213	-
- pursuant to Law no. 126/2020	1.200	884
Total revaluations	**11.639**	**884**

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, there are mortgages with banks and other lenders that grant the group loans on the Albino and Brebbia buildings of the direct subsidiary Cotonificio Albini S.p.A..

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

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:

	31.12.2022	**31.12.2021**
Raw materials, consumables and supplies	47.115	35.332
Semi-finished products	26.791	19.287
Contract work in progress	804	473
Finished goods	24.619	18.185
Total inventory	**99.329**	**73.277**

Raw materials increased by €11.8 million at the reporting date, net of the provision for the write-down of inventory (€865 thousand) prudently set up by the subsidiary Cotonificio Albini S.p.A. and which increased by €200 thousand on the previous year end. The large jump in raw materials was mainly a result of Cotonificio Albini S.p.A., I Cotoni di Albini S.p.A. and Mediterranean Textile Sae stocking higher volumes of raw materials as a measure to tackle larger sales volumes and price hikes during the year.

Finished goods increased by €6.4 million, net of the provision for the write-down of inventory (€557 thousand) prudently set up by Cotonificio Albini S.p.A. and I Cotoni di Albini S.p.A. which increased by €100 thousand on the previous year end. The rise in finished goods was also due to larger sales volumes and commodity and processing price hikes.

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 2022:

	Gross amount	Provision for bad debts	Net amount
Trade receivables due within one year	37.895	(981)	36.914
Trade receivables due after one year	-	-	-
Total	**37.895**	**(981)**	**36.914**

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:

	31.12.2021	Accrual	Utilisation	31.12.2022
Provision for bad debts	1.085	125	(229)	981

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:

	31.12.2022	31.12.2021
Italian customers	16.244	13.049
EU customers	5.074	6.715
Non-EU customers	16.577	17.409
Total gross receivables	**37.895**	**37.173**

Tax receivables

Tax receivables may be analysed as follows:

	31.12.2022	31.12.2021
Net tax receivables	3.715	3.418
Tax credit for R&D costs as per Law no. 190/214	178	281
Other tax receivables	-	20
Total tax receivables due within one year	**3.893**	**3.719**
Tax authorities for IRAP reimbursement claim pursuant to Decree law no. 201/2011	18	18
VAT relative to previous years	9	9
Total tax receivables due after one year	**27**	**27**

Tax receivables include VAT receivables of €1,729 thousand and 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 €3,338 thousand (31 December 2021: €3,325 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 2022 were as follows:

Balance at 31/12/2021	**3.325**
Accrual/Utilisation	18
Other changes	(5)
Balance at 31/12/2022	**3.338**

Financial receivables from others

These amount to €2,242 thousand (31 December 2021: €3,017 thousand) and consist of advances to third parties of €1,086 thousand, mainly for payments on account and advances to suppliers. The residual balance refers to receivables of €422 thousand for export subsidies due to the Egyptian subsidiaries and sundry receivables of €153 thousand.

Receivables due after one year chiefly refer to sundry deposits (€425 thousand) and advances to employees (€156 thousand).

Liquid funds

Liquid funds total €11,544 thousand (31 December 2021: €19,963 thousand) and comprise. For a better understanding of the financial dynamics, please refer to the cash flow statement.

	31.12.2022	**31.12.2021**
Bank deposits	11.526	19.946
Cheques, cash-in-hand and cash equivalents	18	17
Total	**11.544**	**19.963**

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 €432 thousand (31 December 2021: €321 thousand) and mainly consist of adjustments to correctly allocate costs relating to insurance, interest, machinery maintenance, rent and personnel training to 2022 on an accruals basis.

NOTES TO THE MAIN LIABILITY CAPTIONS
NET EQUITY

Net equity changed as follows during the year:

	Share capital	Share premi-um reserve	Legal reserve	Riserva rivalut.	Soci c/ capitale	Riserva liquid.	Riserva straord	Riserva conver-sione	Riserva operazioni di copertura flussi finan-ziari	Riserva utili indivisi	Risul-tato esercizio	Patri-monio netto gruppo	Quota terzi	Patrim. netto consolid.
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**
Restatement of derivatives at 31/12/2022	-	-	-	-	-	-	-	-	257	-	-	257	3	260
Allocation of the net loss for 2021	-	-	-	-	-	-	(187)	-	-	(4.560)	4.746	-	-	-
Dividend distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital increases	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utilisation of revaluation reserves to cover losses	-	-	-	(4.442)	-	-	-		-	4.443	-	-	-	-
Translation differences and other changes	-	-	-	-	-	(300)	-	857	5	(148)	-	412	360	772
Change in consolidation scope	-	-	-	-	-	-	-	-	-	120	-	120	124	244
Net profit for 2022	-	-	-	-	-	-	-	-	-	-	5.952	5.952	633	6.585
Balance at 31.12.2022	**2.024**	**5.624**	**364**	**12.046**	**207**	**(78)**	**1.837**	**3.354**	**181**	**43.353**	**5.952**	**74.864**	**2.812**	**77.676**

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

Share capital

The parent's share capital at 31 December 2022 is comprised of 3,892,376 ordinary shares with a nominal amount of €0.52 each, for a total of €2,024 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 2022 and is unchanged from 31 December 2021.

Other reserves

This caption is as follows:

	31.12.2022	31.12.2021
1. Extraordinary reserve	1.837	2.024
2. Capital injections	207	207
3. Revaluation reserve as per Law no. 266/05	-	2.108
4. Revaluation reserve as per Law no. 02/09	9.912	12.247
5. Revaluation reserve as per Law no. 126/20	2.134	2.135
6. Translation reserve	3.354	2.497
7. Liquidation reserve	(78)	222
Total	**17.366**	**21.440**

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

- The revaluation reserve for buildings pursuant to Law no. 2 of 28 January 2009 of €9.9 million (31 December 2021: €12 million) decreased by €2.3 million to partially cover the net loss for the year;
- The revaluation reserve for buildings, trademarks and archives pursuant to Law no. 126 of 13 October 2020 (€2.1 million) was unchanged on the previous year end.

The extraordinary reserve decreased by €187 thousand due to the net loss for 2021.

The translation reserve increased over the previous year end due to the exchange rate fluctuations in the currencies of the foreign subsidiaries, particularly 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 was fully utilised to cover costs incurred during the year and was reinstated at €300 thousand.

Hedging reserves

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

The caption is comprised of:

	31.12.2022	31.12.2021
1. Reserve for currency hedges	-	(7)
2. Reserve for interest rate hedges	181	(74)
Total	**181**	**(81)**

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

Reserve for undistributed profits

The reserve for undistributed profits decreased from €43,498 at 31 December 2021 to €43,353 at the end of 2022. During the year, this reserve decreased to cover the net loss for 2021 while it increased due to the elimination of intercompany transactions.

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

		2022	2021
Net loss for the year of Albini Group S.p.A.		**(41)**	**(186)**
Elimination of net intercompany dividends		(325)	(453)
Net profit (loss) for the year of the consolidated companies		7.075	(3.420)
Write-downs/(write-backs) of investees		-	-
Measurement of leases using the financial method		(173)	(61)
Elimination of intercompany transactions		46	(156)
Consolidated net profit (loss) for the year	**(A)**	**6.582**	**(4.276)**
(A) Comprises:			
Net profit (loss) for the year attributable to the group		5.952	(4.746)
Net loss for the year attributable to minority interests		633	470
		6.582	(4.276)
Net equity and net loss for the year of Albini Group S.p.A.		**10.015**	**10.056**
Carrying amount of the consolidated equity investments		(29.956)	(27.850)
Net equity and net profit/loss for the year of the consolidated companies		96.755	86.560
Allocation of the gain on the Mottola land, goodwill		305	322
Effect of recognising leases using the financial method		949	1.114
Elimination of intercompany transactions		(392)	(387)
Net equity	**(A)**	**77.676**	**69.815**
(A) Comprises:			
Net equity attributable to the group		74.864	68.123
Net equity attributable to minority interests		2.812	1.692
		77.676	69.815

PROVISIONS FOR RISKS AND CHARGES

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

	31.12.2021	Accruals	Change in deferred taxes on derivatives and IRSs	Utilisation/ Releases	31.12.2022
Pension and similar provisions	1.247	83	-	(17)	1.313
Deferred tax liabilities	706	326	(50)	(127)	855
Derivatives	102	-	-	(102)	-
Other provisions	1.554	273	-	(500)	1.327
Total	**3.609**	**682**	**(50)**	**(746)**	**3.495**

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 €746 thousand. The reclassifications include a negative €50 thousand for the deferred taxes recognised in connection with the hedging reserve set up under net equity.

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 31.12.2021	**5.399**
Portion vested and accrued in the profit and loss account	1.928
Payments to pension/supplementary schemes	(1.396)
Payments of the year	(353)
Tax on the revaluation of employees' leaving entitlement and other changes	(86)
Balance at 31.12.2022	**5.492**

The amount reflects the actual amount due to the employees of the Italian group companies at 31 December 2022.

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.;
- Registered non-convertible bonds of €4,600 thousand redeemable in a single tranche on 30 September 2028. The issue is comprised of 400,000 bonds of a nominal amount of €11.5, convertible into shares of Albini Group S.p.A. before 31 July 2022. No bonds were converted.

Bank loans and borrowings

This caption may be analysed as follows at 31 December 2022:

	31/12/22	31/12/21
Overdrafts	5.105	4.224
Export financing	18.143	15.135
Interest on loans and borrowings	162	39
SACE-backed unsecured Unicredit loans	1.914	2.514
Mortgage loans - BPER and SACE	2.625	3.325
Mortgage loans - Banco BPM and SACE	2.053	2.570
Mortgage loans - Intesa and SACE	2.625	3.325
Loans - Banca Popolare di Sondrio	2.666	2.149
Mortgage loan - Illimity Bank and SACE	16.500	17.000
Loan - Deutsche Bank and SACE	2.250	2.850
Loan - from Unicredit to Dietfurt	415	805
Amortised cost	(92)	(661)
Total	**54.366**	**53.278**

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	26.926	20.440	7.000	54.366

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..

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 2022 is included in the hedging reserve for €181 thousand.

Loans and borrowings from other financial backers

This caption totals €5,895 thousand at year end (31 December 2021: €5,443 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	Due after five years	Total
Loans and borrowings from other funancial backers	947	4.478	470	5.895

Payments on account

This caption totals €908 thousand (31 December 2021: €655 thousand) and is comprised of advance payments made for the supply of goods.

Trade payables

The caption amounts to €53,679 thousand (31 December 2021: €42,044 thousand). The 22% increase is mainly due to the rise in purchases as an offshoot of growth in turnover.

Trade payables by geographical segment:

	31.12.2022	31.12.2021
Italian suppliers	23.690	24.727
EU suppliers	2.463	1.824
Non-EU suppliers	27.526	15.493
Total trade payables	**53.679**	**42.044**

Tax payables

This caption may be analysed as follows:

	31.12.2022	31.12.2021
Tax payables:		
Income taxes net of payments on account	-	-
Substitute tax on revaluation	190	282
Withholding taxes on wages and salaries	883	581
Withholding taxes on bond coupons	51	92
Withholding taxes on consultants' fees and other sundry amounts	455	19
Total	**1.579**	**974**

Social security charges payable

This caption amounts to €1,764 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:

	31.12.2022	31.12.2021
Employees	3.141	3.332
Bondholders for coupons to be paid	134	61
Insurers	17	78
Sundry	317	198
Total	**3.609**	**3.376**

Due date of payables due after one year

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

	Due		
	From 1 to 5 years	After 5 years	Total
Ordinary and convertible bonds - shareholders	-	8.757	8.757
Bank loans and borrowings	27.440	-	27.440
Loans and borrowings from other financial backers	4.478	470	4.948
Total	**31.918**	**9.227**	**41.145**

ACCRUED EXPENSES AND DEFERRED INCOME

This caption amounts to €1,103 thousand (31 December 2021: €465 thousand) and may be analysed as follows:

	31.12.2022	31.12.2021
Deferred grants	184	247
Interest expense	77	50
Accrued personnel expenses	159	5
Accrued costs due to FATF (Financial Action Task Force)	109	56
Other	574	107
Total accrued expenses and deferred income	**1.103**	**465**

NOTES TO THE MAIN PROFIT AND LOSS CAPTIONS

Production revenues

Revenues from sales and services

This caption amounts to €182 million, with an increase of €51 million (+38.7%) over the previous year.

Revenues are analysed by business segment below:

	2022	2021
Fabric sales and finishings	124.163	84.286
Cotton and yarn sales and yarn processing	52.144	42.271
Energy (profit on white certificate trading, sale of energy and energy saving systems)	5.145	3.902
Consultancy and services	234	494
Total	**181.686**	**130.967**

The increase in consolidated turnover is mostly due to the huge surge in sales of fabrics (+47%) and yarns (+20%) and revenues from the energy sector (+77%) as detailed in the directors' report.

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

	2022	2021
Italy	59.608	39.077
EU countries (excluding Italy)	35.394	29.238
Non-EU countries	86.684	62.653
Total	**181.686**	**130.967**

Other revenues and income

This caption totals €4.9 million (2021: €4.7 million), of which sundry income of €2.1 million and grants related to income of €2.8 million.

Sundry income mainly consists of the recovery of transport costs (€793 thousand), gains on the sale of assets (€386 thousand), the sale of marketing materials and other consumables (€112 thousand), revenues from energy sales (€527 thousand) and lease income (€75 thousand). The caption also includes other sundry income €192 thousand mainly related to sales of sundry materials.

Grants related to income are as follows:

	2022	2021
Grant related to assets pursuant to Law no. 181/89	63	1.197
Export grants for the Egyptian subsidiaries	319	216
GSE grants related to energy and subsidies to energy-intensive consumers	805	288
Fondimpresa and other grants for personnel training	50	68
Grants	160	-
COVID-19 support grants	-	279
Fabrics bonus grant as per article 4-bis of Decree law no. 34/2020	1.411	-
Employment support grants	20	-
Total	**2.828**	**2.048**

In compliance with regulations on transparency of 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 €595 thousand.

Production Costs

Raw materials, consumables, supplies and goods

These amount to €115 million, a sharp increase of €41 million on the previous year chiefly due to the upturn in production volumes resulting from higher turnover during the year and inventory. 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 €13.6 million from €33.8 million in 2021 to €47.7 million in 2022. This caption mainly includes outsourcing and transport costs, customs duties, fees, maintenance costs, utilities and driving force.
There was a considerable rise in energy and outsourcing costs.
Directors' and statutory auditors' fees amount respectively to €630 thousand and €81 thousand.

Use of third party assets

This caption amounts to €1,273 thousand (2021: €1,009 thousand) and mainly comprises hire costs for €225 thousand, lease instalments for employee accommodation and costs for civil buildings for €59 thousand, and leases of industrial buildings and third-party warehouses by the Italian and foreign subsidiaries for €989 thousand.

Personnel expenses

The breakdown of these costs is already provided in the profit and loss account. Personnel expenses increased from €28.5 million in 2021 to €32.3 million in 2022, up by €3.8 million (13%).

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

	31.12.2021	New hires	Departures	Trasfers	31.12.2022	Average of the year
Manager	14	1	(1)	-	14	14
Junior managers and white collars	274	34	(36)	16	288	281
Blue collars and other employees	961	190	(146)	(16)	989	975
Total	**1.249**	**225**	**(183)**	**-**	**1.291**	**1.270**

Amortisation, depreciation and write-downs

As mentioned earlier in the section on fixed assets, amortisation and depreciation decreased from €6,167 thousand in 2021 to €5,776 thousand in 2020 (-€391 thousand). 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 €125 thousand accrual to the provision for bad debts for the portion necessary to adjust receivables to their estimated realisable value.

Other operating costs

This caption totals €0.9 million (2021: €0.8 million) and mainly relates to indirect taxes and duties of €514 thousand and contributions to trade associations of €244 thousand. The bad debts recorded in the year were fully covered by the provision for bad debts.

Financial incomes and charges

Other financial incomes

This caption comprises interest income on bank accounts of €9 thousand and other interest income of €15 thousand.

Interest and other financial charges - Exchange rate gains and losses

Interest and other financial charges are comprised as follows:

	2022	2021
Interest expense and commissions on loans and advances	1.914	1.041
Bank interests expense	93	28
Interest expense on bonds to shareholders and third parties	98	647
Discounts and financial charges	300	277
Other financial charges	-	-
Total	**2.405**	**1.993**

Net exchange rate gains come to €94 thousand, compared to net exchange rate losses of €17 thousand in 2021.

Adjustements to financial assets

Write-backs

Write-backs of derivatives of €129 thousand refer to the gains on the currency forwards on sales and purchases in US dollars, the Japanese yen and the Czech koruna.

Write-downs

Write-downs of derivatives include €16 thousand related to the losses on the currency forwards on sales and purchases in US dollars, the Japanese Yen and the Czech koruna.

Income taxes

This caption is as follows:

	2022	2021
Current:		
Income taxes	(837)	(703)
Total current taxes	**(837)**	**(703)**
Income from participation in the national tax consolidation scheme	**45**	**1.040**
Recognition of deferred tax assets	(18)	43
Recognition of deferred tax liabilities	33	89
Total deferred taxes	**15**	**132**
Total income taxes of the year	**(777)**	**469**

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 2022.
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

None.

Nota 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, 28 April 2023

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

STATURY AUDITOR’S REPORT

REPORT OF THE INDIPENDENT AUDITORS

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

ALBINI GROUP S.p.A. with registered office in Via Dr. Silvio Albini n.1, Albino (BG) - 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 2022

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	201,827.=
B.	Production cost	192,291.=
•	Operating profit (loss) (A – B)	(9,536).=
C.	Net financial expense	(2,287).=
D.	Adjustments to financial assets	113.=
•	Pre-tax profit (loss) (A-B±C±D±E)	7,362.=
•	Income taxes, current and deferred	(777).=
•	Net profit (loss) for the year before minority interests	6,585.=
•	Minority interests	633.=
•	Net profit (loss) for the year attributable to the Group	5,952.=

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 2022 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., Filati Maclodio K.f.t., 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 2022 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 n.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 14th April 2023, 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, 18th May 2023

for the Board of Statutory Auditors

(dott. Danilo Arici - President)

KPMG S.p.A.
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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 Gruppo Albini Group (the "group"), which comprise the balance sheet as at 31 December 2022, 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 Gruppo Albini Group as at 31 December 2022 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, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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'r eport at 31 December 2022 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 2022 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 2022 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, 18 May 2023

KPMG S.p.A.

(signed on the original)

Stefano Azzolari
Director of Audit

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