

# ALBINI GROUP

ANNUAL REPORT  
2023



# Contents

5	Directors' report
25	Consolidated financial statements as at and for the year 20 ended 31 December 2023
33	Cash flow statement
37	Notes to the consolidated financial statements:
38	Group structure, consolidation scope
42	Basis of preparation
42	Accounting policies
54	Notes to the main asset captions
60	Notes to the main liability captions
67	Notes to the main profit and loss account captions
73	Report of the board of statutory auditors
77	Independent auditors' report

# 01

# Directors' report\*

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\* ALBINI GROUP S.p.A.

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

Dear shareholders,

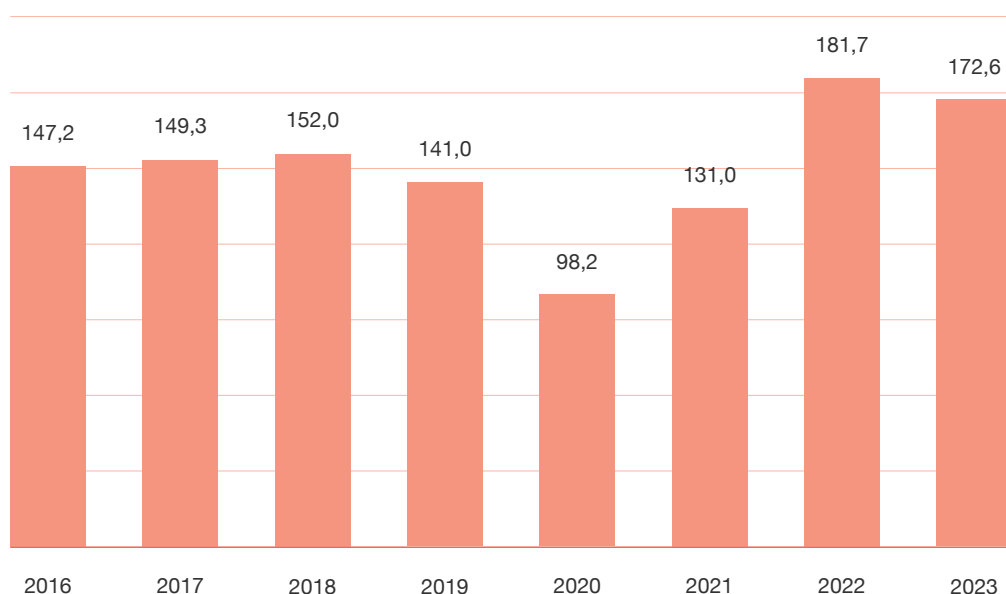
The group's net turnover came to €173 million in 2023, a 5% decrease on the €182 million of 2022. This turnover includes revenues from the energy segment and fabric consultancy services in order to give a more complete view of the diversified nature of the group's activities. The group's performance in its three sectors dipped slightly in 2023:

- making up roughly 69% of the group's total revenues via Cotonificio Albini S.p.A., the fabrics market recorded substantial growth in revenues in the first half of the year, up roughly 20% on the previous half, in continuity with the final months of 2022. However, there was a sharp drop in orders and turnover in the second half of the year which swept through all of the group's sectors. Revenues from sales and services total €121.8 million in 2023, down slightly on 2022 (-0.5%). Production revenues, which also include a €11 million decrease in inventory against a €13 million increase in 2022, amount to €117.1 million compared to €148.3 million in 2022 (-21%). The company recorded a pre-tax profit of €1.03 million, compared to €4.3 million in 2022. Amortisation and depreciation amount to €3.0 million, unchanged from 2022. Gross operating profit (EBITDA) of €7.2 million, before provisions for risks and charges, dropped €796 thousand from €8.0 million in 2022;
- in the yarn market, mainly the knitwear sector, the subsidiary I Cotoni di Albini S.p.A. (accounting for roughly 26% of consolidated revenues) recorded a downturn in revenues, coming to €54.7 million from €60.7 million in 2022 (-9.8%), while maintaining its leadership position in the raw yarns market. The company recorded a net profit of €0.9 million, down from €1.9 million in 2022. Excluding extraordinary items, which came to net extraordinary income of €1.4 million in 2022 and net extraordinary expense of €400 thousand in 2023, there would be a huge recovery of profitability with net profit coming to €0.5 million in 2022 and €1.3 million in 2023. Sales to third-party customers remain in line with the previous year (84% of the total);
- on the other hand, the energy sector of the subsidiary Albini Energia (accounting for approximately 2.9% of consolidated revenues) saw a significant drop in revenues and profits, with revenues of €5.4 million compared to €7 million in 2022 (-22.9%) and net profit of €84.5 thousand (€344 thousand in 2022).

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

### Revenues from sales and services

Millions of euros



The group recorded a net profit for the year of €0.7 million, compared to €5.9 million in 2022. Gross operating profit (EBITDA) before provisions for risks and charges came to €10.6 million, compared to €15.4 million in the prior year. Excluding non-recurring and extraordinary items, i.e., managing the sale of Tessitura di Mottola S.r.l. in liquidation and the penalty paid by I Cotoni di Albini S.p.A., the gross operating profit would

have been €1.9 million higher at €12.4 million. Amortisation and depreciation of the year totalled €5.3 million, compared to €5.8 million in 2022.

Net financial debt at 31 December 2023 amounted to €42.6 million, a €6.1 million improvement on the previous year end (€48.7 million).

As permitted by article 18.1 of the by-laws, the shareholders' meeting to approve the consolidated financial statements at 31 December 2023 will be called at the later term of 180 days from year end as the parent did not receive the results of the direct investees Tessitura di Mottola S.r.l. in liquidation and I Cotoni di Albini S.p.A. and indirect investee Albini Yarns Hungary Kft (formerly Filati Macclodio Kft) in time.

## Operations and developments

According to Confindustria Moda (the Italian fashion industry association) research centre estimates based on internal sample analyses and the relevant macroeconomic situation, Italian men's fashion (including tailoring, knitwear, shirts, ties and leather clothing) is expected to reach turnover of around €11.9 billion in 2023, up 4.9% on 2022. The men's sector is estimated to account for 18.4% of the Italian fabrics and fashion industry in 2023<sup>1</sup>.

Growth was decidedly lacklustre in the Italian men's fashion sector in 2023 after the post- pandemic upswing. While strong positive trends continued on the international fashion markets in the first half of the year, there was a considerable deceleration in all segments in the second half, including, for the first time, the luxury segment. This is understandable considering the current economic climate, blighted by unprecedented inflation and restrictive policies rapidly raising the cost of money in Europe to 4.5%.

Two conflicts, in Ukraine and the Middle East, with increasingly uncertain outcomes elicit the Cold War climate, or worse still, the situation in the 1930s when Europe was unwittingly on course for the Second World War. In this setting it was obvious that the group's sector and the luxury goods market would be impacted by geopolitical tensions despite always being resilient against unforeseen events of all kinds. The luxury goods sector is also affected by other unknown quantities. In first place is the spending crisis in China which, up to 2023, seemed close to overtaking the US as the leading market for top-range goods. In addition to the domestic crisis generated by the bursting of the property bubble, there are also demographic factors that might trigger commercial wars with the US and Europe, not to mention political tensions with Japan and Australia. Moreover, the partial closure of the Suez Canal caused delays and higher transport costs for goods coming from Asian countries, with repercussions for China's balance of trade. There is a final important factor that is hard to measure: social and cultural change, especially for the younger generations all over the globe. Regardless of financial means, choosing to buy luxury goods is increasingly influenced by considerations regarding sustainability and environmental and social issues, and even whether it is appropriate.

As regards beneficial factors, the dangers that many see in generative artificial intelligence are a positive note. As has been highlighted by numerous experts, AI can do many things but it cannot produce luxury goods, which, by definition, have a considerable creative and artisan component. Many analysts also believe that there is little to fear from the application of AI's creative capacity to collections. One area where generative AI will never be able to replace the creativity and unpredictability of humans is deciding how to dress and choosing which accessories to buy. Moreover, if used well, AI could help develop and modernise how companies manage their supply chain and customers, as we saw in the last twenty years with the proliferation and success of digital tools. Thus, there are both positive and negative aspects for the future driving the parent and group towards challenging objectives. How such issues are tackled will undoubtedly be a critical factor of success. The group is ready to face them with resolve, determination and tenacity, focusing on people and working together with a united front.

As regards the factors that had a positive impact on performance, energy prices returned to more acceptable levels during the year. Raw materials, cotton and yarn costs also dropped from the highs reached in 2022. However, this did not have a significant impact on profitability as the significant stocks accumulated and some organic cotton harvested under contracts terminated at the end of 2022 had been purchased or agreed at prices that were high in retrospect.

The strategic goal of reducing inventory was achieved with the total down from €99.6 million to €80.3 million (-19%).

Procurement of raw materials was facilitated by I Cotoni di Albini S.p.A.'s control over the supply chain thanks to its long-standing successful partnerships with suppliers. Compared to 2022, in light of the objective of reducing inventory and forecast deceleration of the market in the second half of the year, purchases were significantly downsized, screened and streamlined. Bucking the trend, the price of linen yarn rose due to lower harvest yields, lower quality of long fibres and strong demand from Asian countries such as India and China.

In the energy industry, where Albini Energia S.r.l. operates, turnover fell sharply in 2023 after an exceptional performance in 2022 which had benefitted from industry's rapid demand for photovoltaic system installation. This demand dropped off considerably in 2023 due to falling energy prices on global markets and the resulting slump in demand and value for money. 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 - saw a decrease in turnover due to lower volumes requested by the parent, Cotonificio Albini S.p.A..

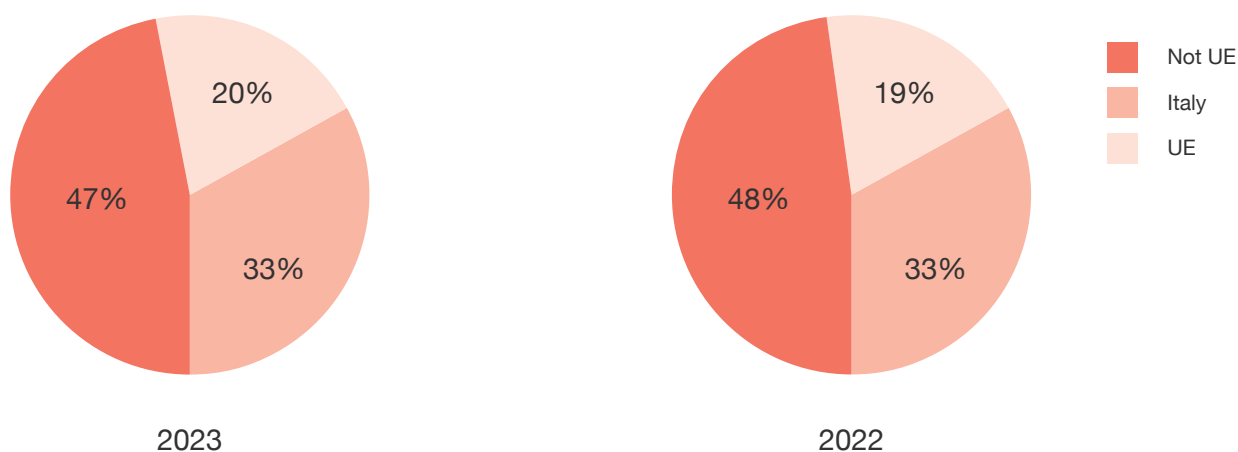
After some time needed to adjust and upgrade its machinery, the Hungarian investee Filati Macclodio Kft, a yarn processing facility acquired in May 2022, began producing raw yarns, melange yarns and various blends with silk, cashmere, wool and linen in 2023. The company changed its name to Albini Yarns Hungary Kft in April 2024.

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. An agreement was finalised in 2023 to sell the site to a Turin-based doors and windows company that already has another facility in Mottola. With regard to the liquidation of the indirect investee, the price agreed with the third party in June to buy the Mottola site was in line with the liquidator's appraisals. The breakdown of sales between Italy, Europe and the rest of the world was unchanged from the previous year.

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

#### Turnover by geographical segment



In terms of style and products, monochrome items are still in big demand while printed fabrics are less so. 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 again hugely successful thanks to its top quality and its valid and reliable sustainability as certified by independent third parties. 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.

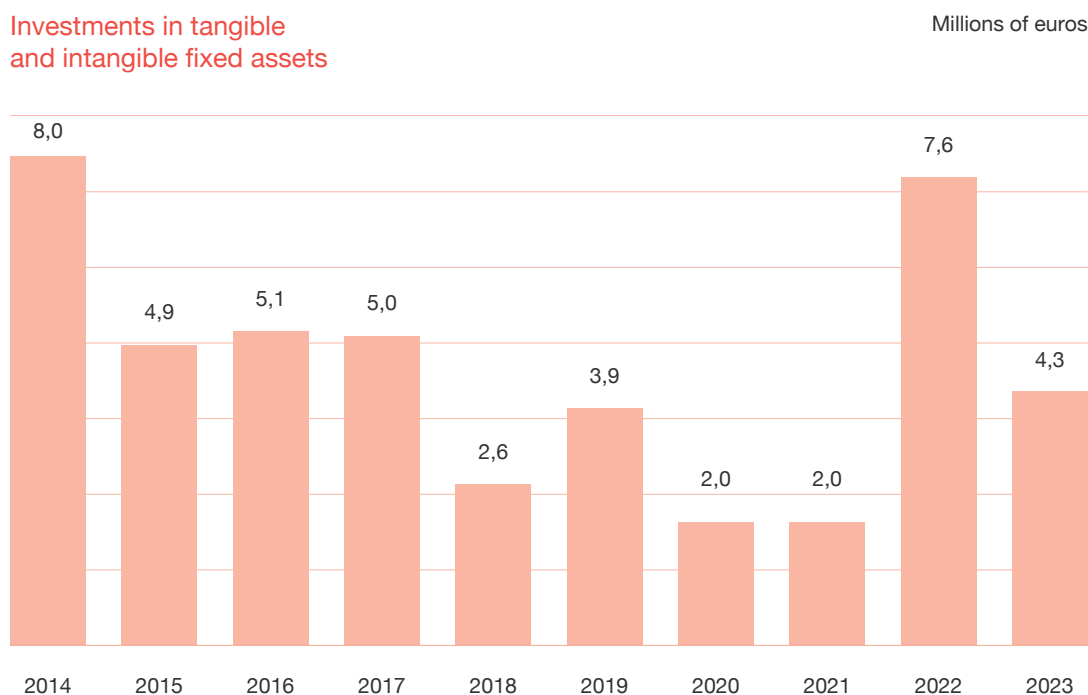


The group of Albini's young talents are continuing to collaborate with leading research centres, universities, suppliers and customers all over the world to develop innovative products, test new natural dyes, and study recycling production scraps to create a circular economy and engage in virtuous reuse.

## Investments in tangible and intangible fixed assets

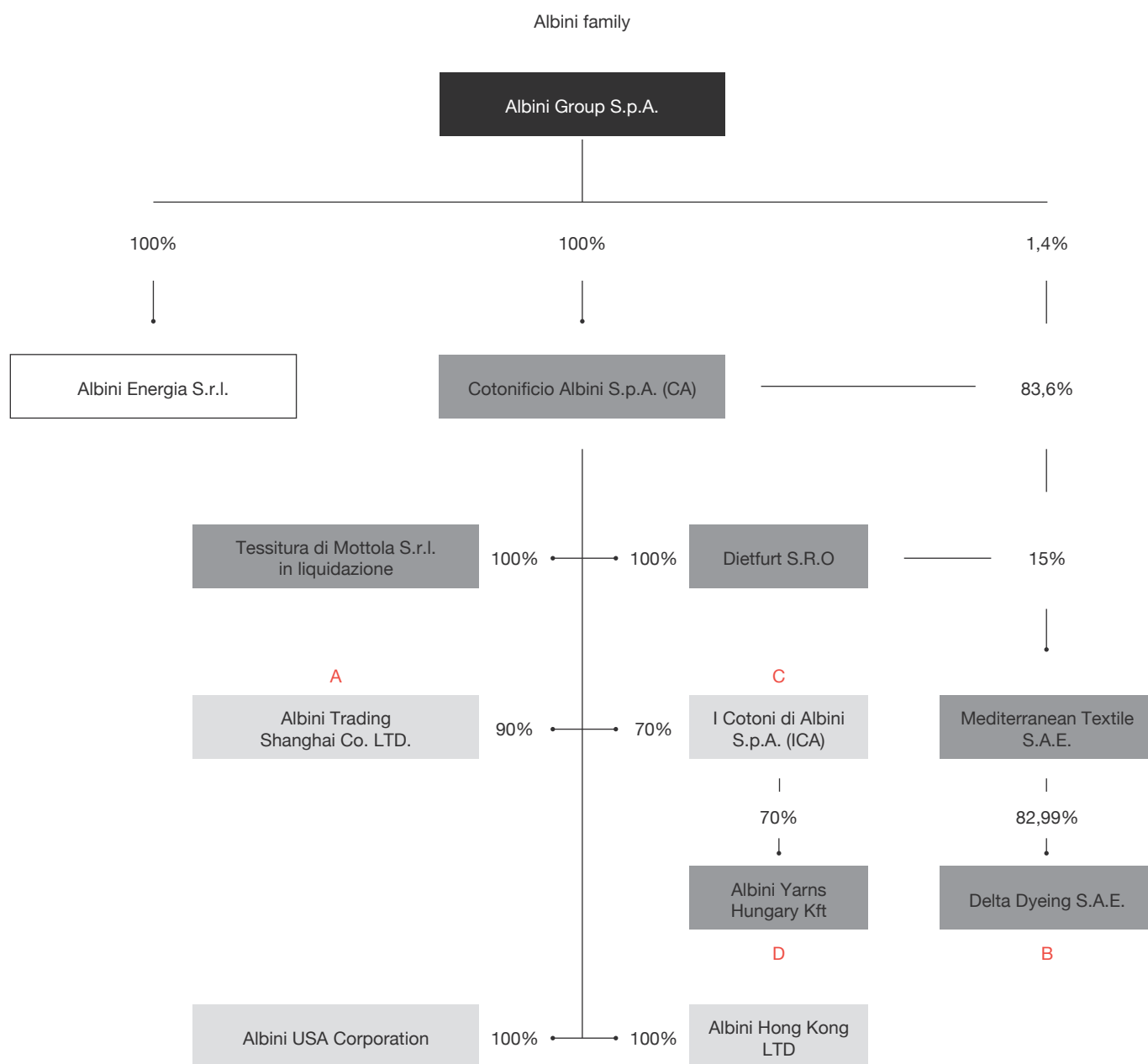
Investments made in 2023 came to €4.3 million and mainly related to digitalisation and automation projects and the upgrading of roofs at Cotonificio Albini's three sites for the installation of solar panels which were connected between late 2022 and early 2023 for a total power of roughly 1.7 MW. When fully up and running, these will cover around 20% of energy consumption. The new yarn processing line was implemented at the Albini Yarns Hungary Kft facility in Hungary, thus consolidating yarn processing within the group.

The following graph shows investments in intangible and tangible fixed assets from 2014 to 2023:



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

## The group structure at 31 December 2023



Holding  
Production company  
Commercial company  
Energy consulting company

A Essence Trading Co. Ltd 10%  
B Sectore Spinning 8,17% - Alba Beteiligungs immobilien AG 8,84%  
C Modern Nile Cotton Co. 30%  
D Best Yarn Srl 30%

Total employees:

**1.185**

**Cotonificio Albini S.p.A.**

This direct subsidiary and industrial and operating sub-holding recognised revenues from sales and services of €125.2 million, down 5% on 2022 (€131.5 million). It ended the year with a net profit of €1 million, compared to €3.7 million in 2022, after amortisation and depreciation of €3.04 million, compared to €3 million in 2022. Gross operating profit (EBITDA) decreased slightly from €8 million in 2022 to €7.2 million in 2023 (-€0.8 million). Investments in tangible and intangible fixed assets in 2023 totalled €1.7 million (2022: €1.4 million).

**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 €126 thousand (2022: €192 thousand), after amortisation and depreciation of €298 thousand (2022: €370 thousand). Turnover from processing totalled €6.0 million in 2023, down 17.8% from €7.3 million in 2022, 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 tied 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 €211 thousand, compared to €535 thousand in 2022. It recognised amortisation and depreciation of €464 thousand (2022: €760 thousand), while turnover dropped significantly to €17.3 million, compared to €25.6 million in 2022, exclusively for fabric sales to its parent, Cotonificio Albini S.p.A.. The company invested €207 thousand in buildings, machinery, electronic machinery and industrial patents during the year.

**Delta Dyeing S.a.e.**

Indirectly owned (82.98%) through Mediterranean Textile S.a.e., Delta Dyeing S.a.e. posted a net profit for the year of €46 thousand, compared to a net loss of €87 thousand in 2022. 2023 turnover totalled €1.0 million and related to the sale of yarns and dyeing on behalf of the group and third parties, compared to €2.1 million in 2022. This subsidiary recognised amortisation and depreciation of €174 thousand (2022: €357 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. Despite the weak economic market, 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 €85 thousand, compared to €344 thousand in 2022. Turnover for 2023 came to €5.4 million, compared to €7 million in 2022. This decrease was due to the general economic downturn which worsened in the second half of the year.

**I Cotoni di Albini S.p.A.**

The company's shareholding structure changed in 2023, with Cotonificio Albini S.p.A. increasing its share from 65% to 70%. The company 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 €54.7 million, compared to €60.7 million in 2022. It consists of both sales to its parent and third parties in Italy and abroad, with the percentage of sales to third party customers remaining in line with the previous year. The subsidiary posted a net profit for the year of €953 thousand compared to €1,925 thousand in 2022, down €972 thousand. Investments made during the year (€94 thousand) related to upgrades to production lines for processing yarns, bench tubes and small tubes. The company acquired a 70% investment in its subsidiary Albini Yarns Hungary Kft in 2022. The shareholders supported the subsidiary's capital expenditure in 2023 thus increasing the investment by €560,000 pro rata, raising it to €730 thousand at the end of the year. Details on the subsidiary's operations and positive development are provided in the section on Operations and developments.

**Albini Yarns Hungary Kft**

This company has operated for many years in transforming raw materials, mainly cotton but also blends with silk, wool or other fibres including synthetic or artificial, into yarns which are mostly sold to its parent I Cotoni di Albini S.p.A.. It recorded turnover of €3.5 million in 2023, compared to €4 million in 2022. The company recorded a net loss of €65 thousand in 2023. The company changed its name from Filati Macloadio Kft to Albini Yarns Hungary Kft in April 2024.

**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. The company recorded a net loss for the year of €23 thousand, compared to a net profit of €4 thousand in 2022.

**Albini Hong Kong Ltd.**

This company is 100% owned by Cotonificio Albini S.p.A. and carries out sales activities for the activities in the bespoke business and provides commercial and marketing assistance for sales by the parent in Hong Kong and South-East Asia. In 2023, it continued to reinforce the group's coverage of the local market. Its net profit for the year came to €261 thousand, compared to €328 thousand in 2022. Turnover from fabric sales rose from €2.3 million in 2022 to €2.5 million in 2023, 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 €1.0 million compared to €991 thousand in 2022. It posted a net profit for the year of €233 thousand, compared to €294 thousand in 2022. 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.

**Tessitura di Mottola S.r.l. in liquidation**

Given the enduring crisis that is considered irreversible despite the numerous relaunch attempts, this subsidiary, which is wholly-owned through Cotonificio Albini S.p.A., discontinued its operations and resolved to enter into liquidation starting from 7 July 2021. The company recorded a net loss of €1.2 million in 2023, compared to €122 thousand in 2022. The subsidiary continued selling assets and carried out negotiations with companies, specifically with one operator interested in 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.

## 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 2023 financial statements and the previous two years.

Highlights	2023	2022	2021
Net revenues (€ millions)	172,6	181,7	131
GOP (€ millions)	29,7	32,2	19,5
EBIT (€ millions)	5,0	9,5	(3)
EBITDA, before provisions for risks and charges (€ millions) *	12,4	15,4	4,2
Net profit/(loss) for the year attributable to the group (€ millions)	0,8	6,0	(4,7)
Personnel expenses (€ millions)	34,5	32,3	28,5
Cash flows (€ millions)	4,7	12,3	2,5
Bank loans and borrowings (€ millions)	(42,6)	(48,7)	(38,8)
Net equity (€ millions)	76,8	77,7	69,8
Turnover per employee (€ thousands)	145	143	98
Personnel expenses per employee (€ thousands)	29,0	25,4	21,3
Average number of employees in the year	1.189	1.270	1.336
Earnings (loss) per share (€)	0,2	1,5	(1,4)

Bank loans and borrowings decreased from €48.7 million to €42.6 million. During 2023, 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 increased from 173 days in 2022 to 185 days in 2023, while net working capital as a percentage of production revenues remained unchanged at 45%. However, these numbers remain significant. As turnover is forecast to fall in 2024, the aim will be to further optimise inventory management and thus reduce the latter percentage.

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(\*) 2023 EBITDA and bank loans and borrowings/EBITDA were adjusted to exclude non-recurring and extraordinary items, i.e., managing the sale of Tessitura di Mottola S.r.l. in liquidation and the penalty paid by I Cotoni di Albini S.p.A., for a total of €1.9 million.

Performance indicators	2023	2022	2021
Return on equity (ROE)	1,0%	7,7%	-6,8%
Return on sales (ROS)	2,9%	5,2%	-2,3%
Return on investment (ROI)	3,7%	6,6%	-2,4%
Equity ratio	0,40	0,36	0,36
NFD/Net equity	0,56	0,63	0,56
EBIT margin	2,9%	5,2%	-2,3%
EBITDA margin, before provisions for risks and charges (% of turnover) *	7,2%	8,5%	3,2%
Bank loans and borrowings / EBITDA *	3,5	3,2	9,3
Cash flows as a percentage of sales	2,7%	6,7%	1,9%
Net working capital as a percentage of sales	45,0%	45,6%	52,6%
DSO	72,08	74,16	99,08
Inventory turnover	185	173	193
Research and development costs as a percentage of sales	1,1%	1,3%	1,9%

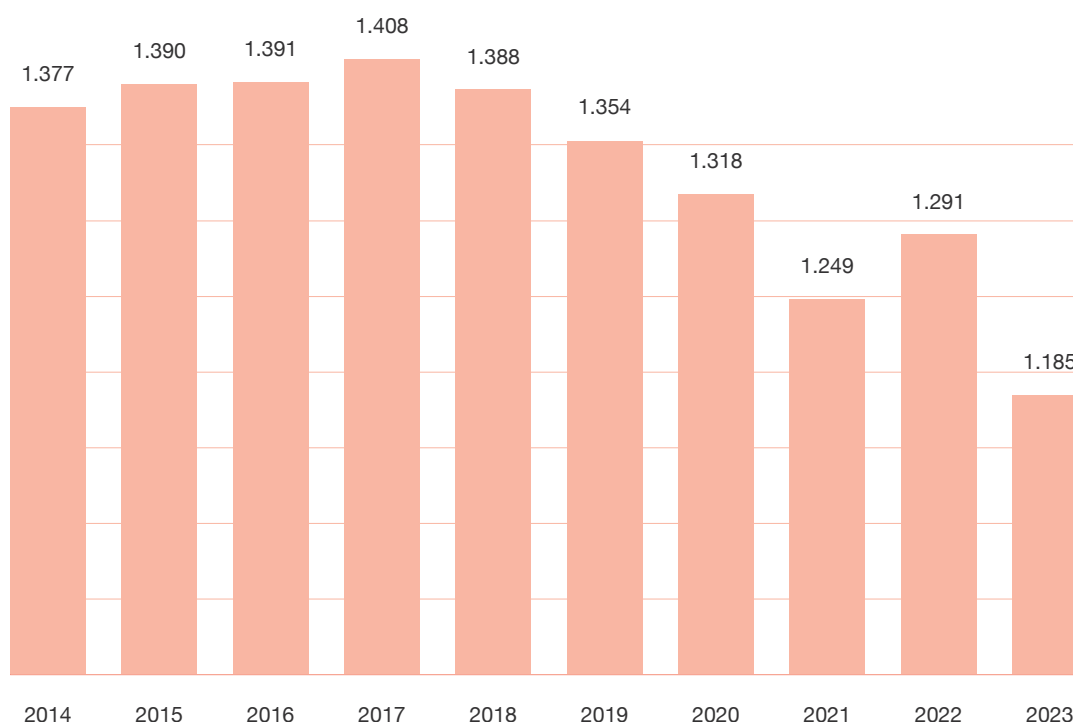
## Workforce

Group employees totalled 1,185 at 31 December 2023, 106 less than at 31 December 2022.

They are distributed across the various group companies as follows:

	2023	2022
Cotonificio Albini S.p.A.	543	542
Tessitura di Mottola S.r.l. in liquidation	0	108
Albini Energia S.r.l.	9	8
I Cotoni di Albini S.p.A.	17	18
Albini Yarns Hungary Kft	122	118
Albini Trading Shanghai Co. Ltd.	-	-
Albini Hong Kong Ltd.	9	9
Dietfurt S.r.o.	197	202
Mediterranean Textile S.a.e.	262	264
Delta Dyeing S.a.e.	23	20
Albini USA corporation	3	2
<b>Total employees</b>	<b>1.185</b>	<b>1.291</b>

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



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

#### **Information on the environment and the workforce**

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

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

With regard to safety in the workplace, the company is very diligent about developing the skills of the workforce.

It ensures that its workers constantly refresh their skills via ongoing training cycles internally and/or at specialised structures, in all company areas.

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

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

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



## Other information

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

### Group risk factors

Effective risk management is essential to maintaining the group's value over time. Monitoring of the key risks is focused on the subsidiary Cotonificio Albini S.p.A. and the companies that have invoiced external customers, such as I Cotoni di Albini S.p.A., Albini Energia S.r.l., Delta 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.

As mentioned earlier, the conditions of the global economic situation are still fairly uncertain with the continuing military conflict in Ukraine, the Israel-Hamas war and inflationary tensions that will not abate.

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 31.5% 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 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 through forward sales and purchase agreements. This policy therefore reduces the exposure to currency risk. The net exposure in US dollars was partially hedged in 2023 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 2023.

The direct subsidiary Cotonificio Albini S.p.A. continued its usual research and development activities in 2023 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 technical solutions to implement new characteristics and features to company products”. 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.

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 €1.9 million, 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 2024.

### **Outlook**

2024 will continue to offer up various challenges for the group to face, led by inflationary trends in its main areas of business (Europe and America), the risk of recession or stagnant growth as forecast by leading international research institutes and the political instability provoked by world conflicts.

A downswing is expected in the fabric segment in 2024, with market demand remaining in line with the last quarter of 2023. Synergies between group companies will help optimise cost management.

The group companies will carefully monitor developments in their markets, with regard to supply conditions and the availability of raw materials.

We are making very prudent predictions for the year, with a more positive outlook for the second half in light of the forecast reduction in interest rates starting from June 2024.

The board of directors believes that the going concern and solidity of the group are not in question.

Albino, 26 giugno 2024

On behalf of the board of directors

The chairman

(Fabio Albini)

A handwritten signature in black ink, appearing to read 'F. Albini', with a large, stylized initial 'F'.



## Annex 1

<b>Reclassified balance sheet</b> (€'000)	<b>2023</b>	<b>2022</b>
Intangible fixed assets	2.646	2.701
Tangible fixed assets	54.998	57.659
Financial fixed assets	121	244
Provisions and employees' leaving entitlement	(7.818)	(8.987)
Net working capital	77.578	82.925
Net other medium-term receivables	610	608
<b>Net invested capital</b>	<b>128.135</b>	<b>135.150</b>
<b>Net financial debt</b>	<b>(42.625)</b>	<b>(48.717)</b>
<b>Bonds - shareholders</b>	<b>(8.757)</b>	<b>(8.757)</b>
<b>Net equity</b>	<b>76.753</b>	<b>77.676</b>
of which: attributable to the group	74.435	74.864
attributable to minority interests	2.318	2.812
<b>Net working capital</b>	<b>2023</b>	<b>2022</b>
Inventory	80.639	99.329
Trade receivables	34.076	36.914
Trade payables	(33.243)	(53.679)
Other net receivables (payables)	(3.894)	361
<b>Total</b>	<b>77.578</b>	<b>82.925</b>
<b>Net financial debt</b>	<b>2023</b>	<b>2022</b>
Bank loans and borrowings	(51.243)	(54.366)
Bonds - banks	0	-
Loans and borrowings from other financial backers	(5.260)	(5.895)
Bank deposits and cash and cash equivalents	13.878	11.544
<b>Total</b>	<b>(42.625)</b>	<b>(48.717)</b>

## Annex 2

<b>Reclassified profit and loss account *</b> (€'000)	<b>2023</b>	<b>2022</b>
Net revenues	172.566	181.686
Cost of sales	(142.833)	(149.471)
<b>Gross operating profit</b>	<b>29.733</b>	<b>32.215</b>
Sales costs	(11.460)	(10.920)
Product research costs	(2.707)	(2.732)
Administrative costs and overheads	(12.868)	(11.801)
Other operating income	2.308	2.773
<b>Operating profit (EBIT)</b>	<b>5.007</b>	<b>9.536</b>
Net financial charges	(3.893)	(2.174)
Net extraordinary income/expense	0	0
<b>Pre-tax profit</b>	<b>1.114</b>	<b>7.362</b>
Income taxes	(593)	(777)
<b>Net profit for the year, including minority interests</b>	<b>521</b>	<b>6.585</b>
<b>Net profit (loss) for the year attributable to minority interests</b>	<b>(270)</b>	<b>633</b>
<b>Net profit for the year attributable to the group</b>	<b>791</b>	<b>5.952</b>

<b>As a % of net revenues</b>	<b>2023</b>	<b>2022</b>
Gross operating profit	17,2%	17,7%
EBITDA margin **	7,2%	8,5%
EBIT margin	2,9%	5,2%
Net profit for the year attributable to the group	0,5%	3,3%
Cost of sales	83%	82%
Sales costs	7%	6%
Product research costs	1,6%	1,5%
Administrative costs and overheads	7,5%	6,5%

\* reclassified by allocating costs to cost centres

\*\* 2023 figure adjusted by non-recurring and extraordinary items

# 02



# Consolidated financial statements as at and for the year ended 31 december 2023\*

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\* ALBINI GROUP S.p.A.

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

Balance sheet assets (€'000)			31.12.2023		31.12.2022	
			partial	total	partial	total
<b>A) Share capital proceeds to be received</b>				-		-
<b>B) Fixed assets</b>						
I.	Intangible fixed assets					
	3)	Industrial patents and intellectual property rights		182		271
	4)	Concessions, licences, trademarks and similar rights		1.047		1.090
	5)	Goodwill		99		187
	6)	Assets under development and payments on account		448		618
	7)	Other		870		535
		Total		2.646		2.701
II.	Tangible fixed assets					
	1)	Land and buildings		39.520		41.778
	2)	Plant and machinery		13.680		14.307
	3)	Industrial and commercial equipment		77		119
	4)	Other assets		906		727
	5)	Assets under construction and payments on account		815		728
		Total		54.998		57.659
III.	Financial fixed assets					
	2)	Financial receivables				
		d bis) From others		6		3
	4)	Derivatives		115		241
		Total		121		244
<b>Total fixed assets</b>				<b>57.765</b>		<b>60.604</b>
<b>C) Current assets</b>						
I.	Inventory					
	1)	Raw materials, consumables and supplies		40.459		47.115
	2)	Work in progress and semi-finished products		20.321		26.791
	3)	Contract work in progress		10		804
	4)	Finished goods		19.849		24.619
	5)	Payments on account				
		Total		80.639		99.329

Balance sheet assets (€'000)			31.12.2023		31.12.2022	
			partial	total	partial	total
II.	Receivables					
	1)	Trade receivables due within one year		34.076		36.914
		due after one year		-		-
	5bis)	Tax receivables due within one year		1.443		3.893
		Tax receivables due after one year		161		27
	5ter)	Deferred tax assets		3.108		3.338
	5quater)	From others due within one year		1.526		1.661
		From others due after one year		449		581
		Total		40.763		46.414
III.	Current financial assets					
	5)	Derivatives		-		-
		Total		-		-
IV.	Liquid funds					
	1)	Bank and postal accounts		13.860		11.526
	2)	Cheques on hand		-		-
	3)	Cash-in-hand and cash equivalents		18		18
		Total		13.878		11.544
Total current assets				135.280		157.287
D) Prepayments and accrued income						
	Prepayments and accrued income			622		432
Total prepayments and accrued income				622		432
Total assets				193.667		218.323

\* ALBINI GROUP S.p.A.

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

Balance sheet assets (€'000)		31.12.2023		31.12.2022	
		partial	total	partial	total
<b>Net equity</b>					
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	1.797		1.837	
	- Capital injections	207		207	
	- Liquidation reserve	430		(78)	
	- Revaluation reserve as per Law no. 266/05	-		-	
	- Revaluation reserve as per Law no. 02/09	9.912		9.912	
	- Revaluation reserve as per Law no. 126/20	2.134		2.134	
	- Translation reserve	3.026	17.506	3.354	17.366
VII.	Hedging reserve		59		181
VIII.	Reserve for undistributed profits		48.067		43.353
IX.	Net profit for the year		791		5.952
X.	Reserve for own shares				
Total net equity attributable to the group			74.435		74.864
	Net equity attributable to minority interests		2.588		2.179
	Net profit (loss) for the year attributable to minority interests		(270)		633
Total net equity attributable to minority interests			2.318		2.812
<b>Total net equity</b>			<b>76.753</b>		<b>77.676</b>
<b>B) Provisions for risks and charges</b>					
1)	Pension and similar provisions		1.382		1.313
2)	Tax provision, including deferred tax liabilities		708		855
3)	Derivatives		55		-
4)	Other provisions		706		1.327
<b>Total provisions for risks and charges</b>			<b>2.851</b>		<b>3.495</b>
<b>C) Employees' leaving entitlement</b>			4.967		5.492

Balance sheet assets (€'000)		31.12.2023		31.12.2022	
		parziali	totali	parziali	totali
<b>D) Payables</b>					
1)	Bonds due within one year		-		-
	due after one year		8.757		8.757
2)	Convertible bonds due within one year		-		-
	due after one year		-		-
4)	Bank loans and borrowings due within one year		27.948		26.926
	due after one year		23.295		27.440
5)	Loans and borrowings from other financial backers due within one year		1.165		947
	Loans and borrowings from other financial backers due after one year		4.095		4.948
6)	Payments on account due within one year		1.636		908
7)	Trade payables due within one year		33.243		53.679
12)	Tax payables due within one year		1.393		1.579
13)	Social security charges payable due within one year		2.454		1.764
14)	Other payables due within one year		3.659		3.609
<b>Total payables</b>			107.645		130.557
<b>E) Accrued expenses and deferred income</b>					
	Accrued expenses and deferred income		1.451		1.103
<b>Total accrued expenses and deferred income</b>			<b>1.451</b>		<b>1.103</b>
Total liabilities			116.914		140.647
<b>Total net equity and liabilities</b>			<b>193.667</b>		<b>218.323</b>

Profit and loss account (€'000)		31.12.2023		31.12.2022	
		partial	total	partial	total
<b>A) Production revenues</b>					
1)	Turnover from sales and services		172.566		181.686
2)	Change in work in progress, semi-finished products and finished goods		(11.263)		13.504
3)	Change in contract work in progress		(794)		1.724
4)	Internal work capitalised		-		-
5)	Other revenues and income:				
	- sundry	2.501		2.085	
	- grants related to income	1.391	3.892	2.828	4.913
<b>Total production revenues (A)</b>			164.401		201.827
<b>B) Production cost</b>					
6)	Raw materials, consumables, supplies and goods		70.493		115.241
7)	Services		40.255		47.793
8)	Use of third party assets		1.292		1.273
9)	Personnel expenses:				
	a) Wages and salaries	25.263		22.688	
	b) Social security contributions	7.641		7.359	
	c) Employees' leaving entitlement	1.099		1.928	
	d) Pension and similar costs	-		-	
	e) Other costs	477	34.480	279	32.254
10)	Amortisation, depreciation and write-downs:				
	a) Amortisation of intangible fixed assets	521		610	
	b) Depreciation of tangible fixed assets	4.771		5.166	
	c) Other write-downs of fixed assets				
	d) Write-downs of current receivables and liquid funds	267	5.559	125	5.901
11)	Change in raw materials, consumables, supplies and goods		6.363		(11.050)
12)	Provisions for risks		4		-
13)	Other provisions				
14)	Other operating costs		948		879
<b>Total production cost (B)</b>			159.394		192.291
<b>Operating profit (A-B)</b>			5.007		9.536

Profit and loss account (€'000)		31.12.2023		31.12.2022	
		partial	total	partial	total
<b>C) Financial income and charges</b>					
16)	Other financial income:				
	c) From securities classified as current assets	395	395	-	-
	d) Other income:				
	- Other	64	64	24	24
17)	Interest and other financial charges:				
	- Other	(4.362)		(2.405)	
17bis)	Net exchange rate gains (losses)	3	(4.359)	94	(2.311)
<b>Net financial charges (15+16-17±17bis)</b>			(3.900)		(2.287)
<b>D) Adjustments to financial assets</b>					
18)	Write-backs:				
	d) Derivatives	16	16	129	129
19)	Write-downs:				
	d) Derivatives	(9)	(9)	(16)	(16)
<b>Total adjustments (18-19)</b>			7		113
<b>Pre-tax profit (A-B±C±D)</b>			1.114		7.362
20)	Income taxes				
	- Current	(228)		(362)	
	- Deferred	(3)		15	
	- Income from participation in the national tax consolidation scheme	(362)		(430)	
	Total current and deferred taxes		(593)		(777)
21)	Net profit for the year before minority interests		521		6.585
	Net profit (loss) for the year attributable to minority interests		(270)		633
21 bis)	<b>Net profit for the year attributable to the group</b>		<b>791</b>		<b>5.952</b>

On behalf of the board of directors

The chairman

(Fabio Albini)



# 03



# Cash flow statement

<b>Cash flow statement (indirect method)</b> (€'000)	<b>2023</b>	<b>2022</b>
<b>A. Cash flows from operating activities</b>		
Net profit for the year	521	6.585
Income taxes	593	777
Net interest expense	4.298	2.381
Dividends		-
Gains on the sale of assets	(189)	(381)
<b>1. Profit for the year before income taxes, interest, dividends and gains/losses on the sale of assets</b>	<b>5.223</b>	<b>9.362</b>
Adjustments for non-monetary items that did not affect net working capital		
Increase in provisions	1.687	2.011
Amortisation and depreciation	5.292	5.776
Write-downs of derivatives that did not involve cash flows	46	50
Other non-monetary adjustments	49	(205)
Adjustments for non-monetary items that did not affect net working capital	7.074	7.632
<b>2. Cash flows before changes in net working capital</b>	<b>12.297</b>	<b>16.994</b>
Changes in net working capital		
Decrease/(increase) in inventory	18.690	(26.052)
Decrease/(increase) in trade receivables	2.838	(826)
Increase/(decrease) in trade payables	(20.436)	11.635
Decrease/(increase) in prepayments and accrued income	(190)	(111)
Increase/(decrease) in accrued expenses and deferred income	348	638
Other changes in net working capital	2.046	2.470
Total changes in net working capital	3.296	(12.246)
<b>3. Cash flows after changes in net working capital</b>	<b>15.593</b>	<b>4.748</b>
Other adjustments		
Interest paid	(4.298)	(2.381)
Income taxes paid	-	-
Dividends collected	-	-
Utilisation of provisions	(2.764)	(2.079)
Other collections/payments	-	-
	(7.062)	(4.460)
<b>Cash flows from operating activities (A)</b>	<b>8.531</b>	<b>288</b>

Cash flow statement (indirect method) (€'000)	2023	2022
<b>B. Cash flows from investing activities</b>		
Tangible fixed assets		
Investments	(3.527)	(10.851)
Disinvestments	2.174	1.687
Intangible fixed assets		
Investments	(1.354)	(514)
Disinvestments	840	-
Financial fixed assets		
Investments	(3)	
Disinvestments		
Cash flows used in investing activities (B)	<b>(1.870)</b>	<b>(9.678)</b>
<b>C. Cash flows from financing activities</b>		
Third-party funds		
Increase (decrease) in short-term bank loans and borrowings	390	4.009
New loans	2.000	2.452
Repayment of loans	(6.717)	(5.490)
Own funds		
Capital increase against payment		-
Dividends and interim dividends paid		-
<b>Cash flows from (used in) financing activities (C)</b>	<b>(4.327)</b>	<b>971</b>
<b>Increase (decrease) in liquid funds (A ± B ± C)</b>	<b>2.334</b>	<b>(8.419)</b>
<b>Liquid funds at 1 January</b>	<b>11.544</b>	<b>19.963</b>
Including:		
Bank and postal accounts	11.526	19.946
Cheques on hand	-	-
Cash-in-hand and cash equivalents	18	17
<b>Liquid funds at 31 December</b>	<b>13.878</b>	<b>11.544</b>
Including:		
Bank and postal accounts	13.860	11.526
Cheques on hand	-	-
Cash-in-hand and cash equivalents	18	18

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



# 04

# Notes to the consolidated financial statements\*

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\* ALBINI GROUP S.p.A.

Registered office: Via Dr. Silvio Albini 1, Albino (Bergamo) - Actual 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 “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	
<b>ALBINI GROUP S.P.A.</b> Financial holding company - registered office in Albino (Bergamo)		EUR	2.024.036
<b>COTONIFICIO ALBINI S.P.A.</b> Operating sub-holding - registered office in Albino (Bergamo) 100% directly owned		EUR	11.170.960
<b>ALBINI ENERGIA S.R.L.</b> registered office in Albino (Bergamo) 100% directly owned		EUR	50.000
<b>TESSITURA DI MOTTOLA S.R.L. in liquidation</b> registered office in Mottola (Taranto) 100% indirectly owned	(1)	EUR	1.000.000
<b>DIETFURT S.R.O.</b> registered office in Letohrad, Czech Republic 100% indirectly owned	(1)	CZK	60.100.000
<b>MEDITERRANEAN TEXTILE S.A.E.</b> registered office in Borg El Arab, Alexandria, Egypt 1.43% directly owned 98.57% indirectly owned	(3)	USD	14.000.000
<b>DELTA DYEING S.A.E.</b> registered office in Borg El Arab, Alexandria, Egypt 82.98% indirectly owned	(2)	USD	7.200.000
<b>ALBINI TRADING SHANGHAI CO. LTD.</b> registered office in Shanghai, China 90% indirectly owned	(1)	CNY	4.225.355
<b>I COTONI DI ALBINI S.P.A.</b> registered office in Albino (Bergamo) 70% indirectly owned	(1)	EUR	3.000.000
<b>ALBINI HONG KONG LTD.</b> registered office in Hong Kong 100% indirectly owned	(1)	HKD	3.500.000
<b>ALBINI USA CORPORATION</b> registered office in New York, USA 100% indirectly owned	(1)	USD	500.200
<b>ALBINI YARNS HUNGARY Kft</b> 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 2023 following the acquisition of an investment in the Hungarian company Albini Yarns Hungary Kft by the subsidiary I Cotoni di Albini S.p.A., raising its interest from 65% to 70%.

## **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 at 31/12/2023	Average exchange rate - 2023	Exchange rate at 31/12/2022	Average exchange rate - 2022
Czech koruna	24,724	24,0043	24,116	24,5659
US dollar	1,105	1,0813	1,0666	1,053
Chinese renminbi	7,8509	7,66	7,3582	7,0788
HK dollar	8,6314	8,465	8,3163	8,2451
Hungarian forint	382,80	381,8527	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	Aliquote
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 2023 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 includes the related transaction costs. The purchase cost is the cost actually incurred to purchase the asset and includes the related transaction costs. The production cost includes all directly attributable charges and the reasonably attributable portion of other costs incurred from production up to when the asset is available for use.

Ordinary maintenance costs related to recurring maintenance and repairs to keep assets in good working order to ensure their expected useful life, capacity and original productivity, are expensed 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 2023 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 is available for use. In accordance with the principle of materiality set out in article 2423.4 of the Italian Civil Code and the applicable reporting standard, the depreciation rates are halved in the first year in which the asset is available for use.

Temporarily unused assets are also depreciated. The amount to be depreciated is the difference between the cost of the asset and, when it can be calculated, the residual amount at the end of its useful life which is estimated when the depreciation plan is prepared and periodically revised in order to check that the initial estimate is still valid. When the check shows that an asset's estimated residual value is equal to or higher than its carrying amount, the asset is no longer depreciated.

The depreciation plan is periodically revised to check for any changes such to require modification to the asset's estimated useful life. If the latter is modified, the carrying amount of the asset at the time of such change is depreciated over its revised useful life.

The depreciation rates used are as follows:

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

If, at the reporting date, there are indications of impairment losses on tangible and intangible fixed assets, the recoverable amount of such assets is estimated. If the recoverable amount, being the higher of value in use and fair value less costs to sell, is lower than the corresponding carrying amount, the assets are written down.

The write-down is not maintained in subsequent years if the reasons therefor cease to exist. The write-down is reversed up to the amount the asset would have had if the write-down had never taken place, that is,

net of the amortisation/depreciation that would have been recognised in the absence of the write-down. Write-downs of goodwill and deferred charges cannot be reversed.

### **Assets under finance leases**

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

### **Financial fixed assets**

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

Transfers in or out of the two categories are recognised in accordance with the accounting policies applicable to the portfolio which the asset comes from.

Receivables are recognised under fixed or current assets depending on their intended use in relation to the group's ordinary activities that generate them. Accordingly, financial receivables are recognised under financial fixed assets, whereas trade receivables are recognised under current assets, regardless of their due date. They are measured as detailed below.

### **Inventory**

Inventory is initially recognised at the time the risks and rewards of the acquired items are transferred.

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

Purchase cost is the actual cost paid upon purchase including related charges, less borrowing costs.

The purchase cost of raw materials includes their price, transport costs, customs and other duties and other directly attributable costs. Returns, commercial discounts, rebates and bonuses are deducted from costs.

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

Cost is determined as the weighted average cost, as follows:

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

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

The estimated realisable value based on market trends is the estimate of ordinary sales prices of goods and finished products, net of estimated completion costs and direct sales costs. Obsolescence and turnover are also taken into account in calculating the estimated realisable value based on market trends. Obsolete

and slow-moving items are written down to reflect their estimated possibility of use or sale.

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

### **Contract work in progress**

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

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

Contract revenues include all contractual consideration, as well as approved variations to work, price escalation clauses, claims and incentives to the extent they can be determined reliably and their collection is reasonably certain.

Contract costs include all costs directly related to the contract, indirect costs attributable to the entire production process and attributable to the contract, as well as any other costs that may be specifically charged to the customers under the contract terms. The calculation of the percentage of completion excludes pre-operating contract costs and includes the costs to be incurred after the completion of the contract.

If the group is unable to determine the outcome of a contract reliably, its carrying amount is calculated on the basis of the costs incurred, if their recovery is reasonably certain and, therefore, without recognising any profit.

The group recognises the consideration to which it is definitively entitled as revenue, while it recognises the change in contract work in progress, which is the difference between the opening and closing inventory for work carried out and not yet definitively settled, in the specific profit and loss account caption. Accrued revenues are recognised only when the group is certain that it will definitively collect them as consideration for the work carried out. In the case of progress billings, since advances and payments on account are financial transactions, they do not affect revenue recognition and are always recognised as liabilities as they are not necessarily calculated on the basis of work carried out. Upon final billing, the group reverses the relevant amount of advances and payments on account from liabilities.

When the total estimated costs of an individual contract are likely to exceed total estimated revenues, the contract is measured at cost and the probable loss to complete the contract is recognised as a decrease in contract work in progress when it is forecast, based on an objective and reasonable assessment of the existing circumstances and regardless of the contract's stage of completion. If the loss exceeds the carrying amount of contract work in progress, the difference is accrued in a provision for risks and charges.

### **Receivables**

Receivables are rights to receive fixed or determinable amounts of cash or its equivalent from customers or other third parties at identified or identifiable due dates.

Receivables arising from the sale of goods and supply of services are recognised in accordance with the requirements set out in the section on revenues. Receivables arising for other reasons are recognised if they result in a right to a receivable, i.e., if they actually give rise to a third party obligation to the group.

Receivables are recognised at amortised cost, considering the time value of money and their estimated realisable value.

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

Receivables are initially recognised at their nominal amount, net of bonuses, discounts and allowances contractually provided for or, in any case, granted. They are subsequently measured at their nominal amount



plus interest calculated at the nominal interest rate, reduced by principal and interest collected and net of estimated write-downs and expected credit losses recognised to adjust their carrying amount to their estimated realisable value. Cash discounts and allowances, that were not included in the calculation of the estimated realisable value as they could not be determined when the receivable was originally recognised, are recognised upon collection.

The group recognises these receivables at their estimated realisable value by writing down their carrying amount through the provision for bad debts, in order to provide for any risk of impairment. To this end, the group considers specific indicators based on past trends and any other useful information about a probable impairment. The write-downs are estimated on an individual basis for significant receivables and collectively for the others, by calculating the expected impairment losses at the reporting date.

Receivables are derecognised when the contractual rights to the cash flows from the receivable are extinguished or title thereto is transferred along with nearly all the related risks. To verify transfer of the risks, the group considers all the contractual clauses.

When the above-mentioned conditions are met and the receivable is derecognised, any difference between the amount collected and the receivable's carrying amount is recognised as an impairment loss in the profit and loss account, unless another classification, including financial, may be identified based on the transfer agreement.

## Derivatives

A derivative is a financial instrument or other contract with all three of the following characteristics:

- 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);
- 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;
- 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:

- the contracts are agreed or maintained to meet the requirement of purchasing, selling or using the goods;
- they have had that purpose since when they were entered into;
- 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:

- the hedging relationship consists only of eligible hedging instruments and eligible hedged items;
- 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;
- 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 amounts due to employees who had already left the group at the reporting date but that will be paid in the following year are 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 2023-2025 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, is 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 31/12/2022	Purch.	Reclass. /Disinv	Reval	Balance at 31/12/2023	Balance at 31/12/2022	Amort.	Exch. rate fluct.	Balance at 31/12/2023	Net intangible fixed assets at 31/12/2023
<b>Industrial patents and intellectual property rights</b>	3.901	72	(189)	-	3.784	(3.630)	28	-	(3.602)	182
<b>Concessions, licences and archives</b>	2.454	40	-	-	2.494	(1.363)	(84)	-	(1.447)	1.047
<b>Goodwill</b>	761	-	-	-	761	(574)	(82)	(6)	(662)	99
<b>Assets under development and payments on account</b>	618	278	(448)	-	448	-	-	-	-	448
<b>Other</b>	13.166	360	358	-	13.884	(12.631)	(383)	-	(13.014)	870
<b>Total</b>	<b>20.900</b>	<b>750</b>	<b>(279)</b>	<b>-</b>	<b>21.371</b>	<b>(18.198)</b>	<b>(521)</b>	<b>(6)</b>	<b>(18.725)</b>	<b>2.646</b>

Industrial patents and intellectual property rights increased by €72 thousand in 2023, 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 €40 thousand due to new costs to register and protect the group's trademarks.

Assets under development and payments on account increased by €278 thousand, related to new software projects of the subsidiary Cotonificio Albini S.p.A.. The main increases during the year include works to replace and upgrade company data and wi-fi networks.

The €360 thousand increase in "Other" is mainly due to building applications dedicated to optimising the Tagetik management software of the subsidiary Cotonificio Albini S.p.A..

## Tangible fixed assets

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

	B.II.1	B.II.2	B.II.3	B.II.4	B.II.5	Total
	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	
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)
<b>Balance at 31/12/2022</b>	<b>41.778</b>	<b>14.307</b>	<b>119</b>	<b>727</b>	<b>728</b>	<b>57.659</b>
<b>Changes of the year</b>						
Historical cost:						
- acquisitions	356	37	(164)	489	2.883	3.527
- exchange rate fluctuations	(575)	(346)	1	(19)	(1)	(940)
- reclassifications	172	33	-	49	(622)	(368)
- revaluation	(499)	1.111	25	(3)	-	634
- gross disinvestments	(4)	(1.798)	(5)	(169)	(2.173)	(4.149)
<b>Accumulated depreciation:</b>						
- depreciation of the year	(1.982)	(2.492)	(22)	(338)	-	(4.771)
- reclassifications	-	410	-	-	-	410
- exchange rate fluctuations	272	534	8	18	-	832
- revaluation	-	-	-	-	-	-
- disinvestments	2	1.895	115	152	-	2.164
<b>Total changes of the year</b>	<b>(2.258)</b>	<b>(627)</b>	<b>(42)</b>	<b>179</b>	<b>87</b>	<b>(2.661)</b>
Cost at 31.12.2023	77.993	109.572	1.465	7.161	815	197.006
Accumulated depreciation at 31.12.2023	(38.473)	(95.892)	(1.388)	(6.255)	-	(142.008)
<b>Balance at 31/12/2023</b>	<b>39.520</b>	<b>13.680</b>	<b>77</b>	<b>906</b>	<b>815</b>	<b>54.998</b>

The projects completed during the year were classified in the respective asset categories. The €2,883 thousand increase in assets under construction is mainly due to the implementation of the new yarn processing line at the facility in Hungary begun during the year.

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.

The revaluation of €634 thousand refers to all tangible fixed asset categories of Tessitura di Mottola S.r.l. in liquidation which were revalued in order to align their carrying amount to their estimated realisable value.

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 2023 carried out by Cotonificio Albini S.p.A.:

<b>A) Historical (gross) value of revaluations at 31/12/2023:</b>				
	<b>Land and buildings</b>	<b>Plant and machinery</b>	<b>Other assets</b>	<b>Total</b>
<b>Historical cost of the revalued assets</b>	13.509	14.613	46	28.167
<b>Monetary revaluations on assets recognised at year end:</b>				
- 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	-	3.964	-	3.964
- 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
<b>Economic revaluations on assets recognised at year end:</b>				
- related to the 1987 merger	207	4	-	211
<b>Total revaluations</b>	<b>20.431</b>	<b>6.012</b>	<b>884</b>	<b>27.327</b>

<b>B) Carrying amount of revaluations at 31/12/2023:</b>		
<b>Monetary revaluations on assets recognised at year end:</b>	<b>Land and buildings</b>	<b>Other assets</b>
- pursuant to Law no. 413/1991	166	-
- pursuant to Law no. 2/2009	10.024	-
- pursuant to Law no. 126/2020	1.200	884
<b>Total revaluations</b>	<b>11.391</b>	<b>884</b>

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 €6 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 (€3 thousand) and the investment in a newco (€3 thousand) since 2023.

### Derivatives

Derivatives of €115 thousand include the fair value measurement of interest rate swaps agreed for the group's loans.

## Current assets

### Inventory

This caption is as follows at year end:

	31.12.2023	31.12.2022
Raw materials, consumables and supplies	40.459	47.115
Semi-finished products	20.321	26.791
Contract work in progress	10	804
Finished goods	19.849	24.619
<b>Total inventory</b>	<b>80.639</b>	<b>99.329</b>

Raw materials decreased by €6.7 million, 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 remained unchanged from the previous year end. The decrease in raw materials was due to lower turnover in 2023 in addition to internal procedures implemented to reduce inventory volumes, in an attempt to increase stock rotation in terms of procuring raw materials.

Finished goods decreased by €4.8 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. and which remained unchanged from the previous year end. The decrease in finished goods was also due to the group's policy to reduce inventory volumes.

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 2023:

	Gross amount	Provision for bad debts	Net amount
Trade receivables due within one year	35.109	(1.033)	34.076
Trade receivables due after one year	-	-	-
<b>Total</b>	<b>35.109</b>	<b>(1.033)</b>	<b>34.076</b>

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:

	31.12.2022	Accrual	Utilisation	31.12.2023
Provision for bad debts	981	267	(215)	1.033

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:

	31.12.2023	31.12.2022
Italian customers	15.947	16.244
EU customers	4.753	5.074
Non-EU customers	14.409	16.577
<b>Total gross receivables</b>	<b>35.109</b>	<b>37.895</b>

#### Tax receivables

Tax receivables may be analysed as follows:

	31.12.2023	31.12.2022
Net tax receivables	1.214	3.715
Tax credit for R&D costs as per Law no. 190/214	229	178
Other tax receivables	-	-
<b>Total tax receivables due within one year</b>	<b>1.443</b>	<b>3.893</b>
Tax authorities for IRAP reimbursement claim pursuant to Decree law no. 201/2011	18	18
VAT relative to previous years	9	9
Superbonus 110% tax deduction pursuant to article 119 of Decree law no. 34/2020	134	-
<b>Total tax receivables due after one year</b>	<b>161</b>	<b>27</b>

Tax receivables include VAT receivables of €639 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 €3,108 thousand (31 December 2022: €3,338 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 2023 were as follows:

<b>Balance at 31/12/2022</b>	<b>3.338</b>
Accrual/Utilisation	(153)
Other changes	(77)
<b>Balance at 31/12/2023</b>	<b>3.108</b>

#### Receivables from others

These amount to €1,975 thousand (31 December 2022: €2,242 thousand) and mainly consist of advances to third parties of €743 thousand, mainly for payments on account and advances to suppliers, along with receivables of €519 thousand for export subsidies due to the Egyptian subsidiaries and sundry receivables of €205 thousand.

Receivables due after one year chiefly refer to sundry deposits (€446 thousand) and advances to employees (€3 thousand).

#### **Liquid funds**

Liquid funds total €13,878 thousand (31 December 2022: €11,544 thousand) and comprise:

	<b>31.12.2023</b>	<b>31.12.2022</b>
Bank deposits	13.860	11.526
Cheques, cash-in-hand and cash equivalents	18	18
<b>Total</b>	<b>13.878</b>	<b>11.544</b>

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 €622 thousand (31 December 2022: €432 thousand) and mainly consist of adjustments to correctly allocate costs relating to insurance, interest, machinery maintenance, rent and personnel training to 2023 on an accruals basis.

## NOTES TO THE MAIN LIABILITY CAPTIONS NET EQUITY

Net equity changed as follows during the year:

	Share capital	Share premium reserve	Legal reserve	Revaluation reserve	Reserve for capital injections	Liquidation reserve	Extraordinary reserve	Translation reserve	Hedging reserve	Reserve for undistributed profits	Net profit/(loss) for the year	Net equity attributable to the group	Net equity attributable to minority interests	Net equity
<b>Balance at 31/12/2021</b>	<b>2.024</b>	<b>5.624</b>	<b>364</b>	<b>16.489</b>	<b>207</b>	<b>222</b>	<b>2.024</b>	<b>2.497</b>	<b>(81)</b>	<b>43.498</b>	<b>(4.746)</b>	<b>68.123</b>	<b>1.692</b>	<b>69.815</b>
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
<b>Balance at 31/12/2022</b>	<b>2.024</b>	<b>5.624</b>	<b>364</b>	<b>12.046</b>	<b>207</b>	<b>(78)</b>	<b>1.837</b>	<b>3.354</b>	<b>181</b>	<b>43.353</b>	<b>5.952</b>	<b>74.864</b>	<b>2.812</b>	<b>77.676</b>
Restatement of derivatives at 31.12.2023									(122)			(122)	(15)	(137)
Allocation of the net profit for 2022							(40)			5.992	(5.952)			
Dividend distribution														
Capital increases														
Utilisation of revaluation reserves to cover losses														
Translation differences and other changes						508		(326)		(1.478)		(1.297)	143	(1.156)
Change in consolidation scope										201		201	(351)	(150)
Net profit for 2023											791	791	(270)	521
<b>Balance at 31/12/2023</b>	<b>2.024</b>	<b>5.624</b>	<b>364</b>	<b>12.046</b>	<b>207</b>	<b>430</b>	<b>1.797</b>	<b>3.026</b>	<b>59</b>	<b>48.067</b>	<b>791</b>	<b>74.435</b>	<b>2.318</b>	<b>76.753</b>

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

### Share capital

The parent's share capital at 31 December 2023 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 increased 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 2023 and is unchanged from 31 December 2022.

### Other reserves

This caption is as follows:

	31.12.2023	31.12.2022
1. Extraordinary reserve	1.797	1.837
2. Capital injections	207	207
3. Revaluation reserve as per Law no. 266/05	-	-
4. Revaluation reserve as per Law no. 02/09	9.912	9.912
5. Revaluation reserve as per Law no. 126/20	2.134	2.134
6. Translation reserve	3.026	3.354
7. Liquidation reserve	430	(78)
<b>Total</b>	<b>17.506</b>	<b>17.366</b>

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 2022: €9.9 million);
- the revaluation reserve for buildings, trademarks and archives pursuant to Law no. 126 of 13 October 2020 (€2.1 million), unchanged on the previous year end.

The extraordinary reserve decreased by €40 thousand.

The translation reserve decreased from 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 €508 thousand.

### Hedging reserve

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

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 increased from €43,353 at 31 December 2022 to €48,067 at the end of 2023.

Reconciliation between the parent's financial statements and the consolidated financial statements:		
	2023	2022
<b>Net loss for the year of Albini Group S.p.A.</b>	<b>(34)</b>	<b>(41)</b>
- Elimination of net intercompany dividends	(354)	(325)
- Net profit/loss for the year of the consolidated companies	858	7.075
- Measurement of leases using the financial method	204	(173)
- Write-downs/(write-backs) of investees	200	-
- Elimination of intercompany transactions	(353)	49
<b>Consolidated net profit for the year (A)</b>	<b>521</b>	<b>6.585</b>
(A) comprised:		
Net profit for the year attributable to the group	791	5.952
Net profit (loss) for the year attributable to minority interests	(270)	633
	521	6.585
<b>Net equity and net loss for the year of Albini Group S.p.A.</b>	<b>9.981</b>	<b>10.015</b>
- Carrying amount of the consolidated equity investments	(30.356)	(29.956)
- Net equity and net profit/loss for the year of the consolidated companies	96.404	96.755
- Allocation of the gain on the Mottola land, goodwill	305	305
- Effect of recognising leases using the financial method	1.153	949
- Elimination of intercompany transactions	(735)	(392)
<b>Net equity (A)</b>	<b>76.753</b>	<b>77.676</b>
(A) comprised:		
Net equity attributable to the group	74.435	74.864
Net equity attributable to minority interests	2.318	2.812
	76.753	77.676

## Provisions for risks and charges

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

	31.12.2022	Accruals	Change in deferred taxes on derivatives and IRSs	Utilisation/ Releases	31.12.2023
Pension and similar provisions	1.313	80	-	(11)	1.382
Deferred tax liabilities	855	180	-	(327)	708
Derivatives	-	83	(28)	-	55
Other provisions	1.327	508	-	(1.129)	706
<b>Total</b>	<b>3.495</b>	<b>851</b>	<b>(28)</b>	<b>(1.467)</b>	<b>2.851</b>

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 indemnity 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 €1,467 thousand. The reclassifications include a negative €28 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:

<b>Balance at 31/12/2022</b>	<b>5.492</b>
Portion vested and accrued in the profit and loss account	1.099
Payments to pension/supplementary schemes	(971)
Payments of the year	(634)
Tax on the revaluation of employees' leaving entitlement and other changes	(19)
<b>Balance at 31/12/2023</b>	<b>4.967</b>

The amount reflects the actual amount due to the employees of the Italian group companies at 31 December 2023.

## 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, issued by Cotonificio Albini S.p.A..

### Bank loans and borrowings

This caption may be analysed as follows at 31 December 2023:

	31/12/23	31/12/22
Overdrafts	3.340	5.105
Export financing	17.363	18.143
Interest on loans and borrowings	269	162
SACE-backed unsecured Unicredit loans	5.310	1.914
Mortgage loans - BPER and SACE	1.925	2.125
Mortgage loans - Banco BPM and SACE	3.043	2.053
Mortgage loans - Intesa and SACE	1.925	2.625
Loans - Banca Popolare di Sondrio	1.909	2.666
Mortgage loan - Illimity Bank and SACE	14.500	16.500
Loan - Deutsche Bank and SACE	1.650	2.250
Loan - from Unicredit to Dietfurt	-	415
Loan - from MHB to Albini Yarns Hungary	503	500
Amortised cost	(494)	(92)
<b>Total</b>	<b>51.243</b>	<b>54.366</b>

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	27.948	23.095	200	51.243



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 2023 is included in the hedging reserve for €59 thousand.

### Loans and borrowings from other financial backers

This caption totals €5,260 thousand at year end (31 December 2022: €5,895 thousand) and is comprised of lease liabilities and payables to Simest for a loan for participation at international trade shows.

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

	Due within one year	Due after one year	Of which, due after five years	Total
Loans and borrowings from other financial backers	1.165	4.095	593	5.260

### Payments on account

This caption totals €1,636 thousand (31 December 2022: €908 thousand) and is comprised of advance payments made for the supply of goods.

### Trade payables

The caption amounts to €33,243 thousand (31 December 2022: €53,679 thousand). The 38% decrease highlights the group's focus during the year on procurement costs and carefully forecasting consumption.

Trade payables by geographical segment:	31.12.2023	31.12.2022
Italian suppliers	16.720	23.690
EU suppliers	1.752	2.463
Non-EU suppliers	14.771	27.526
<b>Non-EU suppliers</b>	<b>33.243</b>	<b>53.679</b>

### Tax payables

This caption may be analysed as follows:

	31.12.2023	31.12.2022
Tax payables:		
Income taxes net of payments on account	-	-
Substitute tax on revaluation	15	190
Withholding taxes on wages and salaries	1.018	883
Withholding taxes on bond coupons	15	51
Withholding taxes on consultants' fees and other sundry amounts	345	455
<b>Total</b>	<b>1.393</b>	<b>1.579</b>

**Social security charges payable**

This caption amounts to €2,454 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:

	31.12.2023	31.12.2022
Employees	3.293	3.141
Bondholders for coupons to be paid	198	134
Insurers	1	17
Sundry	167	317
<b>Total</b>	<b>3.659</b>	<b>3.609</b>

**Due date of payables due after one year**

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

	Due		Total
	From one to five years	After five years	
Ordinary and convertible bonds - shareholders	8.757	-	8.757
Bank loans and borrowings	23.095	200	23.295
Loans and borrowings from other financial backers	3.502	593	4.095
<b>Total</b>	<b>35.354</b>	<b>793</b>	<b>36.147</b>

**Accrued expenses and deferred income**

This caption amounts to €1,451 thousand (31 December 2022: €1,103 thousand) and may be analysed as follows:

	31.12.2023	31.12.2022
Deferred grants	202	184
Interest expense	442	77
Accrued personnel expenses	112	159
Accrued costs due to FATF (Financial Action Task Force)	90	109
Other	605	574
<b>Total accrued expenses and deferred income</b>	<b>1.451</b>	<b>1.103</b>

## NOTES TO THE MAIN PROFIT AND LOSS CAPTIONS

### Production revenues

#### Turnover from sales and services

This caption amounts to €173 million, with a decrease of €9 million (5%) on the previous year.

Revenues are analysed by business segment below:

	2023	2022
Fabric sales and finishings	123.412	124.163
Cotton and yarn sales and yarn processing	43.868	52.144
Energy (profit on white certificate trading, sale of energy and energy saving systems)	5.094	5.145
Consultancy and services	192	234
<b>Total</b>	<b>172.566</b>	<b>181.686</b>

Consolidated turnover dipped slightly in 2023 while maintaining an overall consistent performance in the various revenue categories compared to 2022, as detailed in the directors' report.

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

	2023	2022
Italy	57.324	59.608
EU countries (excluding Italy)	33.736	35.394
Non-EU countries	81.506	86.684
<b>Total</b>	<b>172.566</b>	<b>181.686</b>

## Other revenues and income

This caption totals €3.9 million (2022: €4.9 million), of which sundry income of €2.5 million and grants related to income of €1.4 million.

Sundry income mainly consists of the recovery of transport costs (€739 thousand), gains on the sale of assets (€298 thousand), the sale of marketing materials and other consumables (€56 thousand), revenues from energy sales (€13 thousand), prior-year income (€366 thousand) and lease income (€90 thousand). The caption also includes other sundry income €844 thousand mainly related to sales of sundry materials.

Grants related to income are as follows:

	2023	2022
Grant related to assets pursuant to Law no. 181/89	110	63
Export grants for the Egyptian subsidiaries	422	319
GSE grants related to energy and subsidies to energy-intensive consumers	832	805
Fondimpresa and other grants for personnel training	17	50
Grants	10	160
Fabrics bonus grant as per article 48-bis of Decree law no. 34/2020	-	1.411
Employment support grants	-	20
<b>Total</b>	<b>1.391</b>	<b>2.828</b>

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 €703 thousand.

## Production cost

### Raw materials, consumables, supplies and goods

This caption amounts to €71 million, a sharp decrease of €44 million on the previous year thanks to the group's cost containment policy and joint purchasing plan involving all group companies. The caption comprises costs for the purchase of raw cotton, yarns and fabrics, as well as dyeing products, and other materials and packaging to be used in the production process. Purchases of raw materials refer to raw cotton and other natural fibres (e.g., linen), animal fibres (wool, silk, cashmere and vicuna) and artificial fibres (viscose) used in the production of innovative yarns.

### Services

Services dropped €7.4 million from €47.7 million in 2022 to €40.3 million in 2023. This caption mainly includes outsourcing and transport costs, customs duties, fees, maintenance costs, utilities and driving force.

Directors' and statutory auditors' fees amount respectively to €466 thousand and €86 thousand.

### Use of third party assets

This caption amounts to €1,292 thousand (2022: €1,273 thousand) and mainly comprises hire costs for €220 thousand, lease instalments for employee accommodation and costs for civil buildings for €66 thousand, and leases of industrial buildings and third-party warehouses by the Italian and foreign subsidiaries for €1,066 thousand.

## Personnel expenses

The breakdown of these costs is already provided in the profit and loss account. Personnel expenses increased from €32.3 million in 2022 to €34.5 million in 2023, up by €2.2 million (7%).

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

	31.12.2022	New hires	Departures	Transfers	31.12.2023	Average of the year
Managers	14	1	(1)	-	14	14
Junior managers and white collars	285	32	(24)	(2)	291	288
Blue collars and other employees	894	206	(215)	(5)	880	887
<b>Total</b>	<b>1.193</b>	<b>239</b>	<b>(240)</b>	<b>(7)</b>	<b>1.185</b>	<b>1.189</b>

## Amortisation, depreciation and write-downs

As mentioned earlier in the section on fixed assets, amortisation and depreciation decreased from €5,776 thousand in 2022 to €5,292 thousand in 2023 (-€484 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 €267 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 (2022: €0.9 million) and mainly relates to indirect taxes and duties of €529 thousand and contributions to trade associations of €200 thousand. The bad debts recorded in the year were fully covered by the provision for bad debts.

## Financial income and charges

### Other financial income

This caption comprises interest income on bank accounts of €51 thousand and other interest income of €13 thousand.

### Interest and other financial charges - Exchange rate gains and losses

Interest and other financial charges are comprised as follows:

	2023	2022
Interest expense and commissions on loans and advances	3.853	1.914
Bank interest expense	283	93
Interest expense on bonds to shareholders and third parties	88	98
Discounts and financial charges	138	300
<b>Total</b>	<b>4.362</b>	<b>2.405</b>

Net exchange rate gains come to €3 thousand, compared to €94 thousand in 2022.

## Adjustments to financial assets

### Write-backs

Write-backs of derivatives of €16 thousand refer to the gains on the currency forwards on sales and purchases in the Czech koruna.

### Write-downs

Write-downs of derivatives include €9 thousand related to the losses on the currency forwards on sales and purchases in the Czech koruna.

## Income taxes

This caption is as follows:

	2023	2022
Current:		
Income taxes	228	362
<b>Total current taxes</b>	<b>228</b>	<b>362</b>
<b>Income from participation in the national tax consolidation scheme</b>	<b>362</b>	<b>430</b>
Recognition of deferred tax assets	(1)	18
Recognition of deferred tax liabilities	4	(33)
<b>Total deferred taxes</b>	<b>3</b>	<b>(15)</b>
<b>Total income taxes of the year</b>	<b>593</b>	<b>777</b>

## 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 2023.

Sureties given to third parties consist of those issued to the Egyptian authorities (FATF and Electricity Co.) to guarantee the Egyptian subsidiaries' customs operations (€260 thousand), to the Varese provincial authorities for hydroelectric concessions (€39 thousand), to Axpo S.p.A, (€700 thousand) and to others (€41 thousand).

## Post-balance sheet events

Pursuant to article 2427.22.quater) of the Italian Civil Code, it is noted that there were no post-balance sheet events with the exception of the early termination in January 2024 of Cotonificio Albini S.p.A.'s long-term loan with Illimity Bank agreed at the end of 2021. The company took out a new loan with a pool of three banks (Deutsche Bank, Banca Sella and Banca Popolare di Sondrio) along with Finlombarda, all coordinated by Banca Finint as the agent bank. This extended the average duration of the debt compared to the previous loan and also improved the financial and general terms and conditions.

At the moment there are no reasons for concern about the group's performance expected in the future. Reference should be made to the "Outlook" section of the directors' report for further details.

**Notes to the consolidated financial statements, final part**

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

Albino, 26 June 2024

On behalf of the board of directors

The Chairman

(Fabio Albini)

A handwritten signature in black ink, appearing to read 'Fabio Albini', with a large, stylized initial 'F'.

# 05



# Report of the board of statutory 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 2023**

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	164,401.=
B. Production cost	<u>159,394.=</u>
• Operating profit (loss) (A - B)	5,007.=
C. Net financial expense	(3,900).=
D. Adjustments to financial assets	<u>7.=</u>
• Pre-tax profit (loss) (A-B+C+D+E)	1,114.=
• Income taxes, current and deferred	<u>(593).=</u>
• Net profit (loss) for the year before minority interests	521.=
• Minority interests	<u>(270).=</u>
• Net profit (loss) for the year attributable to the Group	<u><u>791.=</u></u>

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 2023 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., Albini Yarns Hungary Kft (already named Filati Macclodio 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 2023 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 27<sup>th</sup> 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 27<sup>th</sup> June 2024, 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.


In consideration of the express provision of the statute, the ordinary meeting for the approval of the statutory financial statements was convened within the longer term of 180 days from the end of the financial year.

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, 04<sup>th</sup> July 2024

for the Board of Statutory Auditors

(dott. Danilo Arici - President)



06

# Independent auditors 'report



KPMG S.p.A.  
 Revisione e organizzazione contabile  
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 Telefono +39 035 240218  
 Email [it-fmauditaly@kpmg.it](mailto:it-fmauditaly@kpmg.it)  
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(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

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

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

### Report on the audit of the consolidated financial statements

#### Opinion

We have audited the consolidated financial statements of the Albini Group (the "group"), which comprise the balance sheet as at 31 December 2023, the profit and loss account and cash flow statement for the year then ended and notes thereto.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Albini Group as at 31 December 2023 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 the 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 audit opinion.

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

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

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Limited, società di diritto inglese.

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 Bologna Bolzano Brescia  
 Catania Como Firenze Genova  
 Lecce Milano Napoli Novara  
 Padova Palermo Parma Perugia  
 Pescara Roma Torino Treviso  
 Trieste Varese Verona

Società per azioni  
 Capitale sociale  
 Euro 10.415.500,00 i.v.  
 Registro Imprese Milano Monza Brianza Lodi  
 e Codice Fiscale N. 00709600159  
 R.E.A. Milano N. 512867  
 Partita IVA 00709600159  
 VAT number IT00709600159  
 Sede legale: Via V'itor Pisani, 25  
 20124 Milano MI ITALIA





**Albini Group**  
*Independent auditors' report*  
 31 December 2023

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.



**Albini Group**

*Independent auditors' report*

*31 December 2023*

## **Report on other legal and regulatory requirements**

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

The parent's directors are responsible for the preparation of the group's directors' report at 31 December 2023 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 2023 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 2023 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, 4 July 2024

KPMG S.p.A.

(signed on the original)

Stefano Azzolari  
Director of Audit





# **ALBINI GROUP**