



## Consolidated Financial Statements and Financial Statements as at 31 December 2021

**TRANSLATION FROM THE ORIGINAL ITALIAN TEXT  
ONLY FOR THE CONVENIENCE OF INTERNATIONAL READERS**

**MARZOTTO S.p.A.**  
**Company with sole partner**

Registered and Administrative office in Largo S. Margherita 1, 36078 Valdagno (VI)  
Subject to Trenora S.r.l. management and coordination activities  
Tax ID, V.A.T. registration number 00166580241 - REA Vicenza nr. 801 - PEC: Marzotto@legalmail.it



## [Summary]

Marzotto

**CONSOLIDATED FINANCIAL STATEMENTS  
and FINANCIAL STATEMENTS**

Marzotto group

**CONSOLIDATED FINANCIAL STATEMENTS**

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Marzotto S.p.A.

**FINANCIAL STATEMENTS**

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## Consolidated Financial Statements as at 31 December 2021

MARZOTTO GROUP

**Parent company: MARZOTTO S.p.A.**  
Company with sole partner

Registered and Administrative office in Largo S. Margherita 1, 36078 Valdagno (VI)  
Subject to Trenora S.r.l. management and coordination activities  
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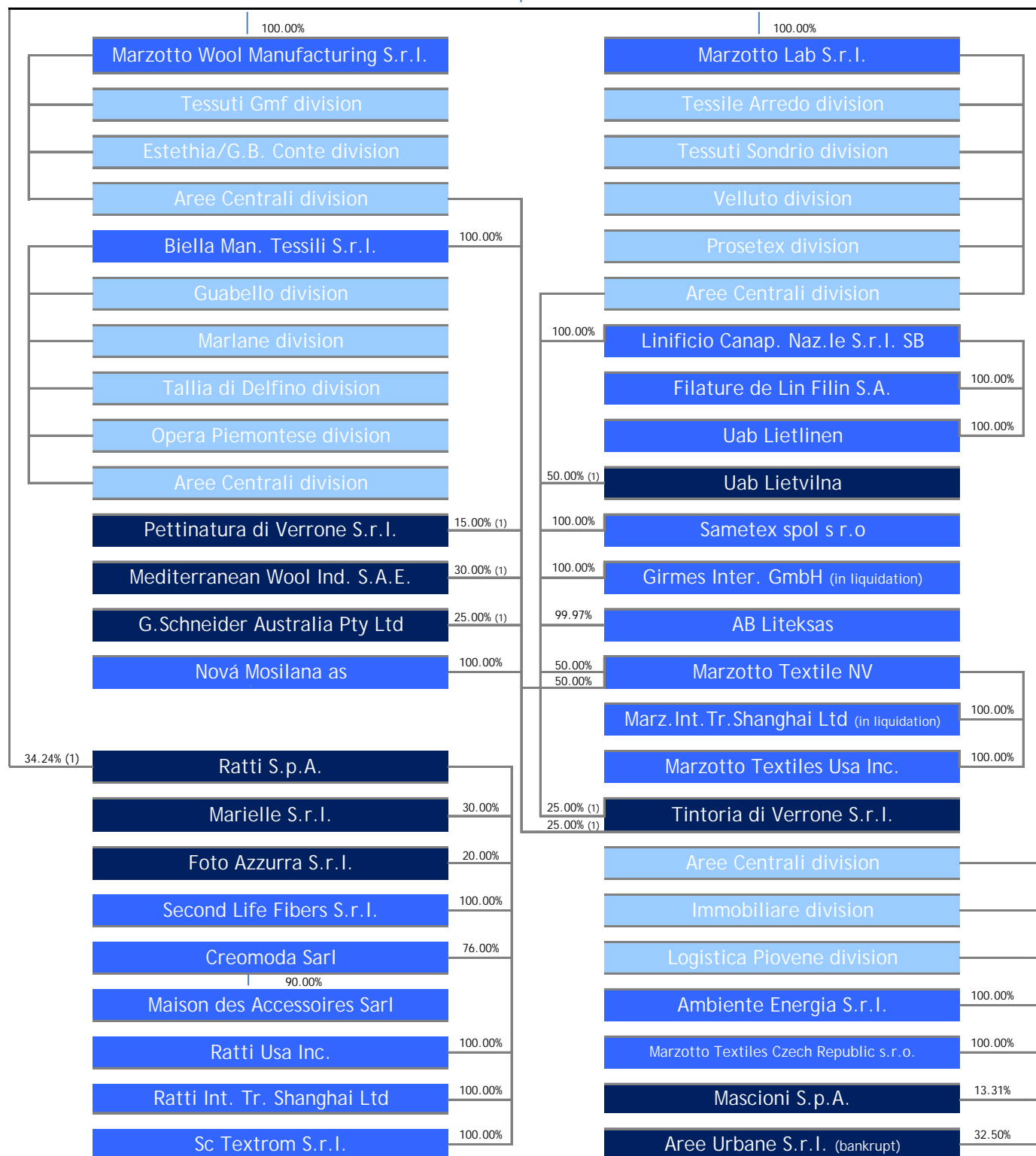
**Marzotto group**

- Report on operations
- Consolidated financial statements

# Report on operations

# [Group structure as at 31 December 2021]

**Marzotto**  
S.p.A.



[1] Consolidated using the equity method

Subsidiaries  
Associated companies



## [Management Report]

### Introduction

Dear Shareholders,

The consolidated financial statements for the Marzotto Group closed 2021 with net revenues of 238.6 million euros and a net loss of 8.0 million euros.

### Basis of preparation of the financial statements

The consolidated financial statements provided below have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Commission, as subsequently amended and supplemented.

We refer you to the explanatory notes for comments on the result of the financial statements. Below, please find the information and comparisons regarding the Group's position and future prospects, as well as that information required by current regulations.

### Impacts of the Covid-19 pandemic

The 2021 financial year was again characterised by the presence of the Covid-19 pandemic, which continued to influence the global economy and the markets in which the Group operates. The pandemic affected the various markets to different degrees: they were influenced by a range of factors, including the decisions on containment measures made by different governments, the spread of new variants of the virus and the ongoing development of vaccination campaigns.

With the growth and roll-out of the vaccination campaigns, there was a progressive reopening of stores and a gradual return to purchasing by customers and end-consumers, particularly in the second half of the year.

From the outset, the Marzotto Group has been closely monitoring developments in the spread of the virus, promptly adopting all necessary measures to prevent, control and contain the pandemic, at all its premises in Italy and abroad.

To restart the production sites, the Company and the Group prepared all necessary measures to combat the virus and protect the health of its employees and contractors.

In order to address this situation, internal safety protocols were defined, the use of smart working was extended, working environments were equipped with hygiene kits and daily sanitisation was carried out. Employees were provided with appropriate personal protective equipment and proximity devices for tracking contacts within the workplace.

The Company and all the businesses in the Marzotto Group continued the process undertaken last year to streamline all fixed costs, implementing measures in advertising and marketing, collection creation, and commercial and general expenses. In order to limit payroll costs, social protection measures and other forms of public support were used to protect workers in each country, as well as the use of unused leave, the blocking of staff turnover at all the plants and retirement incentives for staff of pensionable age.

In this context, investment plans that have been adapted to production volumes have been redefined; investments have mainly been made in the area of health and safety in the workplace, the plants and production process innovation.

In 2020 and the first few months of 2021, the Group's financial structure was further strengthened by the signing of new medium/long-term loan agreements totalling 106.5 million euros. The new loans enabled the average life of the debt to be extended at a cost broadly in line with that existing before the pandemic.

The Board of Statutory Auditors and the Supervisory Body have always been promptly informed about the management of the epidemiological emergency and all measures have always been controlled and verified in order to ensure business continuity and the protection of people.

In line with the many social initiatives designed to support the communities where the business is present and undertaken during the long history of the Marzotto Group, the subsidiary Marzotto Wool Manufacturing has hosted a vaccine hub since last March, which is managed in collaboration with the competent local health and social care services in the region.

The Covid-19 pandemic will continue to influence global economies in 2022, though with increasing tools for containment, mainly due to the widespread vaccination campaigns and the study of drug treatments to counter the virus and its mutations.

However, the forecasts for 2022 remain uncertain, partly due to recent events on the international scene with the crisis between Russia and Ukraine. The signs of recovery observed in the various markets net of unpredictable exogenous changes enable 2022 to be planned in accordance with the objectives established at budget level.

## [Management Report]

### Impacts of the Covid-19 pandemic

The 2022-2025 Business Plan has recently been updated, and sets out a detailed series of actions to reconfigure both the product offering, based on market requests, and the use of sales channels that are closer to customers.

The plan provides for efficiency action in various areas: from changing the supply mix and reconfiguring production capacity, making it consistent with the new volumes at full capacity, to lightening the general cost structure, streamlining and remodelling it to return to a pre-crisis percentage incidence, as well as adapting the investment plan to the new production volumes at full capacity.

The effectiveness of the actions so far undertaken with a view to flexibility, the streamlining of production structures and processes, and the consequent effects on working capital and initial margins, have resulted in a significant improvement in the net financial position compared with the previous year.

Management is confident and convinced that, following the planned actions, the Group companies can return to sustainable growth and profitability: it has therefore agreed that the Company and the Group can continue to operate as a going concern, realising its assets and honouring its liabilities as it carries out its ordinary business.

### Interior decoration project

In recent years, the Company has identified in fabric and home furnishing a new market outlet on which to build a specific business strategy aimed at making its offering stand out more. According to this approach, during 2021, the acquisition of Prosetex was finalised. This entity operates in the district of Brianza, producing particularly high-quality velvets and jacquard fabrics, and has a level of know-how that has become hard to find in the European manufacture of furnishing fabrics.

Prosetex also has an established presence in the contract segment (hotels, ships, trains). This new entity has been integrated from both a commercial and product perspective, with Redaelli, which already offered a velvet collection for the world of textile designers and furniture. In order to further strengthen the interior decoration offering, more impetus was given to the reorganisation of the textile accessories area, with a particular focus on the Lanerossi brand; online and off-line activities were all aimed at a clear brand positioning in order to generate new attention from the end consumer for a brand that has more than 200 years of history and is therefore iconic.

This result is also linked to the numerous collaborations with designers and artists that have taken place in recent years. The above is part of a strategy of extensive diversification of the Marzotto Lab offering, in order to provide the European and international furnishing market with a wide, comprehensive and diverse offering with a high level of quality and service, consisting of a complex industrial structure that, in terms of size and reliability, is now unique in the sector of the production of fabrics for interior decoration.

## [Management Report]

### Group activities

The Marzotto Group operates in the following sectors:

- ❖ Wool Fabrics;
- ❖ Sundry Textiles;
- ❖ Other Operations.

**The Wool Fabrics sector** (where the Marzotto Wool Manufacturing group operates) includes the manufacturing and distribution of wool fabrics, mainly under the following brands:

- **Marzotto**: a leading collection by sales volume worldwide, characterised by its strong product research, aimed at the world of fashion, brands in both the men's wear and women's wear sectors, and international markets. The collection is divided into several themes and labels ranging from formal wear to sportswear, outerwear and pure wool performance fabrics that are also used in the shirts segment.
- **Guabello**: a prestigious traditional Italian textile label, with strong regional roots that recognises the people behind its development and success. The collection includes a new K-easy product line inspired by knitwear but reinterpreted in a more modern way and easier to use in the packaging phases. The collections are made using select Merino wools and exclusive quality fibres, combining tradition, fashion and research. The Guabello collection is also divided into multiple capsules/labels ranging from the more classic formal suit with a heritage flavour to a more modern line of fabrics that are comfortable and easy to maintain and transport.
- **Marlane**: The brand offers fabrics primarily focused on market trends, providing the right balance between formal, high-quality and performance/comfort fabrics, with a high level of competitiveness in terms of price and customer service.
- **Tallia di Delfino**: a historical fine fabrics brand known internationally since 1903 for its high-quality men's outerwear, positioned in the luxury segment; it combines age-old traditions with a meticulous attention to detail, a sense of refinement, and constant technological innovation. The collection is made up of the best and most refined raw materials, such as Australian wools, Mongolian cashmere and South African mohair. Starting in 2019, Tallia di Delfino presented the new collection called "Gentleman's Wardrobe," targeted at the made to measure segment and the best international tailoring, with the distribution of a range of fabrics of the highest quality that are always in stock.  
The "Gentleman's Wardrobe" collection was enriched in 2020 and 2021 with fabrics that are informal and sporty but always made with fine, luxurious raw materials.
- **Opera Piemontese**: a new collection that debuted in 2020 that works to create women's fabrics for the world of sartorial luxury, using fine fibres such as cashmere, alpaca, camelhair, silk, linen and ultra-fine wool. This collection was created not only using BMT's production facilities, but also in collaboration with external partners for finishing and craftsmanship.
- **Estethia/G.B. Conte**: this comprises the **Estethia** division, a dynamic collection present mainly in the women's market and consisting of combed, crepe, monostretch and bistretch fabrics, solid colours and patterned fabrics with innovative finishes with a high quality and research content; **G.B. Conte** is a specialised collection of carded and combed patterned fabrics for outerwear, boiled wool and jersey. The original **Harris Tweed** carded fabric continued to be marketed in Europe (excluding the UK), China, South-east Asia and the Middle East, through an exclusive distribution agreement with Scottish company Harris Tweed Hebrides, located in the Outer Hebrides.

## Group activities

**The Sundry Textiles sector** (in which the Group operates through the Marzotto Lab group) includes the manufacturing and distribution of cotton and velvet fabrics, yarns and linen fabrics, wool yarns, and textiles and accessories for interior decoration:

- The **Linen** business, through the Linificio e Canapificio Nazionale group, is a leading manufacturer and distributor of linen fibre yarns and fabrics;
- The **Cotton** business represents the Marzotto Lab division, which produces and markets premium cotton fabrics. The company manages these owned brands: *Tessuti di Sondrio*, a leading brand and collection in terms of image for cotton and linen fabrics in the high-end segment; *Dal Sasso*, a historic brand which is known for its elegant, sophisticated sportswear in wool and cotton/wool, which complements the Sondrio life-style project; and *NTB Nuova Tessilbrenta*, which completes the product range with cotton and cotton blend fabrics for men's and women's sportswear;
- The **Velvet** business includes the trademarks *Redaelli Velluti*, *Redaelli 1893*, *Niedieck* and *Girmes*. The Redaelli 1893 brand is intended for the formal and elegant clothing market and also operates in the interior decoration sector, with continuous growth in market share. The Niedieck brand, meanwhile, operates in the sportswear segment;
- The **fabric for interior decoration** business consists of Prosetex, acquired in October 2021 (the operational headquarters is in Bulciago in the province of Lecco), a company that has been located in the Brianzolo district for more than 60 years. Prosetex is a recognised manufacturer of textiles for interior decoration, including fabrics and velvet jacquard, and operates in the designer, furniture and contract markets. In this particular market, Prosetex is present in the hotels, mobility and cruise sectors. With Redaelli Velluti, a new entity will be created in the world of international interior decoration with an extensive, highly specialised offering.
- The **textile accessories** business includes the manufacture and distribution of blankets, throws, duvets, sheets, towels and other textile accessories under the Lanerossi and Marzotto Home brands. These are leading collections in the sector, standing out for their strong level of product research, focused on comfort, environmental sustainability, practicality and the development of new processes relating to consumer health and well-being.

The Group is also active in the wool yarns segment through its associates, Uab Lietvilna and Tintoria di Verrone S.r.l.

The **Other Operations** sector mainly includes coordination and strategic direction activities, as well as service activities (administration and finance, legal and investor relations, human resources management, information technology) performed centrally for the operating sectors. This area also includes the result of managing the Schio water treatment plant (through the subsidiary Ambiente Energia S.r.l., which operates independently with a sole director vested with full powers) and other equity investments that are not fully consolidated. In particular, please note the 34.24% shareholding in the **Ratti** group, through which Marzotto has also been operating since 2010 in the **Silk** sector. The **Ratti group** is a leader in the design and manufacturing of printed fabrics, solid and yarn dyed fabrics for clothing (shirts, ties, underwear and swimwear) and home décor, and in the production and distribution of finished products, mainly men's and women's accessories (such as ties, shawls, and scarves).

## [Management Report]

### Group performance

In 2021, the Marzotto group recognised consolidated revenues of 238.6 million euros (compared with 204.8 million euros in 2020), and a gross margin of 36.5 million euros (15.3% of net revenues), compared with a gross margin of 18.4 million euros (9.0% of revenues) during the previous year, and a net loss of 8.0 million euros (compared with a net loss of 26.6 million euros in 2020).

EBIT was negative and amounted to -9.8 million euros (-4.1% of net revenues), compared with -30.6 million euros (-15.0% of net revenues) in 2020.

Financial operations showed a negative balance of 0.8 million euros (negative balance of 2.4 million euros in 2020) and mainly included net financial expenses of -1.9 million euros (-2.2 million euros in 2020), income from the measurement at equity of associates of +1.2 million euros (-0.1 million euros in 2020) and other financial income/expenses of -0.1 million euros (-0.1 million euros in 2020).

The analyses described thus far result in a net loss for the Group of 8.0 million euros (compared with a net loss of 26.6 million euros at 31 December 2020).

## [Main events of the year]

Before addressing the Group's business in 2021, we would first like to note the highlights for the year just ended and in the current year.

### Praia a Mare litigation

With regard to the Praia a Mare plant, which was acquired by the Company in 1988 and whose operations ceased in 2004, the following proceedings are pending:

- 1) Proceeding no. 481/16 Criminal Records Registry and no. 1633/16 General Registry Examining Judge before the Public Prosecutor's Office at the Court of Paola, for the offences of manslaughter and injury through negligence. In the initial phase, the Public Prosecutor requested a special evidentiary hearing, which ended on 31 May 2021 with the hearing at which experts described the conclusions drawn from the report filed with the Examining Judge, ruling out the existence of a causal link between the disease found in some former employees of the company and the alleged exposure to any harmful substances at the same company. The investigations are still ongoing and it is not currently possible to predict their progress.
- 2) In February 2021, the Court of Paola rejected the civil appeals filed by a group of employees, in large part the same persons who filed the complaints that formed the basis of the above criminal proceedings, in order to obtain compensation for the damage allegedly suffered for injury or death resulting from the illness caused by the alleged exposure to harmful substances at the company. Proceedings relating to the appeals of judgements are pending before the Catanzaro Court of Appeal. A first-instance discussion of a second group of cases is still pending. These hearings will be held in 2022.
- 3) Civil proceedings no. 750/2020 RG before the Court of Appeal of Catanzaro. This relates to the resumption of civil proceedings following the ruling of the Court of Cassation relating to the first criminal proceedings, which, rejecting the appeal by the Chief Prosecutor, confirmed the acquittals of the offences that were contested at the time, but criticised the second instance ruling for failure to deal with the position of the Municipality of Tortora on the issues raised in relation to alleged damage resulting from an environmental disaster. The first hearing will be held on 13 July 2022: no forecasts can be made on the outcome of the proceedings.

### Bankruptcy of Aree Urbane S.r.l. in liquidation

Aree Urbane S.r.l. in liquidation, in which Marzotto holds a 32.50% stake, was declared bankrupt in June 2021. In the next few months, the application to be admitted as a creditor of this company's receivership, filed by Marzotto due to the receivable it held by way of a shareholder loan of 25,720,719.85 euros, was approved and, on the other hand, the insolvency administrator sought clarification of the remediation costs relating to the properties transferred to that company in 2003, and not yet sold, located in Schio, Vicenza and Piovene Rocchette. Negotiations are currently under way with the insolvency administrator in order to better determine the extent of any such measures.

The aforementioned shareholder loan was fully written off in the financial statements of Marzotto S.p.A.

## [Management Report]

Highlights of the  
income statement and  
the statement of  
financial position

The table below summarizes the Group's main income and financial position indicators for the year ended 31 December 2021.

| (in millions of euro)            | 2021          | 2020           | change        | change %       |
|----------------------------------|---------------|----------------|---------------|----------------|
| <b>Consolidated net revenues</b> | <b>238.6</b>  | <b>204.8</b>   | <b>33.8</b>   | <b>+ 16.5%</b> |
| Operating income                 | (9.8)         | (30.6)         | 20.8          | + 68.0%        |
| <i>% of net revenues</i>         | <i>(4.1%)</i> | <i>(15.0%)</i> |               |                |
| <b>EBITDA (1)</b>                | <b>6.4</b>    | <b>(13.6)</b>  | <b>20.0</b>   | <b>n.c.</b>    |
| <i>% of net revenues</i>         | <i>2.7%</i>   | <i>-6.6%</i>   |               |                |
| Income before taxes              | (10.6)        | (33.0)         | 22.4          | + 67.9%        |
| <i>% of net revenues</i>         | <i>(4.4%)</i> | <i>(16.1%)</i> |               |                |
| <b>Group net income</b>          | <b>(8.0)</b>  | <b>(26.6)</b>  | <b>18.6</b>   | <b>+ 69.9%</b> |
| <i>% of net revenues</i>         | <i>(3.3%)</i> | <i>(13.0%)</i> |               |                |
| <b>Net working capital</b>       | <b>77.3</b>   | <b>112.3</b>   | <b>(35.0)</b> | <b>- 31.2%</b> |
| <b>Net employed capital</b>      | <b>204.7</b>  | <b>234.4</b>   | <b>(29.7)</b> | <b>- 12.7%</b> |
| <b>Net financial position</b>    | <b>89.5</b>   | <b>114.9</b>   | <b>(25.4)</b> | <b>- 22.1%</b> |
| Investments for the period       | 6.1           | 5.1            | 1.0           | + 19.6%        |
| Active staff: employees          | 2,816         | 2,751          | 65            | + 2.4%         |

|                                     | 2021  | 2020   | change |
|-------------------------------------|-------|--------|--------|
| ROI                                 | -4.8% | -13.1% | 8.3%   |
| ROE                                 | -6.9% | -22.3% | 15.3%  |
| ROS                                 | -4.1% | -15.0% | 10.9%  |
| Debt/Equity                         | 77.7% | 96.2%  | -18.5% |
| Capitalisation ratio                | 56.3% | 51.0%  | 5.3%   |
| Financial coverage rate of assets   | 46.2% | 42.1%  | 4.1%   |
| Inventory rotation index            | 216   | 241    | -25    |
| Number of days of credit to clients | 71    | 72     | =      |

### Legend:

ROI: EBIT/Capital employed

ROE: Net result/Shareholders' equity

ROS: EBIT/Net revenues

Debt/Equity: Net financial position/Shareholders' equity

Capitalisation index: Ratio of shareholders' equity to capital employed net of operating liabilities

Financial hedging of fixed assets: Fixed assets + ML-term provisions/Shareholders' equity + ML-term financial borrowing

Inventory rotation index: Net inventory/Cost of goods sold x 360 days

Credit days to customers: Gross trade receivables/Net revenues x 360 days

(1). EBIT + Amortisation/depreciation.

## Management Report

### Consolidated income statement consolidated

At 31 December 2021, the Group's net result was still a loss of 8.0 million euros, but had recovered markedly compared with the -26.6 million euros recorded at the end of 2020 (a result mainly related to the decrease in sales volumes, mainly due to the sharp contraction in global demand that took place as a result of the Sars Covid-19 pandemic, which affected both the European and non-European markets).

Summary consolidated income statement data for the period, compared with those for 2020, are as follows<sup>(1)</sup>:

| (in millions of euro)              | 2021          |               | 2020          |                |
|------------------------------------|---------------|---------------|---------------|----------------|
| <b>Net revenues</b>                | <b>238.6</b>  | <b>100.0%</b> | <b>204.8</b>  | <b>100.0%</b>  |
| Cost of sales                      | (202.1)       | (84.7%)       | (186.4)       | (91.0%)        |
| <b>Gross income</b>                | <b>36.5</b>   | <b>15.3%</b>  | <b>18.4</b>   | <b>9.0%</b>    |
| R&D and marketing costs            | (29.5)        | (12.4%)       | (28.0)        | (13.7%)        |
| General and administrative costs   | (15.8)        | (6.6%)        | (14.7)        | (7.2%)         |
| <b>Profit from core businesses</b> | <b>(8.8)</b>  | <b>(3.7%)</b> | <b>(24.3)</b> | <b>(11.9%)</b> |
| Non-recurring income/(charges)     | (1.0)         | (0.4%)        | (6.3)         | (3.1%)         |
| <b>Operating income</b>            | <b>(9.8)</b>  | <b>(4.1%)</b> | <b>(30.6)</b> | <b>(15.0%)</b> |
| Net financial charges              | (1.9)         | (0.8%)        | (2.2)         | (1.1%)         |
| Dividends and valuation at equity  | 1.2           | 0.5%          | (0.1)         | =              |
| Other financial income/charges     | (0.1)         | =             | (0.1)         | =              |
| <b>Income before taxes</b>         | <b>(10.6)</b> | <b>(4.4%)</b> | <b>(33.0)</b> | <b>(16.1%)</b> |
| Taxes                              | 2.6           | 1.1%          | 6.4           | 3.1%           |
| <b>Group net income</b>            | <b>(8.0)</b>  | <b>(3.3%)</b> | <b>(26.6)</b> | <b>(13.0%)</b> |

### Net revenues<sup>(2)</sup>

Total turnover of 238.6 million euros was reported for the year just ended, up compared with 2020.

With regard to product type, the Wool Fabrics business (Marzotto Wool group) closed the year with an increase in business volumes of 2.1%, or 2.4 million euros, while the Sundry Textiles sector (Marzotto Lab group) booked an increase of +37.1%, or +30.5 million euros.

As regards the end market, the Group recognised growth in business performance in both the domestic market and other European countries, totalling 196.0 million euros (+14.4% compared with the final figure for 2020), while on the international market, sales totalled 42.6 million euros (+27.5% compared with the final figure for 2020).

Below is a brief breakdown of net income by sector and geographical area, compared with the results of the previous year.

### by sector

| (in millions of euro)     | 2021         |               | 2020         |               |
|---------------------------|--------------|---------------|--------------|---------------|
| <b>Textile Sector</b>     | <b>231.6</b> | <b>97.1%</b>  | <b>198.7</b> | <b>97.0%</b>  |
| Wool fabrics              | 119.0        | 49.9%         | 116.6        | 56.9%         |
| Sundry textiles           | 112.6        | 47.2%         | 82.1         | 40.1%         |
| <b>Other Operations</b>   | <b>17.0</b>  | <b>7.1%</b>   | <b>15.9</b>  | <b>7.8%</b>   |
| <b>Aggregate total</b>    | <b>248.6</b> | <b>104.2%</b> | <b>214.6</b> | <b>104.8%</b> |
| Inter-company sales/other | (10.0)       | (4.2%)        | (9.8)        | (4.8%)        |
| <b>Consolidated total</b> | <b>238.6</b> | <b>100.0%</b> | <b>204.8</b> | <b>100.0%</b> |
| of which: Italy           | 87.3         | 36.6%         | 78.0         | 38.1%         |
| of which: Other markets   | 151.3        | 63.4%         | 126.8        | 61.9%         |

(1). The Ratti Group, Tintoria di Verrone S.r.l. and Uab Lietvilna are consolidated with the equity method, in application of IFRS 11.

(2). compared with 2020, the main foreign currencies of interest to the Group exhibited the following trends compared with the euro:

GBP - Pound sterling: 0.860 (2021 average); 0.889 (2020 average);  
 JPY - Japanese Yen 129.857 (2021 average); 121.775 (2020 average);  
 USD - US Dollar 1.184 (2021 average); 1.141 (2020 average);  
 CZK - Czech Crown 25.647 (2021 average); 26.455 (2020 average).



## [Management Report]

Below is a brief representation of the geographic breakdown of net income compared with last year's results.

by geographical area

| (in millions of euro)    | 2021         |               | 2020         |               |
|--------------------------|--------------|---------------|--------------|---------------|
| Italy                    | 87.3         | 36.6%         | 78.0         | 38.1%         |
| Other European countries | 108.7        | 45.6%         | 93.4         | 45.6%         |
| North America            | 8.9          | 3.7%          | 5.1          | 2.5%          |
| Asia                     | 27.0         | 11.3%         | 24.3         | 11.9%         |
| Other countries          | 6.7          | 2.8%          | 4.0          | 1.9%          |
| <b>Total</b>             | <b>238.6</b> | <b>100.0%</b> | <b>204.8</b> | <b>100.0%</b> |

Result from ordinary operations

The result of ordinary operations reached -8.8 million euros (+15.5 million euros on end-2020), accounting for -3.7% of net sales revenues.

Below is a breakdown by business segment:

by business segment

| (in millions of euro)    | 2021          |               | 2020          |                |
|--------------------------|---------------|---------------|---------------|----------------|
|                          | Amount        | % on rev.     | Amount        | % on rev.      |
| <b>Textile Sector</b>    | <b>(11.2)</b> | <b>(4.8%)</b> | <b>(26.1)</b> | <b>(13.1%)</b> |
| Wool fabrics             | (12.5)        | (10.5%)       | (17.8)        | (15.3%)        |
| Sundry textiles          | 1.3           | 1.2%          | (8.3)         | (10.1%)        |
| <b>Other Operations</b>  | <b>2.4</b>    | <b>14.1%</b>  | <b>1.8</b>    | <b>11.3%</b>   |
| <i>Adjustments/other</i> | =             | =             | =             | =              |
| <b>Total</b>             | <b>(8.8)</b>  | <b>(3.7%)</b> | <b>(24.3)</b> | <b>(11.9%)</b> |

Non-recurring income and expenses

In the year in question, non-recurring operations showed a balance of -1.0 million euros (a negative 6.3 million euros in 2020), including extraordinary expenses allocated as redundancy incentives of 0.6 million euros (in 2020, relating for -4.0 million euros to the write-down of tangible assets of the subsidiary Sametex spol s r.o., -0.5 million euros to expenses relating to the process of streamlining the business units, -0.5 million euros to expenses relating to the Praia a Mare dispute and -0.9 million euros to extraordinary costs for the Covid-19 emergency).

Financial expenses

At the reporting date, net financial expenses amounted to -1.9 million euros, which were down compared with the figure for 2020 (-2.2 million euros).

Dividends and valuations at equity

The item dividends from non-consolidated equity investments and equity valuations, which totalled 1.2 million euros (compared with -0.1 million euros in 2020), includes the economic impact of valuing investments in associate companies using the equity method.

Income taxes

Starting in the fiscal year 2008, Marzotto S.p.A. and Linificio e Canapificio Nazionale S.r.l., and starting in the fiscal year 2009, Biella Manifatture Tessili S.r.l. (formerly Tallia di Delfino S.p.A.), Le Cotonerie S.r.l. (formerly Immobiliare Isola S.r.l.) and Ambiente Energia S.r.l., and starting in 2016, Marzotto Wool Manufacturing S.r.l. and Marzotto Lab S.r.l. opted for the national tax consolidation scheme, for which the consolidating company is Wizard S.r.l., the effects of which are taken into account in the figures as at 31 December 2021.

The impact of the tax burden on the result for the period was a positive 2.6 million euros (compared with a positive 6.4 million euros in 2020), including current tax of -1.0 million euros and deferred tax assets of +4.2 million euros, as well as taxes relating to previous years of -0.6 million euros.

Net result

The analyses performed thus far show a loss for the year of -8.0 million euros, compared with a loss of -26.6 million in 2020.

## Management Report

### Consolidated financial position

The Marzotto Group's financial position is summarised in the table below, and compared with the corresponding amounts as at 31 December 2020:

| (in millions of euro)  | 31.12.21      | 31.12.20      |
|--|---------------|---------------|
| Net trade receivable   | 41.6          | 34.9          |
| Other receivables  | 13.1          | 12.4          |
| Inventory  | 121.4         | 124.8         |
| Commercial suppliers   | (82.3)        | (45.4)        |
| Other payables   | (16.5)        | (14.4)        |
| <b>A) Net working capital</b>  | <b>77.3</b>   | <b>112.3</b>  |
| <b>B) Assets/liabilities held for sale</b>   | <b>=</b>      | <b>=</b>      |
| Receivables beyond 12 months   | 20.5          | 17.1          |
| Equity investments   | 31.7          | 30.6          |
| Tangible fixed assets  | 93.0          | 94.6          |
| Intangible fixed assets  | 9.3           | 9.4           |
| <b>C) Net fixed assets</b>   | <b>154.5</b>  | <b>151.7</b>  |
| <b>D) Employee severance fund, reserves, and other non-financial M/L term payables</b> | <b>(22.6)</b> | <b>(24.3)</b> |
| <b>E) Deferred taxes reserve</b>   | <b>(4.5)</b>  | <b>(5.3)</b>  |
| <b>F) Invested capital net of current liabilities (A+B-C-D-E)</b>                      | <b>204.7</b>  | <b>234.4</b>  |
| Covered by:  |               |               |
| Short-term financial payables  | 58.3          | 68.3          |
| Cash and short-term financial receivables  | (129.1)       | (123.8)       |
| Medium/long term financial payables  | 160.5         | 170.4         |
| Medium/long term financial receivables   | (0.2)         | =             |
| <b>G) Net borrowing</b>  | <b>89.5</b>   | <b>114.9</b>  |
| <b>H) Group shareholders' net equity</b>   | <b>115.2</b>  | <b>119.5</b>  |
| <b>I) Total (G+H) as in F</b>  | <b>204.7</b>  | <b>234.4</b>  |

### Net capital employed

At the reporting date, the capital employed net of operating liabilities totalled 204.7 million euros, compared with 234.4 million as at 31 December 2020.

The decrease of 29.7 million euros mainly reflects the decrease in working capital (-35.0 million euros), medium/long-term provisions (+2.5 million euros) and the increase in net fixed assets (+2.8 million euros).

Overall net working capital decreased by 35.0 million euros, mainly due to the combined effect of the increase in the balance of both trade receivables (+6.7 million euros) and particularly trade payables (-36.9 million euros), as well as the decrease in inventory (-3.4 million euros).

The change of +2.8 million euros in net fixed assets was due to investments in the period (at the net of the normal amortisation/depreciation process in the period) totalling -1.7 million euros, the increase in medium/long-term receivables (essentially prepaid tax) of +3.4 million euros and the +1.1 million increase in the value of equity investments, mainly related to the valuation of associates using the equity method.

The table below highlights the investments made in each business sector.

| (in millions of euro)         | 2021       |               | 2020       |               |
|-------------------------------|------------|---------------|------------|---------------|
| <b>Textile Sector</b>         | <b>4.3</b> | <b>70.5%</b>  | <b>3.7</b> | <b>72.5%</b>  |
| Wool fabrics                  | 1.8        | 29.5%         | 1.9        | 37.2%         |
| Sundry textiles               | 2.5        | 41.0%         | 1.8        | 35.3%         |
| <b>Other Operations/other</b> | <b>1.8</b> | <b>29.5%</b>  | <b>1.4</b> | <b>27.5%</b>  |
| <b>Total</b>                  | <b>6.1</b> | <b>100.0%</b> | <b>5.1</b> | <b>100.0%</b> |

Investments were mostly in renovations and upgrades to plants and machinery, the efficiency of the production process and logistics service, as well as the adjustment and bringing up to standard of systems and buildings.

## Management Report

### Net borrowing

Net borrowing was 89.5 million euros, with an indebtedness ratio<sup>(1)</sup> of 43.7% of net capital employed (compared with 49.0% at 31 December 2020).

| (in millions of euro)  | 2021          | 2020          |
|--|---------------|---------------|
| Net income   | (8.0)         | (26.6)        |
| Adjustments to income line items                                 | (1.1)         | 0.3           |
| Depreciation, amortization and write-downs                       | 16.2          | 21.1          |
| Provision and use of reserve                                     | (3.3)         | (1.2)         |
| <b>Cash Flow</b>   | <b>3.8</b>    | <b>(6.4)</b>  |
| Change in trade receivables                                      | (10.9)        | 15.3          |
| Change in inventory  | 3.4           | 19.3          |
| Change in payables   | 40.9          | (59.3)        |
| <b>Cash Flow from current assets</b>                             | <b>37.2</b>   | <b>(31.1)</b> |
| Investment in tangible and intangible fixed assets               | (6.1)         | (5.1)         |
| Disposals of tangible and intangible fixed assets                | 0.1           | 0.2           |
| IFRS16 effect 01.01.2019 and subsequent increases                | (5.0)         | (0.5)         |
| Acquisitions/change in shareholdings                             | 0.1           | =             |
| <b>Cash Flow from investments</b>                                | <b>(10.9)</b> | <b>(5.4)</b>  |
| <b>Free Cash Flow</b>  | <b>26.3</b>   | <b>(36.5)</b> |
| Conversion differences from net borrowing and minority interests | (0.9)         | =             |
| <b>Free Cash Flow before dividends</b>                           | <b>25.4</b>   | <b>(36.5)</b> |
| Shareholders' dividends  | =             | =             |
| Capital increase in Parent company                               | =             | 10.1          |
| <b>Change in net financial position for the year</b>             | <b>25.4</b>   | <b>(26.4)</b> |
| Initial net borrowing  | (114.9)       | (88.5)        |
| Final net borrowing  | (89.5)        | (114.9)       |

Cash flow generated by current assets was positive for 37.2 million euros (compared with -31.1 million euros as at 31 December 2020), 6.0 million euros of which were used to make investments (compared with 4.9 million euros as at 31 December 2020).

The final net financial debt includes 6.1 million more euros of financial debt as an effect of IFRS 16.

### Shareholders' equity

Group shareholders' equity as at 31 December 2021 was 115.2 million euros, down 4.3 million euros compared with the previous year. The change was mainly due to the comprehensive result for the period, which was a loss of 8.0 million euros. The residual amount, up 3.7 million euros, consists of the comprehensive income statement items recognised using the equity method (fair value reserve, IAS 19 and conversion reserve).

The capitalisation index<sup>(2)</sup>, calculated as the ratio of shareholders' equity to net invested capital, is 56.3% (compared with 51.0% in 2020).

(1). Ratio of net debt to capital employed, net of operating liabilities.

(2). Ratio of shareholders' equity to capital employed net of operating liabilities.

## [Equity investments]

### Equity investments in subsidiaries

### Marzotto Wool Manufacturing Group

Below is a report on the performance of the main subsidiaries of the Marzotto Group.

The main object of Marzotto Wool Manufacturing Group, with parent company Marzotto Wool Manufacturing S.r.l., which has its registered office in Valdagno (VI), is the development, production and distribution of high-end fabrics for men's and women's collections, mainly in wool, but also in fine fibres such as alpaca, cashmere, linen and silk.

The Marzotto Wool Group includes subsidiaries Nová Mosilana a.s. (wholly owned), Biella Manifatture Tessili S.r.l. (100% owned), and associates Tintoria di Verrone S.r.l. (25% owned), Pettinatura di Verrone S.r.l. (15% owned), Mediterranean Wool Industries SAE (30% owned), Marzotto Textiles USA and Marzotto Shanghai (50% owned), and Schneider Australia (25%).

The total turnover generated increased compared with the previous year, to 119.0 million euros, with EBIT of -12.6 million euros and a net loss of -10.9 million euros.

As concerns the breakdown of turnover by operating business unit, the Lanificio Gmf segment recognised income of 61.8 million euros (51.9% of the total) and Biella Manifatture Tessili recognised 44.4 million euros (37.3%), while Estethia/G.B. Conte closed the year with 12.3 million euros in income (10.3%).

The table below shows the income contribution and trend by business.

| (in millions of euro)      | 2021         |               | 2020         |               |
|----------------------------|--------------|---------------|--------------|---------------|
| Lanificio Gmf              | 61.8         | 51.9%         | 62.0         | 53.2%         |
| Biella Manifatture Tessili | 44.4         | 37.3%         | 41.8         | 35.8%         |
| Estethia/G.B. Conte        | 12.3         | 10.3%         | 12.4         | 10.6%         |
| Other                      | 0.5          | 0.5%          | 0.4          | 0.4%          |
| <b>Total</b>               | <b>119.0</b> | <b>100.0%</b> | <b>116.6</b> | <b>100.0%</b> |

### Net revenues by business

## [Equity investments]

Below are some comments on the performance of the main segments in which the Group operates.

### **MARZOTTO WOOL MANUFACTURING**

The contraction in turnover caused by the Covid pandemic continued in the first nine months of 2021 and only in the last quarter did the hoped-for recovery take place, driven by increasing consumption and the partial normalisation of social life (events, ceremonies and return to work at company offices), particularly in the European and US markets.

China pursued its positive trend in 2021, while other markets in the Far East, particularly Japan and Korea, only began to register a slow recovery in the first few months of 2022.

The losses during the year are therefore all attributable to the revenue contraction that continues to cause plant disruption, even though production capacity was scaled back during 2020 and 2021 to make it consistent, not so much with the extraordinary situation of the pandemic but with the volumes forecast in the 2022-2025 plan. During 2021, operations continued with the extraordinary wages guarantee fund procedure in Italy, using flexibility tools in the foreign plants.

In the last three months of 2021, the group achieved a progressive improvement in results due not only to increasing volumes, but also to the consolidation of the increase in the margins of all the commercial lines already started in 2020.

In this context, the fixed cost structure continued to be monitored closely, with a further improvement achieved compared with FY20.

Investments mainly concerned the scope of production reorganisations and new technologies; they remained in line with the plan with the aim of adapting them to the production volumes set out therein.

### **LANIFICIO GMF**

The decrease in turnover in 2021 continued to affect all markets, with the exception of China; in the last quarter of 2021, however, orders and turnover took off again in Europe and above all in the North American market, which had remained completely absent in 2020.

In order to cope with the reduction in volumes, the work to rebalance production capacity already undertaken in 2020 continued, with the use of social shock absorbers and flexibility instruments at the foreign plants. These interventions have substantially reduced not only variable costs but also fixed factory structures.

Thanks to a flexible production structure and well-integrated production systems, a market-appropriate level of service has been ensured.

In this dramatic situation, Lanificio GMF retained the elements that have always made up its offering, implementing even more a mix of fashion solutions aimed at more informal clothing providing comfort, wearability and ease of maintenance.

**Sustainability:** In 2021, we continued to invest in sustainability with environmental certification and protection projects that start with the supply of wools from selected farms that pay particular attention to the protection of animals and the ecosystem, investing in the training of our employees and implementing the use of production processes with less environmental impact, including through the careful control of energy consumption, gas, electricity and water.

Sustainability is becoming a necessity for dialogue with the successful brands that will grow in the next few years; Lanificio GMF, as well as the entire Marzotto Wool group, has embraced this philosophy for years, and today this represents a significant competitive advantage.

## [Equity investments]

### BIELLA MANIFATTURE TESSILI

The results achieved by the business unit summarise the varying performances of the company brands, which include revenues of 16.5 million euros for the Guabello division (up 9.3% from the previous year), 13.2 million euros for the Marlane division (down 4.3% from 2020), 13.0 million euros for the Tallia di Delfino division (up 5.7% from 31 December 2020) and 1.3 million euros for the Opera Piemontese division.

The various business units recorded slightly different trends due to the difference in presence on world markets and the various types of products and services.

Below are comments on the performance of the individual brands:

**Guabello** closed 2021 with an increase in turnover compared with the previous year, but nevertheless a sharp decrease compared with 2019, due to the continuing decline in volumes, particularly in fine clothing, throughout the world and particularly in Germany, Italy and the US, where Guabello is most present. The policy of expansion in the markets of the Far East continued, despite the inability to travel, with the insertion of a new sales structure in the Shanghai area of China. The redesign of the Guabello collection began to generate results in the second half of the year, in particular the K-easy line (constructions similar to knitted fabrics but with more modern performances and aspects) and the new Space line (pure wool fabrics with no elastomeric synthetic materials).

**Marlane** is the division that, in 2021, was again adversely affected by the clothing crisis resulting from Covid-19, which caused a sharp slowdown in the sale of more formal/business clothes in the northern European, Italian and US markets. The expansion of the in stock service since it was started in 2020 was developed further, bringing interesting results in the last quarter of 2021 and in the first few months of 2022, partly due to the opportunity offered by customers in search of fabrics, especially in classic colours, for the post-Covid recovery in ceremonies and events. The new commercial network in China started to reap results, and plans have also begun to be made regarding this market, in collaboration with the local sales structure, for an offer of more technical and stretch products with in stock service.

**Tallia di Delfino** registered a recovery in 2021 compared with 2020, due in part to a recovery in sales via the sartorial channel and made to measure. The Gentlemen's Wardrobe offering was implemented with more informal luxury products and during FY 2021 a further expansion was made of high-quality and outerwear products in fine fibres such as cashmere and alpaca.

**Opera Piemontese** is the new Donna di Lusso line, for which fine fibres such as cashmere, alpaca and silk are used, but with a modern performance and look. The line was launched in 2020. The line represents an opportunity both due to the entry of the Marzotto Wool group into markets where it was previously only marginally present, and due to the influence of fashion and the spread of particular finishes and yarns into the men's collections in the other divisions. Likewise, Opera Piemontese is working on the next collections in synergy with, and using the historical archives of, both Marzotto and Tallia di Delfino.

## [Equity investments]

### ESTETHIA/G.B. CONTE

In the year under review, the division booked net revenues of 12.3 million euros (12.4 million euros in the previous year).

Estethia G.B. Conte maintained turnover in line with 2020, therefore recording less of a contraction than before the pandemic, due both to the activity being concentrated in women's clothing fabrics, which are less affected by drops in consumption, and to its presence in the French and Italian markets, which were less affected by the decline due to a high level of exports to China.

In 2021, a new "Prima Donna" high-quality product line was introduced within the collection; thanks to the use of a new range of yarns developed exclusively for this line, fabrics have been created that are very feminine but at the same time comfortable and pleasant to touch; this new line presented for the AW 2022 collection has received good feedback, particularly in the markets of the Far East.

In 2021, the distribution of Harris Tweed products continued to perform well, in line with pre-pandemic numbers. This enabled relations with the manufacturing company to become even more efficient, and technology collaboration activities were planned to make the partnership between MWM and Harris Tweed Hebrides even closer and more dynamic.

The table below shows revenue contributions and trends by brand.

Net revenues  
by geographical area

| (in millions of euro)    | 2021         |               | 2020         |               |
|--------------------------|--------------|---------------|--------------|---------------|
| Italy                    | 34.4         | 28.9%         | 38.2         | 32.8%         |
| Other European countries | 53.3         | 44.8%         | 52.7         | 45.2%         |
| North America            | 6.0          | 5.0%          | 2.9          | 2.5%          |
| Asia                     | 22.1         | 18.6%         | 20.9         | 17.9%         |
| Other countries          | 3.2          | 2.7%          | 1.9          | 1.6%          |
| <b>Total</b>             | <b>119.0</b> | <b>100.0%</b> | <b>116.6</b> | <b>100.0%</b> |

Below are the key indicators of the Marzotto Wool Manufacturing Group.

Key indicators

| (in millions of euro)                         | 2021          | 2020          | change        | change %       |
|---|---------------|---------------|---------------|----------------|
| <b>Consolidated net revenues</b>              | <b>119.0</b>  | <b>116.6</b>  | <b>2.4</b>    | <b>+ 2.1%</b>  |
| <b>Profit from core businesses</b>            | <b>(12.5)</b> | <b>(17.9)</b> | <b>5.4</b>    | <b>+ 30.2%</b> |
| % of net revenues                             | (10.5%)       | (15.4%)       | 4.9%          |                |
| <b>Operating income</b>                       | <b>(12.6)</b> | <b>(18.5)</b> | <b>5.9</b>    | <b>+ 31.9%</b> |
| % of net revenues                             | (10.6%)       | (15.9%)       | 5.3%          |                |
| <b>Net income</b>                             | <b>(10.9)</b> | <b>(15.1)</b> | <b>4.2</b>    | <b>+ 27.8%</b> |
| <b>Consolidated net invested capital</b>      | <b>108.3</b>  | <b>137.0</b>  | <b>(28.7)</b> | <b>- 20.9%</b> |
| <b>Investments for the period</b>             | <b>1.8</b>    | <b>1.9</b>    | <b>(0.1)</b>  | <b>- 5.3%</b>  |
| <b>Active staff at 31 December: employees</b> | <b>1,385</b>  | <b>1,445</b>  | <b>-60</b>    | <b>- 4.2%</b>  |

Net capital invested in 2021 was down by 28.7 million euros, reflecting a decrease in working capital of -25.9 million euros and fixed assets of -4.4 million euros, and a reduction of m/I-term provisions for +1.6 million euros.

## [Equity investments]

### Marzotto Lab Group

The main object of the Marzotto Lab Group, with parent company Marzotto Lab S.r.l., which has its registered office in Valdagno (VI), is to carry out industrial and commercial operations relating to the purchase, and main and accessory manufacture, of textile fibres of all kinds.

The Marzotto Lab Group, which comprises parent company Marzotto Lab S.r.l., its subsidiary, Linificio e Canapificio Nazionale S.r.l. (wholly owned) and the relative investee companies, AB Liteksas (99.97% owned), Uab Lietvilna (50% owned), Sametex spol s r.o (wholly owned), Girmes G.m.b.H. (wholly owned), Tintoria di Verrone S.r.l. (25% owned), Marzotto Textiles USA and Marzotto Shanghai (50% owned), is active in the Linen, Cotton, Velvet, Furnishings and Other segments (mainly including coordination functions and service activities carried out by the parent company for the operating businesses).

Revenues for the year just ended totalled 112.6 million euros, up 37.1% from the previous year (2020: 82.1 million euros).

Below is the opening according to product type:

### Net revenues by product

| (in millions of euro) | 2021         |               | 2020        |               |
|-----------------------|--------------|---------------|-------------|---------------|
| Linen                 | 50.0         | 44.4%         | 35.0        | 42.6%         |
| Cotton                | 29.0         | 25.8%         | 23.8        | 29.0%         |
| Velvet                | 18.4         | 16.3%         | 12.1        | 14.7%         |
| Furnishing            | 12.5         | 11.1%         | 9.1         | 11.1%         |
| Other                 | 2.7          | 2.4%          | 2.1         | 2.6%          |
| <b>Total</b>          | <b>112.6</b> | <b>100.0%</b> | <b>82.1</b> | <b>100.0%</b> |

The Marzotto Lab Group's activities bring together divisions and companies relative to diversified textile sectors, even if they are in part complementary or belong to a single chain.

### LINEN

Linificio e Canapificio Nazionale closed 2021 with turnover up 52% on the previous year, resuming the path of growth launched in 2018. Growth stopped abruptly in 2020 when, due to the outbreak of the Sars Covid-19 pandemic, there was a sharp drop in consumption of linen yarns worldwide.

In 2021, demand for linen yarn, particularly from the clothing sector, was also significantly affected by the sinusoidal spread of the Sars Covid-19 virus and its variants in countries where linen consumption has historically been highest.

The trend in raw materials, the company's main cost item, was a source of great concern for the entire 12 months, as, due to a series of unfortunate weather coincidences, the 2020 harvest was poor in both qualitative and quantitative terms.

This situation has resulted in the possibility of the processing companies relying solely on the 2019 crop; the scarcity on the supply side has generated major supply difficulties and consequently very significant increases in the cost of raw materials. These increases have been progressively revised upwards by suppliers on a quarterly basis.

Over the course of the year, high levels of the virus also affected workers and employees at the Company's production facilities, resulting in high average absenteeism over the 12 months, which caused in significant problems in plant management and production planning.

Despite these three main adverse factors, the 2021 economic result was positive and comparable to the last two pre-pandemic years.

This was possible because, over the years, the Company consolidated its role as a global leader in terms of innovation and environmental, social and value sustainability over the years and simultaneously started the process of automation/reorganisation of production that has had a positive effect on the productivity of the plants.

Thanks to this position of privilege, the close attention paid to proximity and valorisation of the region, the development of new, highly sustainable products and the creation "ex novo" of new markets with a strong positive impact on the environment, Linificio e Canapificio Nazionale succeeded in penetrating some markets more effectively and in opening new ones.

The decline in consumption of linen yarns, particularly by the clothing sector, was thus offset by the entry into new markets and the growth - including by comparison with 2018 and 2019 - recorded in the interior decoration and home furnishing markets.

Among the developed markets, primarily in the last year, the following are regarded as of particular strategic importance in the short and medium term:

- The food packaging market, where, in order to achieve the aim of effective communication and marketing, a new trademark for this sector has also been registered.



## [Equity investments]

- The composite materials market: where, in order to be competitive, a patent has also been filed.

Therefore, although demand for linen yarns was not particularly high for long periods of the year, especially for some types of product with higher value-added for the world of clothing, partly due to the presence of these new markets and very careful sales and marketing management, the average sale price of yarns and total turnover were comparable with those of 2019, and the year-end portfolio was significantly higher than the average for the last five years.

This demonstrates the excellent health of the company and confirms the ambitions set out in the three-year plan presented in 2020 and further improved in December 2021.

The phenomena described above indicate a first half of 2022 in line with the last four months of 2021 in terms of both quantity and prices of yarns.

### COTTON

The Tessuti di Sondrio BU closed the year with turnover growth of approximately 22% compared with the previous year.

Growth in volumes and turnover continued in the second half of the year. The first half was affected by the Covid-19 pandemic. From January to May, the plan made use of Covid Ordinary Wage Guarantee Fund. Thanks to these measures and the recovery of orders and sales in the second half of the year, the plant's productivity increased sharply compared with the previous year. The turnover growth showed that the Tessuti di Sondrio and NTB brands have been able to capture demand for high-quality products as the pandemic situation stabilises.

Action continued to obtain environmentally sustainable products, which are increasingly requested by customers. There has also been a drive towards products that meet the changing needs of consumers who want items in line with the athletic leisure and sportswear trend.

### VELVET

**Fabrics for the fashion world:** in 2021 there was a decrease in volumes, again due to the pandemic-related difficulties seen in the first half of the year, which is the key season for fashion velvet. A review of the clothing collection was launched during the year, in the belief that the market may value Redaelli's quality and production capacity. The introduction of sustainable products with recycled material and the launch of a fake fur collection continued.

**Fabrics for the world of interior decoration:** new products were created and marketed despite the commercial difficulties linked to the pandemic. This resulted in growth in volumes. Additional contract products that require specific technical specifications (Trevira, FR) were created. With the entry, first under a lease agreement and then with the completion of the acquisition, of Prosetex, 2021 marked a turning point in strengthening the interior decoration offering, which is one of the most important collections, able to capture demand from the various sales channels (textile designers, furniture makers, contract).

The Kraslice and Bulciago plants have all the cost-cutting tools in place.

The actions implemented, some already carried out prior to Sars Covid-19, have resulted in a marked improvement in the main economic indicators of the Redaelli Business Unit compared with 2020.

### FURNISHINGS

This division operates in the home textile accessories sector, offering a range of finished bedlinen and living room products. The distribution structure for the retail channel is based on an extensive network of agents located both in Italy and abroad. During the year, the aim was to develop a strategy that is increasingly focused on the e-commerce channel, through the website and the main sector marketplaces, in order to promote online sales. Social media activity was intensified with a focus on Instagram, and a customer newsletter was implemented. Development of large "private label" customers in Northern Europe, Central Europe, the US and the Far East also continued. A line of environmentally sustainable items called "Green label" was also strengthened. The work on the collection, on e-commerce and the marketing activities introduced enabled significant sales growth.

## [Equity investments]

With regard to the end markets, it should be noted that the domestic market accounts for 40.7% of the total (compared with 41.0% in the previous year), while the rest of Europe, which covers around an additional 49.2% of the total, was in turn slightly up (49.5% in 2020).

Net revenues  
by geographical area

| (in millions of euro)    | 2021         |               | 2020        |               |
|--------------------------|--------------|---------------|-------------|---------------|
| Italy                    | 45.9         | 40.7%         | 33.7        | 41.0%         |
| Other European countries | 55.4         | 49.2%         | 40.6        | 49.5%         |
| North America            | 3.0          | 2.7%          | 2.3         | 2.8%          |
| Asia                     | 4.8          | 4.3%          | 3.4         | 4.1%          |
| Other countries          | 3.5          | 3.1%          | 2.1         | 2.6%          |
| <b>Total</b>             | <b>112.6</b> | <b>100.0%</b> | <b>82.1</b> | <b>100.0%</b> |

Below are the key indicators of the Marzotto Lab Group.

Key indicators

| (in millions of euro)                         | 2021         | 2020          | change       | change %       |
|---|--------------|---------------|--------------|----------------|
| <b>Consolidated net revenues</b>              | <b>112.6</b> | <b>82.1</b>   | <b>30.5</b>  | <b>+ 37.1%</b> |
| <b>Profit from core businesses</b>            | <b>1.3</b>   | <b>(8.3)</b>  | <b>9.6</b>   | <b>n.c.</b>    |
| % of net revenues                             | 1.2%         | (10.1%)       | 11.3%        |                |
| <b>Operating income</b>                       | <b>0.8</b>   | <b>(13.0)</b> | <b>13.8</b>  | <b>n.c.</b>    |
| % of net revenues                             | 0.8%         | (15.8%)       | 16.6%        |                |
| <b>Net income</b>                             | <b>0.5</b>   | <b>(12.1)</b> | <b>12.6</b>  | <b>n.c.</b>    |
| <b>Consolidated net invested capital</b>      | <b>65.9</b>  | <b>66.0</b>   | <b>(0.1)</b> | <b>- 0.2%</b>  |
| <b>Investments for the period</b>             | <b>2.5</b>   | <b>1.8</b>    | <b>0.7</b>   | <b>+ 38.9%</b> |
| <b>Active staff at 31 December: employees</b> | <b>1,334</b> | <b>1,202</b>  | <b>132</b>   | <b>+ 11.0%</b> |

Net capital invested in 2021 was down by -0.1 million euros, reflecting a decrease in net working capital of 5.8 million euros and an increase in fixed assets of 5.7 million euros.

## [Equity investments]

### Other operations

| (in millions of euro)                         | 2021        | 2020        | change     | change %          |
|---|-------------|-------------|------------|-------------------|
| <b>Net revenues</b>                           | <b>17.0</b> | <b>15.9</b> | <b>1.1</b> | <b>+ 6.9%</b>     |
| <b>Profit from core businesses</b>            | <b>2.4</b>  | <b>1.8</b>  | <b>0.6</b> | <b>+ 33.3%</b>    |
| <b>Operating income</b>                       | <b>2.1</b>  | <b>0.8</b>  | <b>1.3</b> | <b>&gt;100,0%</b> |
| <b>Investments for the period</b>             | <b>1.8</b>  | <b>1.4</b>  | <b>0.4</b> | <b>+ 28.6%</b>    |
| <b>Active staff at 31 December: employees</b> | <b>97</b>   | <b>104</b>  | <b>(7)</b> | <b>- 6.7%</b>     |

The Other Operations segment mainly includes coordination and strategic management activities, as well as services (management and finance, legal and corporate, human resources management, and information technology) performed centrally for the operating sectors.

This sector also includes the results of the management of the Schio water treatment plant (held through subsidiary Ambiente Energia S.r.l., which operates independently with a sole director vested with full powers), activities relating to renewable energy and equity investments in associates held by Marzotto S.p.A. and consolidated using the equity method (mainly Ratti S.p.A.).

The Ratti Group operates in the silk sector, producing and marketing printed, solid-colour and yarn-dyed fabrics for clothing and furnishings. It also develops and distributes finished products, mainly men's and women's accessories.

The Ratti Group earned revenues of 78.7 million euros (compared with 71.9 million euros in FY 2020) and a net profit of 2.9 million euros (compared with 0.4 million euros in 2020).

## [Other information]

### Industrial relations

The effects of the health emergency due to the Sars Covid-2 virus had significant effects on the 2021 financial year in the Marzotto Group, including in terms of industrial and trade union relations, not only due to the decrease in production activities and the use of social shock absorbers, but also due to the organisation of work, given the absences due to illness, quarantine and parental leave. In addition, activities related to the management of contagion risk and control delegated by the government to employers were implemented.

The use of CIGO (*Cassa Integrazione Guadagni Ordinaria* - Ordinary Wage Guarantee Fund) due to Covid-19 concerned the various Group companies and divisions in different ways, according to market demand and product type.

The CIGO procedures provided for the stipulation of trade union agreements in application of the relevant regulations that occurred during the year, including with respect to the specific ATECO production sector code.

The use of the CIGO was accompanied by smart working and a scheduling plan to encourage the use of leave and other remaining contractual arrangements.

Anti-contagion protocols were also implemented both at Group level and at local offices, including through the use of electronic tools such as thermoscanners, proximity tracking devices and automatic monitoring of green passes.

In addition, the Human Resources Department and the national representatives of the trade unions, continuing what began in 2020, entered into trade union agreements in the various Group companies for the consensual termination of employment relationships. Agreements to this effect were signed on 11 February 2021, 30 March 2021 and 27 July 2021. The companies concerned were Marzotto S.p.A., Marzotto Wool Manufacturing, B.M.T., Marzotto Lab and Ambiente Energia.

### Marzotto S.p.A.

The following also applied to Marzotto S.p.A.:

The trade union agreement of 8 June 2021, signed with the regional trade unions for the sector (Organizzazioni Sindacali territoriali - O.O.S.S.), which cancels the effects of the second-level agreement (the Company Supplementary Agreement, previously extended on 29.03.2021) and the provision of the 2020 Performance Bonus, to be paid in June 2021, to the office staff at the headquarters in Valdagno (Vicenza) and the logistics/warehouse staff based in Piovene Rocchette (Vicenza). To replace this bonus, the Company decided to pay welfare vouchers to staff to purchase food or fuel, excluding the amount of the bonus from taxable income for both social security and tax purposes pursuant to Article 51 of the TUIR.

With regard to the partial coverage of the decrease in activity through the use of the Ordinary Wage Guarantee Fund, this was applied in the period from 2 January 2021 to 24 December 2021, excluding the collective period of stoppage for the summer holidays.

In 2021, four Marzotto S.p.A. workers adhered to the incentivised consensual termination of their employment relationships.

## [Other information]

### Marzotto Wool Manufacturing Group

The above information, valid for the Group, is confirmed for Marzotto Wool Manufacturing S.r.l. In particular, in 2021, 21 Marzotto Wool Manufacturing workers adhered to the incentivised consensual termination of their employment relationships.

The Wage Guarantee Fund was used to partially cover reductions or stoppages in activity in the periods from 7 January 2021 to 31 October 2021, excluding the collective period of stoppage for the summer holidays.

At Marzotto Wool Manufacturing S.r.l. (headquartered at Valdagno - GMF and Estethia G.B Conte divisions), as above for Marzotto S.p.A., it has been agreed that the 2020 Performance Bonus is cancelled. The company has paid out welfare vouchers to staff.

### Nová Mosilana

At the Czech subsidiary Nová Mosilana a.s., the trade union agreement, valid for 2022, was signed on 09/12/2021.

### Biella Manifatture Tessili S.r.l.

At Biella Manifatture Tessili S.r.l., on 13 January 2021, the extension of the second-level agreement (Company Supplementary Agreement previously extended on 13 November 2019) until the new date of 31 December 2021 was signed with the regional trade unions for the sector.

On 16 March 2021, an agreement was signed with the unitary union representative body (*Rappresentanza Sindacale Unitaria aziendale* - RSU) on procedures for using the 1/26th payment for national holidays falling on days that cannot be worked. In derogation of the contractual provisions in this regard, it was agreed that compensation equal to 1/26th of the monthly remuneration for holidays falling on a non-working day should be converted into 8 hours of paid leave for each holiday available to the worker, to be paid when the aforementioned leave is taken.

The Wage Guarantee Fund was used to partially cover reductions or stoppages in activity in the periods from 7 January 2021 to 31 October 2021, excluding the collective period of stoppage for the summer holidays.

In 2021, 17 Biella Manifatture Tessili S.r.l. workers adhered to the incentivised consensual termination of their employment relationships.

### Marzotto Lab Group

At Marzotto Lab, with offices in the provinces of Vicenza, Sondrio and Como (Bulciago since 1 April), what is indicated in the introductory paragraph regarding Covid-19 CIGO and other health and safety measures, as well as agreements on incentivised staff departures, was applied.

With effect from 1 January 2021, the leasing of a business unit by Marzotto Lab S.r.l., consisting of a production plant and offices, formerly Prosetex S.p.A., was completed in Bulciago (Lecco). The relevant trade union procedure was conducted on 21 December 2020 and concluded with a joint examination report pursuant to Article 47 of Law no. 428 of 29 December 1990.

In April 2021, the offices of the Velluti Division previously allocated at Via Madonna 30, Guanzate (Como), were transferred to the "Prosetex" registered office at Via Roma, 76 Bulciago (Lecco).

With effect from 11 October 2021, the "Prosetex Division" business unit subject to the previous lease agreement was definitively acquired by Marzotto Lab.

Consequently, the 52 workers in this division became employees of Marzotto Lab to all intents and purposes.

In 2021, seven Marzotto Lab workers adhered to the incentivised consensual termination of their employment relationships.

## [Other information]

### Training and development of human resources

In 2021, the continuation of the health emergency affected the normal functioning of the organisation, which was involved in a considerable effort to recover efficiency through the use of the Wage Guarantee Fund and plans to use leave reduce working hours.

The Marzotto Group (Marzotto S.p.A., Marzotto Wool Manufacturing S.r.l., Marzotto Lab S.r.l. and Ambiente Energia S.r.l.) nevertheless dedicated attention to training activities, particularly in terms of safety and through remote training methods compatible with the constraints imposed on in-person training by the protocols on measures to combat Covid.

The total investment in training in Italy took place through the use of the inter-professional funds, Fondimpresa and Fondirigenti.

Training and development activities aimed at strengthening managerial and specialist and linguistic technical skills and fulfilling safety requirements.

### Marzotto S.p.A.

In 2021, Marzotto S.p.A. delivered 100 hours of training on soft skills and updates on the 231 Model and customs regulations.

### Marzotto Wool Manufacturing Group

Marzotto Wool Manufacturing delivered 1,200 hours of safety training and improvement methodologies applied to production.

### Biella Manifatture Tessili

Biella Manifatture Tessili s.r.l. delivered 140 hours of training on language knowledge, computer science and regulatory updating.

### Nová Mosilana

At the subsidiary Nová Mosilana a.s., all employees are trained twice a year in health and safety and fire prevention, in compliance with local legislation (total 670 people/total 700 hours).

The safety training of new hires involved 94 employees for a total of 705 hours.

Fire and first aid training involved 172 people for 172 hours.

Safety training for specific roles (electricians, crane operators and forklift drivers etc.) involved 314 people for 670 hours.

18 employees took part in language training courses (Czech and Italian) for a total of 185 hours.

Management skills training involved 60 people, including managers and assistants, for 1,280 hours.

### Marzotto Lab

With regard to Marzotto Lab, in 2021, hours of training were delivered on language (English) and the 231 legislation, as well as a specialised course for the product office on the use of CAD in the textile field.

### Liteksas – Lietlinen – Lietvilna – Filin

The Lithuanian companies AB Liteksas, UAB Lietlinen and UAB Lietvilna provided 3,558 hours of training, broken down as follows: AB Liteksas provided 79 hours, UAB Lietlinen provided 3,172 hours and UAB Lietvilna provided 307 hours.

## [Other information]

### Employees by sector

The number of active operational staff decreased from 2,751 at the end of 2020 to 2,816 at 31 December 2021.

In particular, in 2021 the Group recorded a decrease in operational staff at the national level (-19 vs. FY20) and an increase internationally (+84 vs. 2020).

|                             | Year-end staff |               |               |               | Average      |               |              |               |
|-----------------------------|----------------|---------------|---------------|---------------|--------------|---------------|--------------|---------------|
|                             | at 31.12.2021  |               | at 31.12.2020 |               | 2021         |               | 2020         |               |
| Wool fabrics                | 1,385          | 49.2%         | 1,445         | 52.5%         | 1,375        | 49.3%         | 1,578        | 54.1%         |
| Sundry textiles             | 1,334          | 47.4%         | 1,202         | 43.7%         | 1,315        | 47.2%         | 1,233        | 42.2%         |
| <b>Textile Sector</b>       | <b>2,719</b>   | <b>96.6%</b>  | <b>2,647</b>  | <b>96.2%</b>  | <b>2,690</b> | <b>96.5%</b>  | <b>2,811</b> | <b>96.3%</b>  |
| Other Operations            | 97             | 3.4%          | 104           | 3.8%          | 99           | 3.5%          | 107          | 3.7%          |
| <b>Total</b>                | <b>2,816</b>   | <b>100.0%</b> | <b>2,751</b>  | <b>100.0%</b> | <b>2,789</b> | <b>100.0%</b> | <b>2,918</b> | <b>100.0%</b> |
| Laid off/dismissed          | 3              |               | 2             |               | 3            |               | 2            |               |
| <b>Total staff year end</b> | <b>2,819</b>   |               | <b>2,753</b>  |               | <b>2,792</b> |               | <b>2,920</b> |               |

### Operational employees by country

|                 | Year-end staff |               |               |               | Average      |               |              |               |
|-----------------|----------------|---------------|---------------|---------------|--------------|---------------|--------------|---------------|
|                 | at 31.12.2021  |               | at 31.12.2020 |               | 2021         |               | 2020         |               |
| Italy           | 1,020          | 36.2%         | 1,039         | 37.8%         | 1,035        | 37.1%         | 1,099        | 37.7%         |
| Czech Republic  | 816            | 29.0%         | 823           | 29.9%         | 794          | 28.5%         | 915          | 31.3%         |
| Lithuania       | 313            | 11.1%         | 308           | 11.2%         | 313          | 11.2%         | 314          | 10.8%         |
| Tunisia         | 664            | 23.6%         | 576           | 20.9%         | 642          | 23.0%         | 585          | 20.0%         |
| Other countries | 3              | 0.1%          | 5             | 0.2%          | 5            | 0.2%          | 5            | 0.2%          |
| <b>Total</b>    | <b>2,816</b>   | <b>100.0%</b> | <b>2,751</b>  | <b>100.0%</b> | <b>2,789</b> | <b>100.0%</b> | <b>2,918</b> | <b>100.0%</b> |

### Research and development

#### **Marzotto Lab S.r.l.**

During 2021 the company pursued innovative pre-competitive activities, focusing its efforts on the following projects:

**Activity 1:** aesthetic conception, research, design and experimental development activities aimed at creating a new fabric collection (Tessuti di Sondrio);

**Activity 2:** research and experimental development of innovative technological product and process solutions: "absolute" project (Tessuti di Sondrio);

**Activity 3:** research and experimental development of innovative technological product and process solutions in the area of the following environmental transition projects: 3.1 very high density "zeta/zeta" torsion yarns 3.2 "oxydide" project 3.3 experimental development of an innovative green process and new products through the recovery and processing of sheep waste wool (Tessuti di Sondrio);

**Activity 4:** continuation and finalisation of the experimental development of the Redaelli Velluti brand, in order to create innovative products for the core market, in particular the "5 terre" project (Redaelli Velluti);

**Activity 5:** continuation of conception, design, research and development activities aimed at creating new collections of items in velvet and fur (Redaelli Velluti);

**Activity 6:** research and experimental development on new products and processes that are innovative for the core market (Prosetex) 06.1 vo oceano 06.2 od yarn dyed 06.3 no waste yarn 06.4 no waste carpet;

**Activity 7:** aesthetic conception, design, planning and development of the new touch collection (Prosetex);

**Activity 8:** industrial research and experimental development activities aimed at producing the new collections for the textile furnishings division (Marzotto Home).

The projects were carried out at the following plants:

- VIA ROMA 76 - 23892 BULCIAGO (LECCO)
- VIA MADONNA 30 - 22070 GUANZATE (COMO)
- VIA TONALE 4 - 23100 SONDRIO (SONDRIO)
- LARGO S. MARGHERITA, 1 - 36078 VALDAGNO (VICENZA)

## [Other information]

For the development of the above projects, the company incurred costs of 2,091,115.91 euros eligible for the purposes of the tax credit for research, development, technological innovation, design and aesthetic conception activities, pursuant to Article 1, paragraphs 198-209 of Law no. 160 of 27 December 2019, as amended.

### ***Marzotto Wool Manufacturing S.r.l.***

During 2021 the company pursued innovative pre-competitive activities, focusing its efforts on the following projects:

**Activity 1:** industrial research and experimental development activities with the aim of creating innovative fabrics for apparel made mainly in wool and wool blends: The project involved the following series of tests on fabric pieces: - Continuous development of yarn-dyed products: subjected to in-flow enzymatic treatment; - Innovative "Chemantrene" class of colours; - Innovative fabric derived from wool and recycled polyester raw material; - Fabric blends; - Run-proof wool for shuttle weaving; - Automatic inspection of faults through AI.

**Activity 2:** conception, study, industrial research, design and experimental development activities with the aim of creating innovative fabrics for apparel made mainly in wool and wool blends.

The projects were carried out at the following plant:  
- LARGO S. MARGHERITA, 1 - 36078 VALDAGNO (VICENZA)

For the development of the above projects, the company incurred costs of 1,284,055.51 euros, of which 642,034.36 was eligible for the purposes of the tax credit for research, development, technological innovation, design and aesthetic conception activities, pursuant to Article 1, paragraphs 198-209 of Law no. 160 of 27 December 2019, as amended.

### ***Biella Manifatture Tessili S.r.l.***

During 2021 the company pursued innovative pre-competitive activities, focusing its efforts on the following projects:

**Activity 1:** continuation of experimental development activities aimed at creating innovative fabrics for the wool and other natural fibres for clothing sector under the "Guabello", "Marlane" and "Fratelli Tallia di Delfino" brands - 1.1 K-easy simil jersey project (Guabello) - 1.2 Polyamide elastane wool suitable for packaging any product for any use (Guabello) - 1.3 Fratelli Tallia di Delfino: innovative seersucker fabric in pure wool therefore without elastomer - 1.4 Naturalcomfort product but with 18% bi-elasticity in the weave without the use of elastomer, therefore only naturally in pure wool;

**Activity 2:** conception, research, design and development of new collections that are innovative compared with previous collections;

**Activity 3:** research and development activities aimed at implementing an innovative RFID system that can significantly improve real-time progress and control of the time frame for entering and exiting machinery in the finishing department;

**Activity 4:** research and development activity in the area of digitalisation of the quality control phase.

The projects were carried out at the following plant:  
- LARGO SANTA MARGHERITA, 1 - 36078 VALDAGNO (VICENZA)

For the development of the above projects, the company incurred costs of 1,556,215.99 euros, of which 1,165,753.34 was eligible for the purposes of the tax credit for research, development, technological innovation, design and aesthetic conception activities, pursuant to Article 1, paragraphs 198-209 of Law no. 160 of 27 December 2019, as amended.



## [Other information]

### ***Linificio e Canapificio Nazionale S.r.l.***

During 2021 the company pursued innovative pre-competitive activities, focusing its efforts on the following projects:

**Activity 1:** continuation of experimental development activities as part of the SSUCHY project;

**Activity 2:** continuation of experimental development of projects in the textile field, particularly relating to the creation of innovative yarns and machinery in the linen spinning process. - 2.1 - Research and experimental development of an innovative biocomposite in linen for automobiles - 2.2 - Development and creation with patenting of elasticated linen yarn - 2.3 Close linen/nylon mix with wool-type spinning using by-products - 2.4 - Anti-crease yarn - 2.5 - 100% hemp yarn dyed using a dotting system - 2.6 - Multi-colour printed dry and wet yarn - 2.7 - Innovative wicking treatment with ozone - 2.8 - Research and development activities as part of the "Lincredible" food nets project - 2.9 - Research and experimental development of short hemp fibre - 2.10 - Study and implementation of an innovative dry spinning machine - 2.11 - Development of innovative miniature machines for mini-spinning;

**Activity 3:** research and experimental development in industry 4.0 with the aim of validating the technology of innovative machinery for yarn fibre processing. Continuation of the transformation of existing company processes with a view to the interconnection and integration of internal and external production factors, with particular reference to the digitalisation of processes through development and testing - 3.1 - Digital tension regulation system - 3.2 - Digitised break detection system - 3.3 - System for automatic collection of process data;

**Activity 4:** research and development in the field of sustainability and innovative technologies aimed at producing a linen yarn with replicable standards, by means of new growing processes and chemical free processing - 4.1 - Development of new spinning processes starting with linen fibre grown in an innovative way - 4.2 - Linen manufactured in Italy.

The projects were carried out at the following plant:

- LARGO SANTA MARGHERITA, 1 - 36078 VALDAGNO (VICENZA)

For the development of the above projects, the company incurred costs of 643,714.22 euros eligible for the purposes of the tax credit for research, development, technological innovation, design and aesthetic conception activities, pursuant to Article 1, paragraphs 198-209 of Law no. 160 of 27 December 2019, as amended.

### ***Ambiente Energia S.r.l.***

During 2021 the company pursued innovative pre-competitive activities, focusing its efforts on the following projects:

**Activity 1:** continuation of laboratory analysis, study and research, construction of pilot plant for abatement/treatment of additional pollutants present in waste as part of a plant waste water reuse project, innovative for the reference sector (optimisation of the system of abatement of perfluorinated alkyl substances - PFAS - contained in industrial waste);

**Activity 2:** continuation of experimental development aimed at creating an innovative airflow filtration system;

**Activity 3:** continuation of experimental development aimed at an innovative sludge drying plant with automatic control of pressure and depression on the air circuit.

The projects were carried out at the following plant:

- VIALE DELL'INDUSTRIA, 126 - 36015 SCHIO (Vicenza)

For the development of the above projects, the company incurred costs of 223,357.14 euros eligible for the purposes of the tax credit for research, development, technological innovation, design and aesthetic conception activities, pursuant to Article 1, paragraphs 198-209 of Law no. 160 of 27 December 2019, as amended.

## [Other information]

### Risk management (IFRS 7)

The Group acts to identify and assess risks, thereafter implementing procedures for managing any risk factors that may influence company results.

In addition to the above approach, the Group, in order to minimise exposure to, and consequently the financial impact of, any damaging event, has prepared the transfer of the remaining risks to the insurance market, if they are insurable.

Over the years, the specific needs of the Marzotto Group companies have involved the significant specific personalisation of insurance cover, to adapt it to the operational specificities and their inherent risk profiles.

All the companies in the Marzotto Group are currently insured against the main risks regarded as strategically important, such as property all risk, third-party liability and products. During the year, the Marzotto Group underwent an in-depth risk assessment process with a focus on the main cyber risks to which the various companies within the consolidation scope may be exposed. The process involved the Group's entire IT structure, testing the effectiveness and adequacy of the protection, storage and defence systems of the computing architectures currently in place. At the end of the process, an international insurance programme to protect against major cyber risks was activated with a leading operator in the sector.

The analysis, management and insurance transfer of the risks borne by the Group is carried out in collaboration with an insurance broker of prime standing, which also supports this activity through its international organisation.

Below, we will analyse the risk factors, distinguishing between external (contextual) risks and internal (processing) risks.

### External risks (contextual)

#### *Risks connected with the economic outlook*

The Group products are addressed to markets subject to demand cycles and are influenced by the general economic trend. Major downturns in consumption levels can have a considerable impact on the Group's economic, equity and financial position. In order to mitigate the possible negative impact, the Group has a flexible structure, outsourcing part of production and splitting sales over a portfolio of clients diversified according to product/brand and market and, in order to ensure adequate volume flexibility, the Group began to rebalance its production capacity. The Group is also implementing measures to increase efficiency in both industrial and general costs in order to achieve economic and financial equilibrium.

#### *Risks related to competition in the sectors of the Group's operations*

The Group operates in a competitive environment; it is possible that the competition pressure due to a drop in demand translates to pressure on prices. Part of the Group's offering, especially its more basic products, are interchangeable with products offered by our main competitors and therefore, in such cases, price is a significant sales factor.

Should there be a particularly significant drop in volume and/or sale prices, the Group believes that it can take action to cut its own cost structure to minimise the possible negative effects on its economic, financial, equity, and financial position.

#### *Country risk*

The Group operates in Tunisia through the subsidiary Filature de Lin SA and in Egypt through the associate Mediterranean Wool Industries S.A.E.

In order to hedge the risks of losses in relation to these investments that may derive from unfavourable political and economic developments in that area, including war and civil disorder, the Group has taken out a specific insurance policy with a major insurer.

### Internal risks (procedural)

#### *Risks related to financing sources and liquidity risk*

The effects of potential turmoil in the global financial system could represent a risk factor in relation to the possibility of obtaining further financial resources at current conditions.

However, the Group believes that the present debt level and structure, in particular the immediately available financial resources (cash deposits) and the lines of credits not used, will limit the negative impacts of a possible difficulty in obtaining credit.

## [Other information]

### *Credit risk*

Credit risk is the risk that a customer or one of the counter-parties in a financial instrument may cause a financial loss by not complying with an obligation; it pertains mainly to the Group's trade receivables and financial investments.

- Trade receivables

The credit risk is partly essentially reduced considering the type of customer, which is diversified and not significantly concentrated in any one end market.

The risk is managed by a specific office within the company, also through an insurance policy, together with the sales departments.

The Group also uses specialised agencies on a regular basis to obtain business information in order to have detailed knowledge of the geographical areas it serves.

- Financial investments

The Group limits its exposure to credit risk by investing exclusively in highly liquid securities and only with counterparties with high credit ratings.

The book value of financial assets represents the Group's maximum exposure to the credit risk. At the end of the year the exposure was as follows:

| (thousands of euro)            | 2021           | 2020           |
|--------------------------------|----------------|----------------|
| Financing and cash equivalents | 129,285        | 123,816        |
| Trade and other receivables    | 55,606         | 47,588         |
| <b>Total</b>                   | <b>184,891</b> | <b>171,404</b> |

The age of trade receivables at the date of the financial statements was as follows:

| (thousands of euro)       | 2021          |                | 2020          |                |
|---------------------------|---------------|----------------|---------------|----------------|
|                           | gross         | fund           | gross         | fund           |
| Current                   | 35,080        | (1,337)        | 28,034        | (1,056)        |
| Overdue from 0 to 90 days | 7,878         | (1,434)        | 5,889         | (1,666)        |
| Overdue over 90 days      | 3,680         | (2,847)        | 6,519         | (3,261)        |
| <b>Total</b>              | <b>46,638</b> | <b>(5,618)</b> | <b>40,442</b> | <b>(5,983)</b> |

The information on guarantees given and received is contained in the section entitled "Contractual commitments and guarantees" (memorandum accounts in the Group's explanatory notes). Information on provisions for bad debt is provided in point 3.2 of the Group note.

### *Market risk*

Market risk is the risk that the fair value or the future cash flows of a financial instrument might change following variations in the market prices, exchange rates, tax rates or quotations of the instruments representing the capital.

- Exchange rate risk

Considering the Group's exposure to exchange rate fluctuations in foreign currency transactions, we carry out hedging transactions to determine the exchange rate based on estimates of net sales and net purchasing volumes for each Group company and the currency exchange rate considered when the price lists are prepared.

Specifically, the Company uses the following hedging instruments:

- foreign currency loans;
- forward sales and purchases in foreign currency.

These hedging instruments were agreed upon with primary banks with a high credit rating. The Group did not enter into currency forward or options contracts for speculative purposes.

The hedged cash flows are expected within the next 12 months.

The impact of the conversion of foreign currencies on the subsidiaries' own equity capital is recorded under a separate item within the shareholders' equity.

With reference to the most significant currencies, the table below shows the Group's exposure to the exchange rate risk at the date of the financial statements.

## [Other information]

| (thousands of euro)                                       | 2021         |               | 2020         |               |
|---|--------------|---------------|--------------|---------------|
|   | Usd          | Jpy           | Usd          | Jpy           |
| Trade receivables   | 5,865        | 10,604        | 3,310        | 12,335        |
| Short term financial assets and cash and cash equivalents | 1,473        | 34,577        | 1,823        | 39,342        |
| Trade payables  | (1,318)      | (9,636)       | (1,224)      | (4,142)       |
| <b>Total</b>  | <b>6,020</b> | <b>35,545</b> | <b>3,909</b> | <b>47,535</b> |

- Interest rate risk

The Group is exposed to the risk of volatility of interest rates associated with both its liquidity and loans.

The effects of potential turmoil, already experienced in the banking system, could represent a potential risk in relation to the cost of obtaining financial resources. The benchmark rates and the spreads granted by lending banks call for a constant monitoring of the risk described above. However, this risk is not believed to be significant in terms of impact, given the current level of net debt.

Interest rate hedging contracts are in place on medium/long-term loans at variable rates, through financial derivatives, to avoid market fluctuations.

### *Environmental and safety risk*

The Group manages the environmental safety risk with suitable staff training on new regulations and by introducing systems to prevent and improve health and safety in the workplace.

In terms of safety, the Group invests constantly in protecting and ensuring the safety of the workplace, both inside and outside the production facilities.

The activities of the Group are subject to (local, national and international) laws and regulations on the environment. In particular, the production facilities are affected by regulations on atmospheric emissions, waste management and wastewater management, especially because we have finishing and purification plants.

The organisation is always committed to respecting environmental standards in compliance with the environmental regulations in force in each local area with regard to the specific business segments.

New investments are being considered, also in view of their environmental impact, the potential savings in terms of a reduction in the consumption of resources and energy during operations, as well as the reduction of total waste materials produced.

### *Price risk*

The Company is exposed to the risk of changes in the prices of the raw materials and auxiliary materials used in production. This risk mainly lies in the difficulty in rapidly transferring any increase in the cost of provisioning to sale prices and in the need to keep sufficient stocks in order to constantly supply the production process.

In order to cope with these risks, when preparing the budget and connected economic planning, the Management defines net requirements, which are covered by placing orders with suppliers in order to stabilise the price of raw materials and auxiliary materials, seeking to maintain adequate inventories in order to provide a continuous supply to the production process.

### *Other risks*

The risk of price increases for raw materials, where significant, is analysed when the sale lists are prepared. At that same time, the net demand generated by the purchase budget is covered by placing the orders with the suppliers, in order to minimize the effect on the income statement, should the cost of raw materials increase during the year.

Considering the type of production and the financial structure, there are no other significant risks.

At the date of this document, there are no significant events to report after the close of the year.

## Significant events

## Performance news and outlook for the current year

As regards the economic trend during the first two months of this year, we note that consolidated net revenues totalled 43.9 million euros, up by approximately 97% from the 22.3 million recognised for the same period in 2021.

| (in millions of euro)      | 02. 2022     |               | 02. 2021     |               |
|----------------------------|--------------|---------------|--------------|---------------|
| <b>Textile Sector</b>      | <b>42.8</b>  | <b>97.5%</b>  | <b>21.2</b>  | <b>95.1%</b>  |
| Wool fabrics               | 22.1         | 50.3%         | 8.5          | 38.1%         |
| Sundry textiles            | 20.7         | 47.2%         | 12.7         | 57.0%         |
| <b>Other Operations</b>    | <b>2.9</b>   | <b>6.6%</b>   | <b>2.7</b>   | <b>12.1%</b>  |
| <b>Aggregate total</b>     | <b>45.7</b>  | <b>104.1%</b> | <b>23.9</b>  | <b>107.2%</b> |
| <i>Inter-company sales</i> | <i>(1.8)</i> | <i>(4.1%)</i> | <i>(1.6)</i> | <i>(7.2%)</i> |
| <b>Consolidated total</b>  | <b>43.9</b>  | <b>100.0%</b> | <b>22.3</b>  | <b>100.0%</b> |

### Business outlook

It is expected that the management of the Covid-19 pandemic will entail the progressive easing of restrictive measures in connection with the roll-out of the vaccination campaign against the virus, although some concern remains about the spread of variants. These issues, together with growing international tension over developments in the Russian/Ukrainian conflict and the surge in commodity and energy prices, could slow the process of normalisation of the national and global economic environment.

The efforts made during the two-year period 2020-2021 to reduce costs, with the resulting increased efficiency of the system, and to redefine supply to make it more streamlined but heterogeneous (strengthening interior decoration), innovative, sustainable, and in keeping with the demands of a market that is changing rapidly, have prepared the Group to effectively ride the wave of the envisaged recovery, regain lost volumes and consequently strengthen its position in the market, as envisaged in the 2022-2025 Business Plan.

Valdagno (VI), 29 March 2022

FOR THE BOARD OF DIRECTORS  
THE CHIEF EXECUTIVE OFFICER  
DAVIDE FAVRIN



**Marzotto group**

- Report on operations
- Consolidated financial statements

# Consolidated financial statements

| (thousands of euro)   | 31.12.2021 |                 | 31.12.2020 |                  |
|---|------------|-----------------|------------|------------------|
|   | Partial    | Total           | Partial    | Total            |
| <b>1. Non-current assets</b>  |            |                 |            |                  |
| 1.1 Property, plant and equipment                                     |            | 91,314          |            | 92,692           |
| 1.2 Civil buildings   |            | 1,631           |            | 1,930            |
| 1.3 Goodwill, trademarks and other intangible assets                  |            | 9,313           |            | 9,431            |
| 1.4 Equity Investments  |            | 31,536          |            | 30,396           |
| 1.5 Other investments   |            | 178             |            | 178              |
| 1.6 Long-term receivables   |            | 928             |            | 278              |
| 1.7 Deferred tax assets   |            | 19,578          |            | 16,819           |
| 1.8 Long-term financial receivables third parties                     | 187        |                 | 42         |                  |
| Long-term financial receivables affiliates                            | =          | 187             | =          | 42               |
| <b>Total non-current assets</b>                                       |            | <b>154,665</b>  |            | <b>151,766</b>   |
| <b>2. Non-current assets held for sale</b>                            |            | <b>10</b>       |            | <b>=</b>         |
| <b>3. Current assets</b>  |            |                 |            |                  |
| 3.1 Inventories   |            | 121,435         |            | 124,783          |
| 3.2 Trade receivables third parties                                   | 39,647     |                 | 34,459     |                  |
| Trade receivables affiliates  | 1,909      | 41,556          | 418        | 34,877           |
| 3.3 Other receivables   | 12,171     |                 | 11,614     |                  |
| Other receivables affiliates  | 951        | 13,122          | 819        | 12,433           |
| 3.4 Current financial assets, cash and cash equivalents third parties | 127,996    |                 | 122,672    |                  |
| Current financial assets, cash and cash equivalents affiliates        | 1,102      | 129,098         | 1,102      | 123,774          |
| <b>Total current assets</b>   |            | <b>305,211</b>  |            | <b>295,867</b>   |
| <b>Total assets</b>   |            | <b>459,886</b>  |            | <b>447,633</b>   |
| <b>4. Shareholders' equity</b>  |            |                 |            |                  |
| 4.1 Share capital and reserves  |            | 123,226         |            | 146,120          |
| 4.2 Income/(Loss) for the year  |            | (8,042)         |            | (26,590)         |
| <b>Group shareholders' equity</b>                                     |            | <b>115,184</b>  |            | <b>119,530</b>   |
| 4.3 Non controlling interests   |            | =               |            | =                |
| <b>Total shareholders' equity</b>                                     |            | <b>115,184</b>  |            | <b>119,530</b>   |
| <b>5. Non-current liabilities</b>                                     |            |                 |            |                  |
| 5.1 Long-term provisions  |            | 22,614          |            | 24,352           |
| 5.2 Other long-term payables  |            | 54              |            | 50               |
| 5.3 Deferred tax liabilities  |            | 4,497           |            | 5,249            |
| 5.4 Long-term financial payables                                      |            | 160,460         |            | 170,446          |
| <b>Total non-current liabilities</b>                                  |            | <b>187,625</b>  |            | <b>200,097</b>   |
| <b>6. Non-current liabilities held for sale</b>                       |            | <b>=</b>        |            | <b>=</b>         |
| <b>7. Current liabilities</b>   |            |                 |            |                  |
| 7.1 Trade payables and other payables third parties                   | 94,536     |                 | 57,204     |                  |
| Trade payables and other payables affiliates                          | 4,223      | 98,759          | 2,534      | 59,738           |
| 7.2 Current financial payables  |            | 58,318          |            | 68,268           |
| <b>Total current liabilities</b>                                      |            | <b>157,077</b>  |            | <b>128,006</b>   |
| <b>Total shareholders' equity and liabilities</b>                     |            | <b>459,886</b>  |            | <b>447,633</b>   |
| <b>Net financial debt</b>   |            | <b>(89,493)</b> |            | <b>(114,898)</b> |



[Consolidated statement of profit/(loss)  
and consolidated items of other comprehensive income]

| (thousands of euro)  | Year 2021       |              | Year 2020       |               |
|--|-----------------|--------------|-----------------|---------------|
|  | Amounts         | %            | Amounts         | %             |
| 8. Net revenues third parties  | 233,212         | 97.8         | 199,693         | 97.5          |
| Net revenues affiliates  | 5,360           | 2.2          | 5,129           | 2.5           |
| <b>Totale net revenues</b>   | <b>238,572</b>  | <b>100.0</b> | <b>204,822</b>  | <b>100.0</b>  |
| 9. Cost of sales third parties   | (192,785)       | (80.8)       | (177,793)       | (86.8)        |
| Cost of sales affiliates   | (9,254)         | (3.9)        | (8,672)         | (4.2)         |
| <b>10. Gross income</b>  | <b>36,533</b>   | <b>15.3</b>  | <b>18,357</b>   | <b>9.0</b>    |
| 11. R&D and marketing costs  | (29,568)        | (12.4)       | (28,018)        | (13.7)        |
| 12. General and administrative costs                                       | (15,758)        | (6.6)        | (14,660)        | (7.2)         |
| 13. Other income and charges   | (987)           | (0.4)        | (6,333)         | (3.1)         |
| <b>14. Operating income</b>  | <b>(9,780)</b>  | <b>(4.1)</b> | <b>(30,654)</b> | <b>(14.9)</b> |
| 15. Net financial charges third parties                                    | (1,992)         | (0.8)        | (2,217)         | (1.1)         |
| Net financial charges affiliates   | 16              | =            | 20              | =             |
| 16. Dividends from non consol. equity investments and valuations to equity | 1,183           | 0.5          | (109)           | (0.1)         |
| 17. Valuation of equity investments held for sale                          | =               | =            | =               | =             |
| 18. Other financial income and charges                                     | (58)            | =            | (64)            | =             |
| <b>19. Income before taxes</b>   | <b>(10,631)</b> | <b>(4.4)</b> | <b>(33,024)</b> | <b>(16.1)</b> |
| 20. Taxes  | 2,589           | 1.1          | 6,434           | 3.1           |
| <b>21. Net income from continuing operations</b>                           | <b>(8,042)</b>  | <b>(3.4)</b> | <b>(26,590)</b> | <b>(13.0)</b> |
| 22. Net profit/(loss) from discontinued operations                         | =               | =            | =               | =             |
| <b>23. Net income (before non controlling interests)</b>                   | <b>(8,042)</b>  | <b>(3.4)</b> | <b>(26,590)</b> | <b>(13.0)</b> |
| 24. Income attributable to non-controlling interests                       | =               | =            | =               | =             |
| <b>25. Group net income</b>  | <b>(8,042)</b>  | <b>(3.4)</b> | <b>(26,590)</b> | <b>(13.0)</b> |
| 26. Fair Value adjustments <sup>(1)</sup>                                  | 182             | 0.1          | (324)           | (0.2)         |
| 27. Other adjustments <sup>(1)</sup>                                       | 3,482           | 1.5          | (2,642)         | (1.3)         |
| Items that will be reclassified subsequently to profit and loss            | 3,664           | 1.5          | (2,966)         | (1.4)         |
| 28. IAS 19 adjustments <sup>(1)</sup>                                      | 112             | =            | (58)            | =             |
| Items that will not be reclassified subsequently to profit and loss        | 112             | =            | (58)            | =             |
| <b>29. Total comprehensive income for the period</b>                       | <b>(4,266)</b>  | <b>(1.8)</b> | <b>(29,614)</b> | <b>(14.5)</b> |

1. The Change in Fair Value Reserve, IAS 19 Reserve and the Other adjustments are components of the comprehensive income statement accounted for in equity.

| (thousands of euro)   | 2021           | 2020            |
|---|----------------|-----------------|
| <b>Net income (including non controlling interests)</b>                   | <b>(8,042)</b> | <b>(26,590)</b> |
| Amortisation and depreciation   | 16,185         | 21,089          |
| Change in provisions  | (5,922)        | (6,778)         |
| (Gains)/losses on disposal of fixed assets                                | (526)          | (71)            |
| Investments valued at equity  | (1,183)        | 727             |
| Change in inventories   | 3,348          | 19,297          |
| Change in trade receivables and other receivables third parties           | (5,681)        | 20,065          |
| Change in trade receivables and other receivables affiliates/parent       | (1,623)        | 520             |
| Change in trade payables and other payables third parties                 | 37,248         | (51,583)        |
| Change in trade payables and other payables affiliates/parent             | 1,689          | (6,946)         |
| Change in other long term receivables and payables                        | (646)          | 26              |
| <b>Operating cash flow (A)</b>  | <b>34,847</b>  | <b>(30,244)</b> |
| Investments in intangible and tangible fixed assets                       | (6,072)        | (5,148)         |
| Disposals in intangible and tangible fixed assets                         | 752            | 891             |
| (Investments in) / disposals of other equity investments                  | (59)           | =               |
| Extraordinary operations  | (944)          | =               |
| <b>Cash flow from investments (B)</b>                                     | <b>(6,323)</b> | <b>(4,257)</b>  |
| Translation exchange differences and other equity changes (C)             | 1,621          | (797)           |
| Extraordinary operations (D)  | =              | =               |
| <b>Cash flow before dividends (A+B+C+D)</b>                               | <b>30,145</b>  | <b>(35,298)</b> |
| Dividends paid  | =              | =               |
| Increase in capital share of Parent Company                               | =              | 10,100          |
| <b>Change in net financial position</b>                                   | <b>30,145</b>  | <b>(25,198)</b> |
| Change in long-term financial payables                                    | (13,346)       | 40,838          |
| Change in current financial payables third parties                        | (10,209)       | 18,334          |
| Change in current financial payables for leasing                          | (1,212)        | (1,007)         |
| Change in current financial payables affiliates/parent                    | =              | =               |
| Change in long-term financial receivables third parties                   | (54)           | 43              |
| Change in long-term financial receivables affiliates/parent               | =              | =               |
| <b>Total change in current financial assets, cash and cash equivalent</b> | <b>5,324</b>   | <b>33,010</b>   |
| <b>Cash and current financial assets - beginning of the period</b>        | <b>123,774</b> | <b>90,764</b>   |
| <b>Cash and current financial assets - end of the period</b>              | <b>129,098</b> | <b>123,774</b>  |

| (thousand euro)                             | Share capital | Legal reserve | Share capital<br>Payment reserve | Conversion reserve | Extraordinary reserve | Fair value reserve | IAS 19 reserve | Other reserves | Profits carried forward | Group result | Group s/holders' equity |
|---|---------------|---------------|----------------------------------|--------------------|-----------------------|--------------------|----------------|----------------|-------------------------|--------------|-------------------------|
| Balance as at 31.12.2019                    | 40,000        | 8,000         | =                                | 5,849              | 76                    | 568                | (789)          | 28,028         | 52,175                  | 4,992        | 138,899                 |
| Allocation of net income: 2019              |               |               |                                  |                    |                       |                    |                |                |                         |              |                         |
| carried forward                             |               |               |                                  |                    |                       |                    |                |                | 4,992                   | (4,992)      | =                       |
| Net income for the year 2020                |               |               |                                  |                    |                       |                    |                |                |                         | (26,590)     | (26,590)                |
| Other total profit/ (losses) <sup>(1)</sup> |               |               |                                  | (2,642)            |                       | (324)              | (58)           |                |                         |              | (3,024)                 |
| Total other income/charges                  | =             | =             | =                                | (2,642)            | =                     | (324)              | (58)           | =              | =                       | (26,590)     | (29,614)                |
| Other movements                             |               |               | 10,100                           |                    |                       |                    |                | 145            |                         |              | 10,245                  |
| Balance as at 31.12.2020                    | 40,000        | 8,000         | 10,100                           | 3,207              | 76                    | 244                | (847)          | 28,173         | 57,167                  | (26,590)     | 119,530                 |
| Allocation of net income: 2020              |               |               |                                  |                    |                       |                    |                |                |                         |              |                         |
| carried forward                             |               |               |                                  |                    |                       |                    |                |                | (26,590)                | 26,590       | =                       |
| Net income for the year 2021                |               |               |                                  |                    |                       |                    |                |                |                         | (8,042)      | (8,042)                 |
| Other total profit/ (losses) <sup>(1)</sup> |               |               |                                  | 3,482              |                       | 182                | 112            |                |                         |              | 3,776                   |
| Total other income/charges                  | =             | =             | =                                | 3,482              | =                     | 182                | 112            | =              | =                       | (8,042)      | (4,266)                 |
| Other movements                             |               |               |                                  |                    |                       |                    | 93             | (80)           | (93)                    |              | (80)                    |
| Balance as at 31.12.2021                    | 40,000        | 8,000         | 10,100                           | 6,689              | 76                    | 426                | (642)          | 28,093         | 30,484                  | (8,042)      | 115,184                 |

1. Profits and Losses of the Comprehensive Income Statement recognized in the Shareholders' Equity.

## Introduction

## [Notes to the consolidated financial statements]

### General information

The Marzotto Group is one of the main international players in the textile field, mainly operating in the development, production and distribution of high-end wool fabrics (through the Marzotto Wool Manufacturing Group), cotton, wool yarns and linens, furnishing textiles, velvets (through the Lab Group) and silk (with a 34.238% investment in the Ratti Group).

The section entitled “Consolidation scope and method” provides information on the companies included in the Group’s consolidation scope.

### Management and coordination activities

Parent company Marzotto S.p.A. is subject to the management and coordination of Trenora S.r.l., which has its registered office at Largo S. Margherita 1, Valdagno (VI). In compliance with the provisions of Article 2497 *bis*, paragraph 4, of the Italian Civil Code, below is the summary statement of the key data of the last approved financial statements.

| Balance sheet             | 31.12.2020 |                           | 31.12.2020 |
|---------------------------|------------|---------------------------|------------|
| (thousands of euro)       |            |                           |            |
| B) Fixed assets           | 100,134    | A) Shareholders' equity   | 100,852    |
| C) Current assets         | 906        | B) Accounts payable       | =          |
| D) Accruals and deferrals | 2          | D) Accruals and deferrals | 190        |
| Total assets              | 101,042    | Total liabilities         | 101,042    |

| Income statements                                     | Year 2020 |
|---|-----------|
| (thousands of euro)                                   |           |
| A) Value of production                                | =         |
| B) Cost of goods sold                                 | (202)     |
| Difference between value and cost of goods sold (A+B) | (202)     |
| C) Financial income and charges                       | (1)       |
| D) Adjustment to value of financial assets            | =         |
| Income before taxes (A+B+C+D+E)                       | (203)     |
| Income taxes  | 10        |
| Profit (loss) for the year                            | (193)     |

The consolidated financial statements of the Marzotto Group were approved by the Marzotto S.p.A. Board of Directors on 29 March 2022. These are published in accordance with the law.

## Introduction

## [Notes to the consolidated financial statements]

### Compliance with IFRS/IAS

These consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union, as well as with the orders issued in implementation of Italian Legislative Decree 38/2005.

IFRS also means all revised international accounting standards (IAS) and all interpretations by the International Financial Reporting Interpretations Committee (IFRIC), previously named the Standing Interpretations Committee (SIC).

### Financial statements

These financial statements consist of the consolidated statement of financial position, the consolidated statement of profit/(loss) and the other items of the comprehensive consolidated income statement, the consolidated statement of cash flows, the consolidated statement of changes in shareholders' equity and the explanatory notes.

More specifically:

- in the consolidated statement of financial position, current and non-current assets and current and non-current liabilities are shown separately. Current assets are expected to be realised, transferred or consumed during the regular operating cycle of the Group; current liabilities are those that are expected to be paid off during the regular operating cycle of the Group or in the 12 months following the close of the period;
- for the consolidated statement of profit/(loss) and consolidated items of other comprehensive income, costs are allocated according to their intended purpose;
- for the consolidated statement of cash flows we have used the indirect method.

Unless otherwise specified, all figures stated in the financial statements and explanatory notes are in thousands of euros.

### Identification of the segments

Information by business segment and geographic area is provided in accordance with the requirements of IFRS 8 - Operating Segments.

The criteria applied to identify these segments are based on the ways in which the management manages the Group and attributes managerial responsibilities.

The information by sector is primarily organised by product line, as follows:

- Wool Fabrics;
- Sundry Textile;
- Other Operations.

The Group also operates through associates in the silk and wool yarns sector.

Its activities are carried out at various plants located throughout Italy (wool and cotton weaving, linen yarns, silk making, velvet fabric production), in Tunisia (linen spinning and weaving), in Egypt (combing), in Lithuania (linen spinning, wool spinning, blankets), in the Czech Republic (woollen spinning and weaving and velvet fabric production) and by qualified contractors. Furthermore, the Group operates in the textile machinery sector in the linen area (through Linificio e Canapificio Nazionale S.r.l. SB).

The information is presented secondarily by geographical area.

### Going concern

#### *Analysis of the adoption of the going concern assumption*

The Marzotto Group closed 2021 with a loss of 8 million euros, shareholders' equity of 115.2 million euros and net financial debt of 89.5 million euros.

In 2021, the wool fabrics and sundry textiles sectors were among the markets hit hardest by the economic impacts caused of the Covid-19 pandemic. The effects of the continuation of the pandemic marked the first part of 2021, resulting in turnover and volumes that remained low, offset by a rationalisation of all fixed costs, partly due to the use of social shock absorbers and retirement incentives for staff of pensionable age.

Despite the ongoing uncertainty, the forecasts for 2022 include significant signs of recovery, and a gradual return to a pre-pandemic economic and financial equilibrium.

These uncertainties mainly include exogenous elements, such as the evolution of the pandemic, due to the impacts on the possibilities and consumption habits of the end users targeted by the Group's customers, the increasing volatility in raw materials and energy commodities prices, and ultimately the unpredictable effects of the Russian/Ukrainian crisis. This could affect management's ability to achieve the actions provided for in the Group's plan within the timeframe and in the manner envisaged.

The 2022-2025 Business Plan, approved by the Board of Directors on 14 January 2022, confirms the forecasts of the previous plan, reiterating a gradual return to economic and financial equilibrium over the plan's time horizon: the exceeding of the break-even point in operating profit from 2022, and stable and growing cash flow generation over the entire period of the plan.

In 2021, the Group's financial structure was further strengthened by the signing of new medium/long-term loan agreements totalling 39.5 million euros. Overall, the Group took out new loans of 106.5 million euros in the two-year period 2020-21.

The 2021 financial year closed with cash and cash equivalents of 129.1 million euros, an increase compared with the previous year: these resources are considered more than appropriate with respect to commitments for the portions of medium/long-term debt due within 12 months.

Having analysed the main elements of uncertainty, management is confident and convinced that, following the actions envisaged in the Business Plan and the financial resources available to implement them, the Group companies can return to sustainable growth and profitability. In view of these considerations, it has been agreed that the Group can continue to operate as a going concern, realising its assets and honouring its liabilities as it carries out its business. The consolidated financial statements have therefore been prepared on a going concern basis.

## Change to accounting standards

*Accounting standards, amendments and interpretations applied by the Group as from 1 January 2021.*

The same accounting standards and drafting criteria were used in the preparation of this document as in the preparation of the financial statements for the year ended 31 December 2020, except for the new standards, amendments and interpretations in force as from 1 January 2021. The new standards have had no material impact on the Group's consolidated financial statements and are described below.

*Accounting standards that entered into force on 1 January 2021*

On 27 August 2020, the IASB published the document "Amendments to IFRS 9, IAS 39, IFRS7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2", endorsed by the EU with Regulation 2021/25 of 13 January 2021, in the light of the reform of interbank interest rates such as IBOR. This document defines the specific accounting treatment in the temporal distribution of the effect on financial instruments and lease agreements of the replacement of benchmarks for the determination of existing interest rates with alternative reference rates. The adoption of this standard has had no effect on the Group's financial statements.

On 31 March 2021, the IASB published the amendment "Amendments to IFRS 16 Leases Covid-19 Related Rent Concessions", endorsed by the EU with Regulation 2021/1421 of 30 August 2021, which extends for one year the period of application of the similar document issued in 2020. This amendment allows lessees benefiting from suspensions of lease payments due on the lease not to consider an amendment of the lease, without compromising the relevance and usefulness of the financial information. The amendments apply as of 1 April 2021 for annual reporting periods starting on 1 January 2021.

This amendment has not been applied by the Group.

*Accounting standards, amendments and interpretations not yet applicable and not adopted early by the Group*

On 23 January 2020, the IASB published the document "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current", which is intended to clarify the classification of payables as short-term or long-term liabilities. This amendment, initially in force from 1 January 2022, was subsequently amended on 15 July 2020 in order to postpone the date of entry into force until 1 January 2023. The Group does not expect the application of this amendment to have a material impact on its financial statements.

On 14 May 2020, the IASB published various clarification amendments:

"Amendments to IFRS 3 Business Combinations": this amendment updates the reference in IFRS 3 to the "Conceptual Framework" in the revised version, without these involving changes to the provisions of the standard;

"Amendments to IAS 16 Property, Plant and Equipment": this amendment does not allow the amount received from the sale of goods produced before the asset was ready for use to be deducted from the cost of the asset. These sales revenues and the related costs will be recognised in the income statement;

"Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets": this clarifies the cost items to be considered when determining whether a contract will be onerous;

"Annual Improvements 2018-2020": amendments have been made to the standards "IFRS 1 First-Time Adoption of International Financial Reporting Standards", "IFRS 9 Financial Instruments", and "IAS 41 Agriculture", as well as to the Illustrative Examples" that accompany the standard "IFRS 16 Leases".

These amendments, endorsed by the EU with Regulation 2021/1080, will enter into force on 1 January 2022; the Group does not expect the application of these amendments to have a material impact.

On 12 February 2021, the IASB published two amendments entitled "Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS Practice Statement 2" and "Definition of Accounting Estimates—Amendments to IAS 8". The amendments are intended to improve disclosure of accounting policy in order to provide more useful information to investors and other primary users of the financial statements as well as helping companies to distinguish changes in accounting estimates from changes in accounting policies. These amendments, not yet endorsed by the EU, will enter into force on 1 January 2023; the Group does not expect the application of these amendments to have a material impact.

On 7 May 2021, the IASB published an amendment entitled "Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction". The document clarifies how deferred taxes must be accounted for on certain transactions that may generate assets and liabilities of equal amounts, such as leasing and dismantling obligations. This amendment has not yet been endorsed by the EU; the amendments will apply from 1 January 2023; the Group does not expect the application of these amendments to have a material impact.

The consolidated financial statements of the Marzotto Group include the economic, equity and financial position of parent company Marzotto and the companies over which it has the right to exercise control.

The definition of control is not based exclusively on the concept of legal ownership. Control exists when a Group has the direct or indirect power to govern the financial and operating policies of a company in order to obtain the relevant benefits. Generally speaking, control is assumed to exist when the Group directly or indirectly holds more than half the voting rights, also considering those that can be potentially exercised immediately. The financial statements of the subsidiaries are included in the consolidated financial statements starting from the date on which control is assumed and until such time as the control ceases to exist, adopting the full method by way of consolidation criteria.

The Group uses the purchase accounting method for business combinations. The cost of the business combination is calculated as at the acquisition date in consideration of the fair value of the assets sold and/or liabilities accepted and the capital instruments issued in order to obtain control. The cost of the combination includes the fair value of all liabilities incurred or assumed. The costs of the acquisition are recorded on the consolidated income statement when incurred.

The assets, liabilities and contingent liabilities acquired and identifiable are noted at fair value at the date of acquisition. At each acquisition, the Group decides whether or not to recognise the minority interests of the company acquired at fair value or according to their interest share in the fair value of the net assets acquired. The surplus between the total cost of the business acquired, the amount of each minority interest in the company acquired and the fair value as at the acquisition date of each minority interest pre-existing in the company acquired with respect to the portion of the buyer in the fair value of the assets and liabilities that can be identified and contingent liabilities, is recorded as goodwill. If the buyer's share of the fair value of the assets and liabilities that can be identified and the contingent liabilities of the business acquired exceeds the cost of the combination, the difference is recognised directly in the income statement.

As regards the accounting treatment of transactions or events that modify the interest shares in subsidiaries and the attribution of the subsidiary's losses pertaining to minorities, IAS 27 (revised 2008) establishes that, once control has been obtained of a business, the transactions in which the parent company acquires or transfers further minority shares without altering the control exerted over the subsidiary are transactions with shareholders and should therefore be recognised as equity. Accordingly, it follows that the book value of controlling interests and minority interests must be adjusted to reflect the change in the interest in the subsidiary and all differences between the amount of the adjustment made to the minority interest and fair value of the price paid or received against this transaction, is noted directly as equity and attributed to the shareholders of the parent company. There will be no adjustments to the value of goodwill and profits or losses recognised in the income statement.

The main consolidation criteria adopted are as follows:

- for fully consolidated equity investments, the book value of the individual equity investments consolidated is derecognised against the related shareholders' equity, with the assumption of the assets, liabilities, costs and revenues of the subsidiaries, regardless of the size of the investment held, with the share of the capital and reserves pertaining to the minority shareholders of the subsidiaries and the portion pertaining to minority shareholders of the profit or loss for the period of the consolidated subsidiaries identified separately in the consolidated statement of financial position and the consolidated income statement;
- for the booking of the acquisitions of subsidiaries, the purchase method is used, as envisaged by IFRS 3 Revised (see the section on "Business combinations");
- all balances and significant transactions between group companies are eliminated, as are profits and losses (the latter unless representative of an effective lesser value of the asset sold) deriving from commercial or financial intra-group transactions not yet performed towards third parties;
- increases/decreases in the shareholders' equity of the consolidated companies allocated to a result achieved after the date of acquisition of the equity investment, are recognised at the time of consolidation eliminations under a specific equity reserve called "Profits (losses) carried forward";
- the dividends distributed by Group companies were eliminated from the income statement during consolidation.



The consolidated financial statements include the portion pertaining to the Group of the results of the companies booked using the equity method starting from the date on which the significant influence or joint control takes effect and until such time as said significant influence or joint control ceases to apply. Intra-group profits not yet realised with regards to third parties are eliminated for the portion pertaining to the Group in the investee company. Intra-group losses not yet realised with regards to third parties are also eliminated unless representing an effective lesser value of the asset sold.

Any losses exceeding shareholders' equity are recognised to the extent to which the investing company is committed to fulfilling legal or implicit obligations with regards to the investee or in any case to covering its losses.

#### *Investments in associates*

These are equity investments held in companies over whose financial and operational policies the Group exercises significant influence. Equity investments in companies over which significant influence is exerted ("associates"), which is assumed to exist when the percentage of the investment held ranges between 20% and 50%, are measured using the equity method. By virtue of the application of the equity method, the book value of the investment is aligned to shareholders' equity, adjusted, where necessary, to reflect the application of the IFRSs approved by the European Commission, and includes the registration of any goodwill identified at the time of acquisition. The portion of profits/losses realised by the associate after acquisition is recognised in the income statement, whilst the portion of changes to reserves subsequent to acquisition is recognised under the equity reserves. When the portion of Group losses in an associate equals or exceeds its share pertaining to the associate, considering all receivables that are not guaranteed, the value of the equity investment can be reduced to zero and the Group does not book any additional losses with respect to those within its remit, apart from those for which the Group is liable. Profits and losses not realised and generated on transactions with associates are eliminated according to the value of the investment of the Group held in them.

#### *Equity investments in joint ventures or companies under joint control*

Joint ventures are companies subject to the joint control of companies over which the Group has the power to govern the operating and financial policies if there is unanimous consent by the other parties with joint control. Investments in joint ventures or companies under joint control are consolidated using the equity method and the homogeneous accounting standards as applicable to the Group.

#### *Equity investments in other companies*

Equity investments in other companies constituting "financial assets available for sale" are measured at fair value and all profits and losses deriving from the changes in fair value are allocated directly to shareholders' equity until sold. Comprehensive profits and losses are booked to the income statement of the year during which the sale is made, unless a financial asset available for sale has accumulated a significant or prolonged reduction in fair value. In this case, the accumulated capital loss in the fair value reserve is transferred from shareholders' equity to the income statement.

## [Notes to the consolidated financial statements]

Below are the subsidiaries and associates included within the scope of consolidation as at 31 December 2021.

Operating Companies consolidated on a line-by-line basis:

| Company                                     | Reg. office       | Share Capital | Currency | % Ownership |        |
|---|-------------------|---------------|----------|-------------|--------|
|   |                   |               |          | 2021        | 2020   |
| Le Cotonerie S.r.l. <sup>(1)</sup>          | Valdagno (I)      | 15.00         | K EUR    | =           | 100.00 |
| Ambiente Energia S.r.l.                     | Schio (I)         | 100.00        | K EUR    | 100.00      | 100.00 |
| Marzotto Textiles Czech Republic s. r.o.    | Praga (CZ)        | 200.00        | K CZK    | 100.00      | 100.00 |
| Marzotto Wool Manufacturing S.r.l.          | Valdagno (I)      | 10,000.00     | K EUR    | 100.00      | 100.00 |
| and it's subsidiaries:                      |                   |               |          |             |        |
| Biella Manifatture Tessili S.r.l.           | Valdagno (I)      | 1,000.00      | K EUR    | 100.00      | 100.00 |
| Novà Mosilana a.s.                          | Brno (CZ)         | 1,095,000.00  | K CZK    | 100.00      | 100.00 |
| Marzotto Lab S.r.l.                         | Valdagno (I)      | 10,000.00     | K EUR    | 100.00      | 100.00 |
| and it's subsidiaries:                      |                   |               |          |             |        |
| AB Liteksas                                 | Kaunas (LT)       | 11,890.00     | K EUR    | 99.97       | 99.97  |
| Sametex spol. s r.o                         | Kraslice (CZ)     | 565,863.00    | K CZK    | 100.00      | 100.00 |
| Girmes International G.m.b.h.               | Tonisorvorst (DE) | 800.00        | K EUR    | 100.00      | 100.00 |
| Marzotto Textile N.V.                       | Amsterdam (NL)    | 45.00         | K EUR    | 100.00      | 100.00 |
| and it's subsidiaries:                      |                   |               |          |             |        |
| Marzotto Int.Trad. (Shanghai) Ltd.          | Shanghai (RPC)    | 1,001.46      | K CNY    | 100.00      | 100.00 |
| Marzotto Textiles USA Inc.                  | New York (USA)    | 410.00        | K USD    | 100.00      | 100.00 |
| Linificio e Canapificio Nazionale S.r.l. SB | Valdagno (I)      | 27,648.00     | K EUR    | 100.00      | 100.00 |
| and it's subsidiaries:                      |                   |               |          |             |        |
| Filature de Lin Filin S.A.                  | Chbedda (TN)      | 16,155.00     | K TND    | 100.00      | 100.00 |
| UAB Lietlinen                               | Kaunas (LT)       | 8,445.00      | K EUR    | 100.00      | 100.00 |

1. Closing of the liquidation and cancellation on 13/12/2021

Operating Companies consolidated at equity:

| Company                                  | Reg. office           | Share Capital | Currency | % Ownership |       |
|--|-----------------------|---------------|----------|-------------|-------|
|  |                       |               |          | 2021        | 2020  |
| Mascioni S.p.A.                          | Milan (I)             | 5,560.00      | K EUR    | 13.31       | 13.31 |
| Mediterranean Wool Industries Co. S.A.E. | Sadat City (ET)       | 9,208.00      | K EUR    | 30.00       | 30.00 |
| G. Schneider PTY Limited                 | Greenwich (AUS)       | 84.00         | K AUD    | 25.00       | 25.00 |
| Schneider New Zealand Limited            | Christchurch (AUS)    | 318.00        | K NZD    | =           | 25.00 |
| UAB Lietvilna                            | Kaunas (LT)           | 4,550.00      | K EUR    | 50.00       | 50.00 |
| Tintoria di Verrone S.r.l.               | Verrone (I)           | 100.00        | K EUR    | 50.00       | 50.00 |
| Pettinatura di Verrone S.r.l.            | Verrone (I)           | 3,000.00      | K EUR    | 15.00       | 15.00 |
| Ratti S.p.A.                             | Guanzate (I)          | 11,115.00     | K EUR    | 34.24       | 34.01 |
| and it's subsidiaries:                   |                       |               |          |             |       |
| Creomoda S.a.r.l.                        | Sousse (TN)           | 660.00        | K TND    | 26.02       | 25.84 |
| La Maison des Accessoires S.a.r.l.       | Sousse (TN)           | 120.00        | K TND    | 23.42       | 23.26 |
| Second Life Fibers S.r.l.                | Guanzate (I)          | 10.00         | K EUR    | 34.24       | 34.01 |
| Foto Azzurra S.r.l.                      | Cassina Rizzardi (CO) | 20.00         | K EUR    | 6.85        | =     |
| Ratti USA Inc.                           | New York (USA)        | 500.00        | K USD    | 34.24       | 34.01 |
| Ratti Int. Trading (Shanghai) Co. Ltd    | Shanghai (RPC)        | 110.00        | K EUR    | 34.24       | 34.01 |
| Textrom S.r.l.                           | Cluj - Napoca (RO)    | 0.20          | K RON    | 34.24       | 34.01 |
| Marielle S.r.l.                          | Firenze (FI)          | 17.25         | K EUR    | 10.27       | 10.20 |

Operating Companies classified among non-current assets held for sale:

| Company                          | Reg. office | Share Capital | Currency | % Ownership |       |
|----------------------------------|-------------|---------------|----------|-------------|-------|
|                                  |             |               |          | 2021        | 2020  |
| Aree Urbane S.r.l. in bankruptcy | Milan (I)   | 100.00        | K EUR    | 32.50       | 32.50 |

## Scope and principles of consolidation

### Conversion of accounts carried in foreign currencies

## [Notes to the consolidated financial statements]

The presentation currency adopted by the Group is the euro, which is also the functional currency of parent company Marzotto S.p.A.

As at the closing date, the accounts of foreign companies carried in functional currencies that differ from the euro are converted into the presentation currency as follows:

- assets and liabilities are converted using the exchange rates in force as at the year end date;
- income statement items are converted using average exchange rates for the financial year/period.

Any exchange differences emerging from this conversion process are accrued within a separate item of equity (conversion reserve) until disposal of the foreign company.

The exchange rates applied for the conversion of the financial statements of the companies included in the consolidation scope are provided in the table below:

| Currency (units per 1 euro)  |                   | 2021   | 2020   | % change |
|--|-------------------|--------|--------|----------|
| - for the profit and loss account (average prevailing exchange rates for the year) |                   |        |        |          |
| AUD  | Australian Dollar | 1.575  | 1.655  | (4.9)    |
| CZK  | Czech Crown       | 25.647 | 26.455 | (3.1)    |
| CNY  | China Renmimbi    | 7.634  | 7.871  | (3.0)    |
| TND  | Tunisian Dinar    | 3.288  | 3.199  | 2.8      |
| RON  | New Leu           | 4.921  | 4.838  | 1.7      |
| NZD  | New Zeland Dollar | 1.673  | 1.756  | (4.8)    |
| USD  | USA Dollar        | 1.184  | 1.141  | 3.7      |
| - for the balance sheet (year-end prevailing exchange rates)                       |                   |        |        |          |
| AUD  | Australian Dollar | 1.562  | 1.590  | (1.8)    |
| CZK  | Czech Crown       | 24.858 | 26.242 | (5.3)    |
| CNY  | China Renmimbi    | 7.195  | 8.023  | (10.3)   |
| TND  | Tunisian Dinar    | 3.260  | 3.294  | (1.0)    |
| RON  | New Leu           | 4.949  | 4.868  | 1.7      |
| NZD  | New Zeland Dollar | 1.658  | 1.698  | (2.4)    |
| USD  | USA Dollar        | 1.133  | 1.227  | (7.7)    |

1.1 Real estate, plants  
and machinery  
1.2 Civil real estate

The most significant valuation criteria adopted when preparing the financial statements are as follows:

Property, plant and equipment is carried at historical cost, including directly attributable accessory costs.

Land, both vacant and annexed to residential or industrial buildings, is not amortised since its useful life is indefinite.

Some assets that had been revalued in previous periods are recognised on the basis of the revalued amount, regarded as the substitute amount of the cost at the date of transition to IAS.

Assets acquired through business combination operations are recognized at fair value defined provisionally at the acquisition date and adjusted, if necessary, within the following twelve months.

Maintenance and repair expenses that do not increase the value or prolong the remaining useful life of assets are recognised as expenses in the period in which they are incurred.

Tangible assets are shown net of accumulated depreciation and any impairment, determined in accordance with the methods described below. Depreciation is straight-line, based on the estimated useful life of the asset.

The estimated useful life of the main property, plant and equipment is as follows:

|                                     |             |
|-------------------------------------|-------------|
| Land                                | indefinite  |
| Buildings                           | 10/33 years |
| Plant and machinery:                |             |
| - Textiles                          | 4/8 years   |
| - Textiles in corrosive environment | 5/6 years   |
| - Other                             | 5/25 years  |
| Industrial and commercial equipment | 4/7 years   |
| Other assets:                       |             |
| - Electronic office machinery       | 5 years     |
| - Office furniture and fixtures     | 7/9 years   |
| - Vehicles                          | 3/5 years   |

Assets classified under IFRS 16 are depreciated according to their residual useful life, which is determined on the basis of the contracts in question.

## Leases

Leases are recognised on the basis of the right to control the use of an identified asset for a period of time, excluding leases relating to low-value assets or with a term of 12 months or less.

Right of use assets are valued at cost, which is equal to the lease liability, including the initial direct costs incurred and payments made at the inception date or before the commencement date, net of depreciation, amortisation, impairment and adjusted for any change in the lease liability. Depreciation is calculated over the lease term; if the lease provides for the transfer of ownership of the asset or the lessee exercises the purchase option, depreciation is over the useful life of the asset.

Lease liabilities are measured on the basis of the present value of the payments still due, applying an interest rate equal to the company's medium/long-term loan rate. After the inception date, the amount of the lease liability increases to take account of the interest on the lease liability and decreases to take account of the payments made. The book value of lease payables is recalculated in the event of any changes in the lease or for the revision of the contractual terms due to changes to payments.

Lease liabilities also include the exercise price of an option, if this is certain or probable, as well as any penalty for termination of the lease.

1.3 Goodwill,  
trademarks and  
other intangible  
fixed assets

Intangible assets with a "finite useful life" are recognised at cost, determined according to the methods prescribed for tangible assets, and shown net of accumulated amortisation and any lasting impairment.

Intangible assets with an "indefinite useful life" are not amortised.

Intangible assets acquired through business combination operations are recognized at fair value defined provisionally at the acquisition date and adjusted, if necessary, within the following twelve months.

## Valuation criteria

## [Notes to the consolidated financial statements]

### Impairment

In application of the reference accounting standards (IAS 36), the Group verifies, at every reporting date, whether there is any indication of asset impairment.

If these indications exist, an estimate is prepared of the value that can be recovered on the asset, i.e. the greater of the fair value of an asset or cash generating unit, less the costs of sale, and its use value. In determining its value in use, estimated future cash flows are discounted to present value, using a rate gross of tax that reflects current market appraisals of the value of money and the specific risks of the asset.

A reduction in value is recognized in the income statement when the book value of the asset, or of the related cash generating unit, to which it is allocated, is greater than the estimated realizable value.

Impairment losses are written back if the reasons for generating them no longer exist.

### 1.4 Investments measured at equity

Equity investments in associates and joint ventures are measured according to the equity method, in which the income statement reflects the share of the company's net profit or loss for the year attributable to the parent. If a company recognises adjustments directly through equity, the Group recognises its share of such adjustments and presents them, where applicable, in the statement of changes in shareholders' equity. Gains and losses arising from transactions between the Group and the associate (or joint venture), are derecognised in proportion to the equity investment in the company.

### 1.5 Other equity investments

Equity investments in companies other than subsidiaries and associates are measured at fair value, with any profits or losses recognised directly in shareholders' equity. At the time of their sale, such accumulated profits and losses are recognised in the income statement.

When their fair value cannot be reliably determined, equity investments in other companies are valued at cost, adjusted for impairment where applicable, the effect of which is recognised in the income statement.

At every reporting date, the Group verifies whether there are any indicators of impairment to its equity investments and makes the appropriate adjustments, as described above.

### 1.8 Medium/long-term financial receivables

Financial assets are initially carried at their nominal value, representative of the fair value, and later recognized at the lower between the book value and the estimated sale value.

### 2. Non-current assets held for sale

Assets or groups of assets and liabilities whose value will be recovered mainly through their sale rather than their ongoing use are recognised separately from other assets and liabilities in the statement of financial position.

Non-current assets or groups of assets and liabilities held for sale are recognized at the lower between the book value and the fair value net of the costs of sale.

### 3.1 Inventory

Inventory of raw materials, semi-finished goods and finished products is measured at the lesser of the purchase or production cost (determined according to the FIFO method) and the presumed net realisable value.

Inventory of consumables is measured at the lower of cost (determined using the weighted average cost method) and the presumed net realisable value.

The inventory valuation includes direct material and labour costs and indirect costs (variable and fixed) attributable to production.

### 3.2 Trade receivables 3.3 Other receivables

Trade receivables due within standard business terms and other operating receivables (other receivables) are not discounted and are carried at nominal value net of any write-downs. The adjustment to the estimated realisable value is recognised in special adjustment provisions.

## Valuation criteria

## [Notes to the consolidated financial statements]

### 3.4 Short-term financial assets and cash and cash equivalents

Financial assets held for trading are recognised at the fair value shown in the income statement. Cash and cash equivalents are made up of cash in hand, i.e. cash that is readily available or available in the very short term, successfully, and without collection expenses.

A financial asset (or, if applicable, a portion of a financial asset or a portion of a group of similar financial assets) is cancelled from the statement of financial position when:

- the rights to receive cash flows from the asset expire;
- the Group has transferred the right to receive financial flows from the asset or has taken over the contractual obligation to pay them fully and without delay to a third party and (a) it has basically transferred all risks and benefits of the ownership of the financial asset or (b) it has not transferred nor retained basically all risks and benefits of the asset, but it has transferred the control of the same.

### 5.1 Long-term provisions

Allocations to long-term provisions are recognised when there is a legal or implicit obligation towards a third party and it is likely that there will be an outlay of resources, the amount of which can be reliably estimated. If the effect is significant, the allocations are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects the current market value of the cost of money in relation to time.

When the amount is discounted, the increase in the provision due to the passing of time is recognised as a financial expense.

#### *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the entity pays fixed contributions to a separate entity and has no legal or implicit obligation to pay additional contributions. The contributions to be paid into defined contribution plans are recorded as a cost in the result of the period in which they are incurred. Contributions paid in advance are recorded amongst assets to the extent to which the advance payment will determine a reduction in future payments or a refund.

#### *Defined benefit plans*

The amount payable for employee termination indemnities falls within the scope of defined benefit pension plans, which are plans based on the working life of employees and on the remuneration received by the employee during a pre-determined period of service.

More specifically, the liability relating to the employee termination indemnity is booked at its actuarial value, insofar as it can be classified as an employee benefit due on the basis of a defined benefit plan. The booking of defined benefit plans requires an estimate using actuarial techniques of the amount of the benefits accrued by employees in exchange for work performed during the current and previous years, and the discounting of these benefits in order to determine the current value of the company's commitments (IAS 19).

According to Law 296/06, effective from 30 June 2007, employee termination indemnities accrued after 1 January 2007 must be paid in an appropriate treasury fund opened with INPS (National Institute for Social Protection) or, at the employee's indication, to a specific supplementary pension fund. With these payments, the item relating to employee termination indemnities is no longer subject to allocations, unlike employee termination indemnities accrued by 31 December 2006, which are within the scope of defined benefit pension plans.

In June 2012, IAS 19 was amended to provide for the recording of changes to actuarial gains/losses of defined benefit plans, including employee termination indemnities, to other comprehensive income as from 1 January 2013. The Group has decided to apply this amendment early, as from the financial statements as at 31 December 2012.

## Valuation criteria

## [Notes to the consolidated financial statements]

### 5.4 Medium/long-term financial payables

Financial liabilities, except for derivatives, are initially carried at fair value net of directly attributable transaction costs. They are later measured using the effective interest rate method.

### 6. Non-current liabilities held for sale

The groups of assets and liabilities whose value will be recovered mostly through their sale rather than through their continued use are recognised separately from other assets and liabilities in the statement of financial position.

The groups of non-current assets and liabilities classified as held for sale are shown at the lower of the book value and the fair value net of selling costs.

### 7.1 Trade payables and other payables

Trade payables due within standard business terms, and other operating payables, are not discounted and are carried at nominal value.

### 7.2 Short-term financial payables

Financial liabilities, except for derivatives, are carried at fair value net of directly attributable transaction costs.

### Derivative financial instruments

Derivatives are carried at fair value. They are designated as hedging instruments when the relationship between the derivative and the underlying instrument is formally documented and the effectiveness of the hedge, which is verified periodically, is adequate.

When the derivatives cover the risk of change in fair value of the underlying instruments (fair value hedge), they are carried at fair value, and the difference is recognised in the income statement; consistently, the underlying instruments are adjusted to reflect the change in fair value associated with the hedged risk, and the difference is also recognised in the income statement.

When derivatives cover the risk of changes in cash flows from the underlying instruments (cash flow hedge), the changes in fair value are initially recognised in shareholders' equity and later in the income statement, in line with the effects produced by the hedging transaction.

Changes in the fair value of derivatives that do not satisfy the conditions for being qualified as hedges are recognised in the income statement.

The fair values used to prepare the financial statements, relating to the valuation of term purchases and sales of foreign currency, foreign exchange options and interest rate swaps, were established based on the rates provided by the banking system.

### Translation of items in foreign currency

The financial statements of each consolidated company are prepared using the currency of the economy in which the company operates.

In such cases, all transactions in currencies other than the unit of account are recorded at the exchange rate prevailing on the transaction date. Monetary assets and liabilities denominated in currencies other than the unit of account are later adjusted by the exchange rate prevailing at the end-date of the accounting period.

### Contributions

Contributions from both government agencies and private third parties are carried at fair value when there is the reasonable certainty that they will be received and the prescribed conditions for obtaining them are satisfied.

Contributions received for specific expenses are recognised among other liabilities and credited to the income statement on a straight-line basis throughout the same period in which the related costs accrue.

Contributions received for specific assets the value of which is stated among tangible and intangible assets, are shown among liabilities and credited in the income statement in relation to the depreciation period for the assets to which they refer.

Operating contributions are fully recognised in the income statement when the conditions for recognising them are satisfied.

## Valuation criteria

## [Notes to the consolidated financial statements]

### 8. Revenues

Revenues from the sale of goods from contracts with customers are recognised if the following criteria are met: 1- identification of the contract, which has commercial substance, and identification of the contractual obligations to the transfer of goods/services to a customer; 2- approval of the contract; 3- determination of the price of the transaction; 4- recognition of the revenue when the contractual obligations are met, or at the time of the transfer to the customer of the asset/service promised.

Revenues are recognised when control of the assets is transferred to the customer, i.e. when the risks and benefits are effectively transferred.

Revenues are recognised in an amount equal to the fair value of the consideration to which the company believes it is entitled in exchange for the goods and/or services promised to the customer, net of returns, discounts and rebates.

Revenues from services are recognised upon completion of the service.

### 15. Net financial expenses

Financial income and expenses are recognised on the basis of accrued interest on the net value of the relevant financial assets and liabilities using the effective interest rate.

### 16. Dividends

Dividends are recognised when the right to receive payment is established.

Dividends payable to third parties are shown as changes in shareholders' equity on the date at which they are approved by the Shareholders' Meeting of the parent company.

### 20. Taxes

Current income taxes for the financial year are determined based on estimates of taxable income and according to law.

Deferred and advance income taxes are calculated on the temporary differences between the recorded asset values and the respective recognised values for tax purposes, applying the tax rate in effect at the date the temporary difference will be reversed, calculated on the basis of the tax rates provided by the law or substantially in force at the accounting reference date.

The asset entry for advance tax payments is made when recovery is likely, that is when it is estimated that in the future there will be taxable amounts sufficient to recover the asset. The ability to recover assets for advance tax payments is reassessed at the end of each accounting period.

In addition deferred tax receivables and payables are set aside following the adjustments made, upon consolidation, to the financial statements of the companies of the Group.

### Use of estimates

In application of IFRS, preparing the consolidated financial statements requires the use of estimates and assumptions that affect the values of the assets and liabilities in the statement of financial position and the relevant information, as well as of any contingent assets and liabilities at the reference date.

Estimates and their underlying assumptions are based on past experience and on other factors that are deemed reasonable in each case. Actual results may differ from these estimates.

Estimates and assumptions are reviewed periodically and the effects of each change are reflected in the income statement.

A significant discretionary valuation is required from the directors to establish the amount of deferred tax assets that may be booked. They have to estimate the likely time of occurrence and the amount of future profit subject to tax as well as a planning strategy for future taxes.

Estimates are also used to record provisions for bad debt, inventory obsolescence, amortisation and depreciation, employee benefits and provisions for risks and charges and for purchase price allocation.

At every reporting date, the Group verifies whether there are any indicators of lasting impairment for all non-financial assets. Goodwill and other intangible assets with an indefinite useful life are subject to review each year to identify any decrease in value. The recoverable value of non-current assets is typically established with regard to the value in use, based on the present value of financial flows expected from the continuous use of the asset. This verification also involves the choice of an appropriate discount rate to calculate the present value of the expected cash flows.



## Other information

## [Notes to the consolidated financial statements]

### Tax consolidation

Parent company Marzotto S.p.A., together with other companies of the Marzotto Group, joined the national tax consolidation scheme with Wizard S.r.l. as the parent company. Adhesion to the tax consolidation of Wizard S.r.l. is governed by a specific regulation in force for the entire period for which the option is valid.

Economic relations for tax consolidation are regulated as follows:

- Subsidiaries which have positive taxable income for the years concerned pay Wizard S.r.l. the greater tax payable by the latter;
- Consolidated companies with negative taxable income receive compensation amounting to 100% of the tax saving achieved on a Group level and corresponding to the tax generated by the subsidiary from Wizard S.r.l. This compensation is due when effectively used by Wizard S.r.l.;
- Consolidated companies with interest expense not deducted pursuant to Article 96 of the TUIR and transferred to the tax consolidation scheme receive from Wizard S.r.l. compensation corresponding to 100% of the tax savings achieved at the Group level and corresponding to the tax generated by the subsidiary in relation to its interest expense. This compensation is due at the time of actual use of the EBIT surplus transferred to the tax consolidation;
- In the event that the consolidated companies have surpluses of ACE (Support for Economic Growth pursuant to Article 1 of Legislative Decree No. 201/2011) to be transferred to the Group, within the limits of the Group's comprehensive income, these companies receive compensation corresponding to 100% of the tax savings achieved at Group level from Wizard S.r.l.;
- If Wizard S.r.l. and the subsidiaries do not renew the national tax consolidation option, or if the requirements to continue to apply it are no longer met prior to the end of the three years for which the option is valid, the tax losses that can be reported as resulting from the declaration are allocated proportionally to the companies that produced them.

Deferred and advance corporation tax is calculated on the temporary differences between the values of assets and liabilities determined according to statutory criteria and the corresponding tax values exclusively with reference to the company.

Current, deferred and advance IRAP is determined exclusively with reference to the company.

### Other information

All figures in the consolidated statement of financial position, the consolidated statement of profit/(loss) and other components of the comprehensive consolidated income statement, the consolidated statement of cash flows, the consolidated statement of changes in shareholders' equity, and in the explanatory notes, are expressed in thousands of euros.

For ease of comparison, the figures for the previous year have been reclassified as needed, and adequate information has been provided.

Please refer to the Management Report for further information regarding:

- main events of the 2021 financial year;
- events after the close of the financial year;
- foreseeable development of operations;
- risk factors (IFRS 7);
- other relevant information on operating performance and financial position.

With regard to the disclosure obligations established by Italian Law 124 of 4 August 2017, and subsequent amendments (Italian Decree-Law no. 34 of 30/04/2019), please note:

**Marzotto S.p.A.**

- Income recognised during the period for the production of electricity from solar farms of 481,000 euros, including 372,000 euros for contributions to electricity production (TPA) and 109,000 for fees for energy produced and sold (TFO). During the year, 452,000 euros were collected by the Energy Services Operator (net of withholding tax and compensation paid by the Operator) relating to the production of electricity from photovoltaic plants, including 357,000 euros for contributions (TPA) and 95,000 euros for energy produced and sold (TFO);
- Offset income for tax credits for the sanitisation and purchase of protective equipment (Article 125 of Legislative Decree no. 34/2020) of 3,000 euros;
- Guarantee granted by SACE S.p.A. - Covid-19 Sace Garanzia Italia on a loan of 17 million euros provided by Banco BPM on 30/07/2021;
- Income collected from Fondimpresa of 86,000 euros and booked at 8,000 euros;
- Income booked from Fondirigenti of 2,000 euros and collected.

**Marzotto Wool Manufacturing S.r.l.**

- Income recognised during the period for contributions to investments in new capital goods (pursuant to Article 18 of Legislative Decree 91 of 24 June 2014) of 22,000 euros;
- Income recognised during the period for tax credits on investments in new capital goods (Article 1, paragraph 188 of Law no. 160/2019) of 3,000 euros;
- Income recognised during the period for tax credits for research and development of 65,000 euros;
- Offset income for tax credits for the sanitisation and purchase of protective equipment (Article 125 of Decree Law no. 34/2020) of 14,000 euros;
- The loan of 20,000 euros disbursed on 27 January 2021 and income collected by way of a non-repayable grant of 13,000 euros, relating to concessions for participation at trade fairs and exhibitions (Milano UNICA 2020), provided by SIMEST S.p.A.;
- Income recognised from Fondimpresa of 21,000 euros;
- Income recognised from Fondirigenti of 12,000 euros;
- Guarantee granted by Banca del Mezzogiorno Medio Credito Centrale - Covid-19 Fondo di garanzia PMI Aiuto di Stato (SME state aid guarantee fund) on a loan of 5.5 million euros provided by Banca Intesa on 3 February 2021;
- Guarantee granted by SACE S.p.A. Covid-19 Sace Garanzia Italia (state guaranteed medium/long-term loan) on a loan of 3.1 million euros provided by Friuladria Credit Agricole on 30 June 2021;
- Guarantee granted by SACE S.p.A. - Covid-19 Sace Garanzia Italia on a loan of 4.4 million euros provided by Unicredit on 22 July 2021;
- The company also took part in two FSE projects in the Veneto Region for the training activities "Improving the workflow from the Sales Area to the Operation Area" and "L2-@NEW START: INNOVATION AND CSR CULTURE IN VENETO BUSINESSES" already published in the National Register of State Aid.

**Biella Manifatture Tessili S.r.l.**

- Income recognised during the period for the production of electricity from solar farms of 106,000 euros, including 47,000 for contributions to electricity production (TPA) and 59,000 for fees for energy produced and sold (TFO). During the year, 93,000 euros were collected by the Energy Services Operator (net of withholding tax and compensation paid by the Operator) relating to the production of electricity from photovoltaic plants, including 41,000 euros for contributions (TPA) and 52,000 euros for energy produced and sold (TFO);
- Income recognised during the period for contributions to investments in new capital goods (pursuant to Article 18 of Legislative Decree 91 of 24 June 2014) of 82,000 euros;
- Income recognised during the period for tax credits for research and development of 127,000 euros;
- Income recognised for the period for tax credits on investments in new capital goods (Article 1, paragraph 188, of Law no. 160/2019) of 1,000 euros;
- Income collected from Fondimpresa of 10,000 euros and booked at 7,000 euros;
- Offset income for tax credits for the sanitisation and purchase of protective equipment (Article 125 of Decree Law no. 34/2020) of 12,000 euros;
- Guarantee granted by SACE S.p.A. - Covid-19 Sace Garanzia Italia on a loan of 2.5 million euros provided by Friuladria Credit Agricole on 30 June 2021.

**Marzotto Lab S.r.l.**

- Income recognised during the period for the production of electricity from solar farms of 83,000 euros, including 79,000 for contributions to electricity production (TPA) and 4,000 for fees for energy produced and sold (TFO). During the year, 78,000 euros were collected by the Energy Services Operator (net of withholding tax and compensation paid by the Operator) relating to the production of electricity from photovoltaic plants, including 74,000 euros for contributions (TPA) and 4,000 euros for energy produced and sold (TFO);
- Income recognised for the period for tax credits on investments in new capital goods (Article 1, paragraph 188, of Law no. 160) of 3,000 euros;
- Income recognised during the period for tax credits for research and development of 267,000 euros; 41,000 euros was used for offsetting during the year;
- Offset income for tax credits for the sanitisation and purchase of protective equipment (Article 125 of Decree Law no. 34/2020) of 5,000 euros;
- The loan of 13,000 euros disbursed on 27 January 2021 and income collected by way of a non-repayable grant of 8,000 euros, relating to concessions for participation at trade fairs and exhibitions (Milano UNICA 2020), provided by SIMEST S.p.A. (aid published in the National Register of State Aid);
- Guarantee granted by Banca del Mezzogiorno Medio Credito Centrale - Covid-19 Fondo di garanzia PMI Aiuto di Stato (SME state aid guarantee fund) on a loan of 5.5 million euros provided by Banca Popolare di Sondrio on 27 January 2021;
- Income recognised from Fondimpresa of 3,000 euros.

**Linificio e Canapificio Nazionale S.r.l. SB**

- Income recognised during the period for tax credits for research and development of 119,000 euros; 164,000 euros was used for offsetting during the year.
- Income recognised during the period for tax credits due to the increase in the value of closing inventories in the textile sector (Article 48-*bis* of Decree Law 34/2020) of 95,000 euros, fully used for offsetting;
- Income recognised from Fondimpresa relating to ongoing training projects of 1,000 euros;
- Income recognised for the period for tax credits on investments in new capital goods (Article 1, paragraph 188, of Law no. 160/2019) of 1,000 euros;
- Offset income for tax credits for the sanitisation and purchase of protective equipment (Article 125 of Decree Law no. 34/2020) of 3,000 euros.

**Ambiente Energia S.r.l.**

- Income recognised during the period for tax credits for research and development of 41,000 euros;
- Income recognised for the period for tax credits on investments in new capital goods (Article 1, paragraph 188, of Law no. 160) of 3,000 euros;
- Offset income for tax credits for the sanitisation and purchase of protective equipment (Article 125 of Decree Law no. 34/2020) of 6,000 euros;
- Income collected from Fondimpresa of 1,000 euros and booked at 4,000 euros.

**Tintoria di Verrone S.r.l. (100%)**

- Income recognised during the period for tax credits for the acquisition of a plant with 4.0 of 6,000 euros;
- Non-repayable grant collected of 96,000 euros and recognised in the amount of 8,000 euros, to Finpiemonte S.p.A., for a planned installation of a photovoltaic plant under "Energy efficiency and renewable energy in companies" (already included in the Register of government aid).

The tables below are in thousands of euros.

1.1) Property,  
plant and  
machinery  
1.2) Civil buildings

|  |                                |                                     |                           |                                      |                                   |  |           |
|--|--------------------------------|-------------------------------------|---------------------------|--------------------------------------|-----------------------------------|--|-----------|
| 1.1) Property,<br>plant and<br>machinery<br>1.2) Civil buildings |                                |                                     |                           |                                      | 2021                              | 2020   | Change    |
|  | Amounts to:                    |                                     |                           |                                      | 92,945                            | 94,622   | (1,677)   |
|  | broken down as follows:        |                                     |                           |                                      |                                   |  |           |
|  | A)                             | B)                                  | C)                        | D)                                   | E)                                | F)   |           |
|  | Civil<br>land and<br>buildings | Industrial<br>land and<br>buildings | Plant<br>and<br>machinery | Industrial<br>and comm.<br>equipment | Other<br>tangible<br>fixed assets | Tangible<br>fixed assets<br>under cons./<br>advances | Total     |
| Description  |                                |                                     |                           |                                      |                                   |  |           |
| Original cost (at exchange rate of 31/12)                        | 2,861                          | 127,487                             | 272,040                   | 11,184                               | 15,867                            | 1,133  | 430,572   |
| Depreciation funds   | (931)                          | (80,617)                            | (231,129)                 | (10,403)                             | (12,871)                          | =  | (335,950) |
| Balances as at 31.12.2020  | 1,930                          | 46,870                              | 40,912                    | 781                                  | 2,996                             | 1,133  | 94,622    |
| Movements during the year:                                       |                                |                                     |                           |                                      |                                   |  |           |
| Original cost:   |                                |                                     |                           |                                      |                                   |  |           |
| acquisitions   | =                              | 990                                 | 3,317                     | 1,045                                | 195                               | 363  | 5,910     |
| acquisitions IFRS16  | 85                             | 4,628                               | =                         | =                                    | 284                               | =  | 4,997     |
| exchange rate differences  | 73                             | 2,905                               | 5,204                     | 96                                   | 390                               | 18   | 8,686     |
| reclassification to non-current assets<br>intended for sale      | =                              | =                                   | (40)                      | =                                    | =                                 | =  | (40)      |
| acquisition Prosetex   | =                              | =                                   | 1,271                     | 130                                  | 35                                | =  | 1,436     |
| reclassifications  | =                              | =                                   | 18                        | =                                    | =                                 | =  | 18        |
| disposals  | (495)                          | (26)                                | (6,473)                   | (150)                                | (280)                             | =  | (7,424)   |
| Depreciation funds:  |                                |                                     |                           |                                      |                                   |  |           |
| depreciation for the year  | (42)                           | (2,837)                             | (10,357)                  | (432)                                | (741)                             | =  | (14,409)  |
| depreciation IFRS16  | (235)                          | (528)                               | (29)                      | =                                    | (455)                             | =  | (1,247)   |
| exchange rate differences  | (42)                           | (1,762)                             | (4,626)                   | (94)                                 | (309)                             | =  | (6,833)   |
| reclassification to non-current assets<br>intended for sale      | =                              | =                                   | 30                        | =                                    | =                                 | =  | 30        |
| disposals  | 357                            | 17                                  | 6,429                     | 147                                  | 249                               | =  | 7,199     |
| Total movements for the year                                     | (299)                          | 3,387                               | (5,256)                   | 742                                  | (632)                             | 381  | (1,677)   |
| Original cost (at exchange rate of 31/12)                        | 2,524                          | 135,984                             | 275,337                   | 12,305                               | 16,491                            | 1,514  | 444,155   |
| Depreciation funds   | (893)                          | (85,727)                            | (239,682)                 | (10,782)                             | (14,127)                          | =  | (351,210) |
| Balances as at 31.12.2021  | 1,631                          | 50,257                              | 35,656                    | 1,523                                | 2,364                             | 1,514  | 92,945    |

The changes that took place pertained to the acquisitions carried out by Marzotto S.p.A. (1,250,000 euros), Marzotto Wool Manufacturing S.r.l. (1,147,000 euros), Marzotto Lab S.r.l. (546,000 euros), Ambiente Energia S.r.l. (536,000 euros), Nová Mosilana a.s. (505,000 euros), Sametex spol s r. o (176,000 euros), AB Liteksas (137,000 euros), Biella Manifatture Tessili S.r.l. (170,000 euros) and the Linificio Group (1,443,000 euros).

The changes relating to acquisitions pursuant to IFRS 16 mainly relate to the class of industrial buildings for which the lease agreement for the plant of the business unit acquired from Prosetex S.p.A. for 4,611,000 euros was signed.

The sale of assets during the year involved booking net capital gains gross of tax of 526,000 euros (of which gains of 536,000 euros and losses of 10,000 euros).

At 31 December 2021, the fixed assets of the subsidiary Filature de Lin Filin S.A. (Tunisia), consolidated on a line-by-line basis, were encumbered by mortgages to guarantee a short-term bank loan.

1.3) Goodwill,  
trademarks and  
other intangible  
assets

|  |                         |  |   |          |  |  |         |
|--|-------------------------|--|---|----------|--|--|---------|
| 1.3) Goodwill,<br>trademarks and<br>other intangible<br>assets |                         |  |   |          | 2021                                   | 2020   | Change  |
|  | Amounts to:             |  |   |          | 9,313                                  | 9,431  | (118)   |
|  | broken down as follows: |  |   |          |  |  |         |
|  | A)                      | B)   | C)  | D)       | E)                                     | F)   |         |
|  |                         | Ind. patent<br>and<br>intellectual<br>property<br>rights | Concessions,<br>licenses,<br>trade-marks<br>and<br>similar rights |          | Other<br>intangible<br>fixed<br>assets | Intangible<br>fixed assets<br>being<br>developed and<br>advances |         |
| Description  | Costs of<br>development |  |   | Goodwill |  |  | Total   |
| Original cost  | 257                     | 7,835  | 7,770   | 167      | 237                                    | 112  | 16,378  |
| Depreciation funds   | (51)                    | (6,478)  | (286)   | =        | (132)                                  | =  | (6,947) |
| Balances as at 31.12.2020                                      | 206                     | 1,357  | 7,484   | 167      | 105                                    | 112  | 9,431   |
| Movements during the year:                                     |                         |  |   |          |  |  |         |
| Original cost:   |                         |  |   |          |  |  |         |
| acquisitions   | =                       | 226  | 5   | =        | =                                      | (69)   | 162     |
| exchange rate differences                                      | =                       | 90   | =   | =        | =                                      | 1  | 91      |
| reclassification   | =                       | =  | =   | =        | =                                      | (18)   | (18)    |
| acquisition Prosetex   | =                       | =  | =   | 259      | =                                      | =  | 259     |
| reversal due to amort. being completed                         | =                       | =  | =   | =        | =                                      | =  | =       |
| Amortisation:  |                         |  |   |          |  |  |         |
| for the year   | (52)                    | (459)  | (14)  | =        | (4)                                    | =  | (529)   |
| exchange rate differences                                      | =                       | (83)   | =   | =        | =                                      | =  | (83)    |
| reversal due to amort. being completed                         | =                       | =  | =   | =        | =                                      | =  | =       |
| Total movements for the year                                   | (52)                    | (226)  | (9)   | 259      | (4)                                    | (86)   | (118)   |
| Original cost  | 257                     | 8,151  | 7,775   | 426      | 237                                    | 26   | 16,872  |
| Depreciation funds   | (103)                   | (7,020)  | (300)   | =        | (136)                                  | =  | (7,559) |
| Balances as at 31.12.2021                                      | 154                     | 1,131  | 7,475   | 426      | 101                                    | 26   | 9,313   |

Concessions, licences, trademarks and similar rights include the values of the trademarks of Guabello for 2,300,000 euros and of Tallia di Delfino for 1,170,000 euros, the value of the Lanerossi trademark for 2,900,000 euros, and the value of the velvet trademarks "Redaelli Velluti", "Redaelli 1893", "Niedieck" and "Christoph Andreae" of the Marzotto Group.

The increase during the period mainly relates to software purchases of 226,000 euros and goodwill wholly attributable to the acquisition of the business unit from Prosetex S.p.A.

The trademarks, which are considered intangible assets with an indefinite useful life, are not amortised, but rather are tested periodically for any lasting impairment in compliance with IAS 36. Impairment testing of the value of trademarks is carried out by establishing their value in use according to the method of comparable royalty rates. Cash flows are discounted at a rate equal to the current interest rate without market risk, in relation to a time frame consistent with the duration of the flows (according to the historical value of the trademarks), plus the risk coefficient specific to the activity.

Goodwill includes 167,000 euros for the purchase of the "Logistics Services" business unit of Piovene, as well as the purchase of the business unit from Prosetex S.p.A. for 259,000 euros.

In compliance with international accounting standards, this item is not subject to amortisation, but rather to annual impairment testing. This analysis is carried out by comparing the book value of goodwill with the greater of the value in use and fair value.

In 2021 there were no significant events to suggest that the values in the financial statements were impaired.

However, the estimate of the recoverable value of the CGU is discretionary and subject to the use of estimates by the management. In fact there are several factors connected to the difficult market situation which may require a new calculation of the value of goodwill. The Company will monitor closely the circumstances and events which may cause a new assessment of losses of value.

Research and development expenses paid during the year, pertaining to product innovation and applications for the rationalisation of production and logistics, have been charged to the income statement.

## 1.4) Equity investments

|                     | 2021   | 2020   | Change |
|---------------------|--------|--------|--------|
| Amounts to:         | 31,536 | 30,396 | 1,140  |
| made up as follows: |        |        |        |

| Description                              | A)<br>Ratti<br>Group | B)<br>Mediterranean<br>Wool Ind. | C)<br>Pettinatura di<br>Verrone | D)<br>Tintoria di<br>Verrone S.r.l. | Sub total     |
|--|----------------------|----------------------------------|---------------------------------|-------------------------------------|---------------|
| Original cost                            | 10,825               | 2,027                            | 1,667                           | 108                                 | 14,627        |
| Adjustment to equity                     | 11,055               | (317)                            | 192                             | (32)                                | 10,898        |
| <b>Balances as at 31.12.2020</b>         | <b>21,880</b>        | <b>1,710</b>                     | <b>1,859</b>                    | <b>76</b>                           | <b>25,525</b> |
| Movements during the year:               |                      |                                  |                                 |                                     |               |
| Original cost:                           |                      |                                  |                                 |                                     |               |
| acquisitions                             | 248                  | =                                | =                               | =                                   | 248           |
| disposal                                 | =                    | =                                | =                               | =                                   | =             |
| Adjustment to equity:                    |                      |                                  |                                 |                                     |               |
| accrued pro-quota profit/(loss)          | 1,002                | (104)                            | (45)                            | (175)                               | 678           |
| pro-quota dividends paid in 2021         | =                    | =                                | =                               | =                                   | =             |
| effect of change in shareholders' equity | (135)                | =                                | =                               | 147                                 | 12            |
| <b>Total movements for the year</b>      | <b>1,115</b>         | <b>(104)</b>                     | <b>(45)</b>                     | <b>(28)</b>                         | <b>938</b>    |
| Original cost                            | 11,073               | 2,027                            | 1,667                           | 108                                 | 14,875        |
| Adjustment to equity                     | 11,922               | (421)                            | 147                             | (60)                                | 11,588        |
| <b>Balances as at 31.12.2021</b>         | <b>22,995</b>        | <b>1,606</b>                     | <b>1,814</b>                    | <b>48</b>                           | <b>26,463</b> |

| Description                              | E)<br>Schneider<br>Australia | F)<br>Schneider<br>New Zealand | G)<br>Uab<br>Lietvilna | Total         |
|--|------------------------------|--------------------------------|------------------------|---------------|
| Original cost                            | 52                           | 189                            | 2,848                  | 17,716        |
| Adeguamento ad equity                    | 27                           | 13                             | 1,742                  | 12,680        |
| <b>Balances as at 31.12.2020</b>         | <b>79</b>                    | <b>202</b>                     | <b>4,590</b>           | <b>30,396</b> |
| Movements during the year:               |                              |                                |                        |               |
| Original cost:                           |                              |                                |                        |               |
| acquisitions                             | =                            | =                              | =                      | 248           |
| disposal                                 | =                            | (189)                          | =                      | (189)         |
| Adjustment to equity:                    |                              |                                |                        |               |
| accrued pro-quota profit/(loss)          | 17                           | =                              | 385                    | 1,080         |
| pro-quota dividends paid in 2021         | =                            | =                              | =                      | =             |
| effect of change in shareholders' equity | 2                            | (13)                           | =                      | 1             |
| <b>Total movements for the year</b>      | <b>19</b>                    | <b>(202)</b>                   | <b>385</b>             | <b>1,140</b>  |
| Original cost                            | 52                           | =                              | 2,848                  | 17,775        |
| Adjustment to equity                     | 46                           | =                              | 2,127                  | 13,761        |
| <b>Balances as at 31.12.2021</b>         | <b>98</b>                    | <b>=</b>                       | <b>4,975</b>           | <b>31,536</b> |

The above table shows the shares held by the Group in associates.

In compliance with the reference standard (IFRS 11), the Group uses the equity method to account for Ratti S.p.A. companies. (34.238% owned), Uab Lietvilna (50% owned), Tintoria di Verrone S.r.l. (50% owned).

The Group also holds equity investments in the associates Mascioni S.p.A. (13.31% owned), Mediterranean Wool Industries Co. S.A.E. (30% owned) and Pettinatura di Verrone S.r.l. (15% owned) and Schneider Australia PTY Limited (25%) which are measured at equity.

The equity investment of 25% in the share capital of Schneider New Zealand Limited, based in Christchurch (New Zealand), was removed from the portfolio as it was liquidated during the year (-189,000 euros).

The period adjustment reflects the measurement using the equity method of the above equity investments.

## Statement of financial position

## [Notes to the consolidated financial statements]

### 1.5) Other investments

|             | 2021 | 2020 | Change |
|-------------|------|------|--------|
| Amounts to: | 17 8 | 17 8 | =      |

### 1.6) Other medium/long-term receivables

|                                      | 2021       | 2020       | Change     |
|--------------------------------------|------------|------------|------------|
| Amounts to:                          | 928        | 278        | 650        |
| made up as follows:                  |            |            |            |
| Receivables from the tax authorities | 650        | =          | 650        |
| Other receivables                    | 278        | 278        | =          |
| <b>Total</b>                         | <b>928</b> | <b>278</b> | <b>650</b> |

Other medium/long-term receivables of 928,000 euros consist of tax credits for research and development (619,000 euros) and on investments (31,000 euros) and security deposits (278,000 euros).

### 1.7) Deferred tax assets

|   | 2021          | 2020          | Change       |
|---|---------------|---------------|--------------|
| Amounts to:   | 19,578        | 16,819        | 2,759        |
| made up as follows:                                       |               |               |              |
| Depreciation of inventory                                 | 3,047         | 4,565         | (1,518)      |
| Depreciation of receivables                               | 1,322         | 1,387         | (65)         |
| Accrual for risks and charges                             | 3,987         | 4,182         | (195)        |
| Fair value of forward foreign exchange / IRS transactions | 46            | 76            | (30)         |
| Tax losses  | 9,689         | 5,501         | 4,188        |
| Other temporary differences                               | 1,487         | 1,108         | 379          |
| <b>Total</b>  | <b>19,578</b> | <b>16,819</b> | <b>2,759</b> |

The table above gives details of the items involved by temporary differences on which prepaid tax assets have been calculated.

At the reporting date, prepaid tax receivables totalled 19,578,000 euros, representing an increase of 2,759,000 euros, mainly due to the recognition of receivables for tax losses.

These receivables mainly regard the parent company for 2,756,000 euros, Marzotto Wool Manufacturing S.r.l. for 6,349,000 euros, Biella Manifatture Tessili S.r.l. for 4,950,000 euros, Marzotto Lab S.r.l. for 3,253,000 euros, the Linificio e Canapificio Nazionale group for 1,691,000 euros, Nová Mosilana a.s. for 378,000 euros, and other group companies.

Taking into consideration the Italian regulations on the unlimited carrying forward of tax losses, the outlook for business performance and participation in the national tax consolidation of parent company Wizard S.r.l. by the Italian companies of the group, the directors decided to recognise the advance taxation connected to the losses that may be carried forward by the companies.

1.8) Medium/long-term  
financial receivables

|                                | 2021       | 2020      | Change     |
|--------------------------------|------------|-----------|------------|
| Amounts to:                    | 187        | 42        | 145        |
| made up as follows:            |            |           |            |
| Guarantee deposits (financial) | 33         | 32        | 1          |
| Other receivables              | 154        | 10        | 144        |
| <b>Total</b>                   | <b>187</b> | <b>42</b> | <b>145</b> |

Other medium/long-term financial receivables of 154,000 euros include 139,000 euros of fair value relating to financial derivatives (interest rate swaps) booked using the hedge accounting method.

To stabilise future flows relating to hedged loans, interest rate swap agreements were entered into in 2020 and 2021, with characteristics that fully mirror the characteristics of the related loans; therefore, the hedging relationship is effective.

The interest rate swaps relate to:

- Marzotto S.p.A.: Banca Credit Agricole Friuladria, notional 10,000,000 euros, fixed rate 0.69% - agreed during 2020;
- Marzotto S.p.A.: Banco BPM, notional 17,000,000 euros, fixed rate 0.611% - agreed during 2021.

2. Assets held for  
sale/discontinued  
operations

|                     | 2021      | 2020     | Change    |
|---------------------|-----------|----------|-----------|
| Amounts to:         | 10        | =        | 10        |
| made up as follows: |           |          |           |
| Plant and machinery | 10        | =        | 10        |
| <b>Total</b>        | <b>10</b> | <b>=</b> | <b>10</b> |

A piece of machinery not strategic for production purposes, deriving from the acquisition of the business unit from Prosetex S.p.A., was included among assets held for sale.

The item also includes the equity investment in the insolvent associate Aree Urbane S.r.l. of 6,472,000 euros, which was written off in previous years.

3.1) Inventory

|  | 2021           | 2020           | Change         |
|--|----------------|----------------|----------------|
| Amounts to:  | 121,435        | 124,783        | (3,348)        |
| and can be broken down as follows:                   |                |                |                |
| Raw, ancillary and consumable materials              | 39,618         | 43,248         | (3,630)        |
| Unfinished, semi-finished goods and work in progress | 40,085         | 30,436         | 9,649          |
| Finished products and goods for resale               | 41,732         | 51,099         | (9,367)        |
| <b>Total</b>   | <b>121,435</b> | <b>124,783</b> | <b>(3,348)</b> |

Inventory of raw materials, semi-finished goods and finished products is measured at the lesser of the purchase or production cost (determined according to the FIFO method) and the presumed net realisable value. Inventory of consumables is measured at the lower of cost (determined using the weighted average cost method) and the presumed net realisable value.

The inventory valuation includes direct material and labour costs and indirect costs (variable and fixed) attributable to production.

The group operates in a sector subject to changes in fashion. It should be noted that unsold seasonal fashion articles still held in inventory at year-end are appropriately written down to their presumed realisable value.

In particular, for the velvet business, concentrated in the winter season, the prepared collection remained unsold due to the Covid-19 pandemic; in view of the ongoing situation, it was decided to further write down the inventories as they will also be hard to place on the market next year.



Inventories shows a net increase of 3,348,000 euros from last year. The breakdown and change in the item is as follows:

- inventories in the Wool Fabrics sector for 79,215,000 euros (86,591,000 euros as at 31 December 2020);
- inventories in the Sundry Textile sector for 42,220,000 euros (38,177,000 euros as at 31 December 2020);
- inventories in the other/sundry sector for 0 thousand euros (15,000 euros as at 31 December 2020).

## 3.2) Trade receivables

|                                    | 2021    | 2020   | Change              |
|------------------------------------|---------|--------|---------------------|
| Amounts to:                        | 41,556  | 34,877 | 6,679               |
| and refers to:                     |         |        |                     |
|                                    | 2021    |        | 2020                |
|                                    | Amount  | %age   | Amount      %age    |
| Active customers receivables       | 44,610  | 100.0  | 37,143      100.0   |
| - Bad debt provision               | (4,035) | (9.0)  | (4,034)      (10.9) |
| = Net active customers receivables | 40,575  | 91.0   | 33,109      89.1    |
| Bad debt                           | 2,028   | 100.0  | 3,299      100.0    |
| - Bad debt provision               | (1,583) | (78.1) | (1,949)      (59.1) |
| = Net bad debt                     | 445     | 21.9   | 1,350      40.9     |
| Receivables from parent companies  | 44      | 100.0  | 63      =           |
| Receivables from affiliates        | 492     | 100.0  | 355      100.0      |
| Total face value of receivables    | 47,174  | 100.0  | 40,860      100.0   |
| - Bad debt provision               | (5,618) | (11.9) | (5,983)      (14.6) |
| Net receivables from customers     | 41,556  | 88.1   | 34,877      85.4    |

Trade receivables total 41,556,000 euros, net of the provision for doubtful debt of 5,618,000 euros (provision of 5,983,000 euros at 31 December 2020).

The carrying amount of the provision is considered appropriate in terms of bringing the par value of receivables in line with the presumed realisable value, and is consistent with the provisions of the reference accounting standard.

In order to provide complete information, please note that as at the reporting date, the impact of the transfer of receivables without recourse is 28,592,000 euros.

We believe that the book value of the trade receivables, settled under normal market conditions, approximates their fair value.

Trade receivables by geographical area are shown in the table below:

|                          | Italy  | Other European Countries | North America | Asia  | Other Countries | Total  |
|--------------------------|--------|--------------------------|---------------|-------|-----------------|--------|
| Towards clients          | 22,241 | 16,015                   | 2,785         | 2,393 | 3,204           | 46,638 |
| Towards parent companies | 44     | =                        | =             | =     | =               | 44     |
| Towards affiliates       | 118    | 169                      | =             | =     | 205             | 492    |
| Gross receivables        | 22,403 | 16,184                   | 2,785         | 2,393 | 3,409           | 47,174 |

Trade receivables from associates relate to:

|  | 2021 | 2020 | Change |
|--|------|------|--------|
| Tintoria di Verrone S.r.l.               | 7    | 6    | 1      |
| Uab Lievilna                             | 169  | 61   | 108    |
| Mediterranean Wool Industries CO. S.A.E. | 205  | 189  | 16     |
| Ratti S.p.A.                             | 110  | 98   | 12     |
| Mascioni S.p.A.                          | 1    | 1    | =      |
| Total                                    | 492  | 355  | 137    |

Trade receivables from associates result from business relations and are settled under normal market conditions.

3.3) Other receivables

[Notes to the consolidated financial statements]

|   | 2021          | 2020          | Change     |
|---|---------------|---------------|------------|
| Amounts to:                             | 13,122        | 12,433        | 689        |
| made up as follows:                     |               |               |            |
| Due from Tax Authorities                | 7,011         | 6,825         | 186        |
| Other receivables                       | 3,622         | 3,972         | (350)      |
| Other receivables from parent companies | 944           | 812           | 132        |
| Other receivables from affiliates       | 7             | 7             | =          |
| Accrued income and prepaid expenses     | 1,538         | 817           | 721        |
| <b>Total</b>                            | <b>13,122</b> | <b>12,433</b> | <b>689</b> |

The amount of the item **Other receivables** is 13,122,000 euros; below are the main items comprising this value.

Receivables from tax authorities relate to:

|                          | 2021         | 2020         | Change     |
|--------------------------|--------------|--------------|------------|
| Added value tax          | 4,659        | 1,118        | 3,541      |
| Other taxes and interest | 2,352        | 5,707        | (3,355)    |
| <b>Total</b>             | <b>7,011</b> | <b>6,825</b> | <b>186</b> |

In detail, "*Receivables from tax authorities for VAT*", amounting to 4,659,000 euros, comprise 91,000 euros for the parent company, 1,123,000 euros for the Linificio Group, 406,000 euros for Nová Mosilana a.s., 65,000 euros for Sametex spol s r.o, 1,349,000 euros for Biella Manifatture Tessili S.r.l., 856,000 euros for Marzotto Wool Manufacturing S.r.l., 722,000 euros for Marzotto Lab S.r.l. and 47,000 euros for AB Liteksas.

*Other tax and interest* of 2,352,000 euros includes receivables for IRAP regional productivity tax, IRES corporate income tax and other receivables due from the tax authorities.

Other receivables from the parent company mainly include receivables from parent company Wizard S.r.l. as a result of the joining by some Group companies of the tax consolidation scheme, amounting to 944,000 euros.

Accrued income and deferred expenses come to 1,538,000 euros and mainly relate to the deferral of insurance costs.

3.4) Short-term financial  
assets and cash and  
cash equivalents

|                                  | 2021           | 2020           | Change       |
|----------------------------------|----------------|----------------|--------------|
| Amounts to:                      | 129,098        | 123,774        | 5,324        |
| and refers to:                   |                |                |              |
| <b>Financial assets</b>          |                |                |              |
| Due from affiliates              | 1,102          | 1,102          | =            |
| Other financial receivables      | 6              | 15             | (9)          |
| <b>Cash</b>                      |                |                |              |
| Bank and post-office accounts    | 127,940        | 122,576        | 5,364        |
| Cash and cash equivalent on hand | 50             | 81             | (31)         |
| <b>Total</b>                     | <b>129,098</b> | <b>123,774</b> | <b>5,324</b> |

The total amount of the Group's short-term financial assets and cash and cash equivalents is 129,098,000 euros, compared with 123,774,000 euros in the previous year.

More specifically, short-term financial assets include financial receivables from associates of 1,102,000 euros, held towards the company Mediterranean Wool Industries Co. S.A.E.

Liquid funds come to 127,990,000 euros (122,657,000 euros in 2020) and include temporary funds available on bank accounts and amounts held as cash for future use.

We believe that the book value of the cash and cash equivalents and short-term financial assets is in line with their fair value as at the reporting date.

4. Shareholders' equity

[Notes to the consolidated financial statements]

Shareholders' equity at 31 December 2021 was 115,184,000 euros, decreasing by 4,346,000 euros on the previous year.

*Share capital*

|                  | Share capital<br>at 31.12.2020 | Share capital<br>change | Share capital<br>at 31.12.2021 |
|------------------|--------------------------------|-------------------------|--------------------------------|
| Number of Shares |                                |                         |                                |
| Ordinary shares  | 40,000,000                     | =                       | 40,000,000                     |
| Total            | 40,000,000                     | =                       | 40,000,000                     |

As at 31 December 2021, the fully subscribed and paid-up share capital was 40,000,000 euros.

*Legal reserve*

|  |       |
|--|-------|
| Balances equity as at 31 December 2020 | 8,000 |
| +/- change                             | =     |
| Total                                  | 8,000 |

The legal reserve, amounting to 8,000,000 euros, did not change during the year.

*Share capital payment reserve*

|  |        |
|--|--------|
| Balances equity as at 31 December 2020 | 10,100 |
| +/- change                             | =      |
| Total                                  | 10,100 |

The capital contributions reserve, amounting to 10,100,000 euros, did not change.

*Conversion reserve*

|  |       |
|--|-------|
| Balances equity as at 31 December 2020 | 3,207 |
| +/- change                             | 3,482 |
| Total                                  | 6,689 |

The Conversion reserve totals 6,689,000 euros and records a rise of 3,482,000 euros by virtue of the exchange differences deriving from the conversion into euros of the financial statements of the consolidated companies carried in currencies other than the euro.

*Extraordinary reserve*

|  |    |
|--|----|
| Balances equity as at 31 December 2020 | 76 |
| +/- change                             | =  |
| Total                                  | 76 |

The extraordinary reserve, amounting to 76,000 euros, did not change during the year.

[Notes to the consolidated financial statements]

| <i>IAS Reserve</i>     | 2021         | 2020         | Change     |
|------------------------|--------------|--------------|------------|
| IAS 19 Reserve         | (642)        | (847)        | 205        |
| Fair value Reserve     | 352          | 488          | (136)      |
| Fair value IRS Reserve | 74           | (244)        | 318        |
| <b>Total</b>           | <b>(216)</b> | <b>(603)</b> | <b>387</b> |

In order to address the risks of changes in the variable interest rates on medium/long-term loans, the Group carries out interest rate hedging transactions (interest rate swaps to predefine a fixed interest rate).

To address exchange rate risks relating to purchases and sales in foreign currencies, the Group also carries out hedging transactions to predefine the exchange rate on projected requirements (cash flow hedging).

Specifically, the following hedging instruments are used:

- foreign currency loans;
- forward sales and purchases in foreign currency.

These transactions fall within the scope of “cash flow hedges” insofar as they are stipulated to cover a risk of fluctuations in cash flows deriving from either an existing asset or liability or a future operation.

As established by international accounting standards, the portion of the gain or loss relating to the measurement of such derivatives (mark to market) has been booked net of the tax effect, amongst the items of the statement of comprehensive income, as the effectiveness of the cover guaranteed by these financial instruments has been proven.

The fair value reserve includes the market value of these transactions, net of tax, which as at the reporting date came to 352,000 euros relating to “cash flow hedging transactions” (currency) and 74,000 euros relating to interest rate hedges (IRS).

The gain or loss recorded under shareholders' equity is booked to the income statement when the operation hedged affects it.

Below is a reconciliation of the shareholders' equity and result of the parent company with the corresponding consolidated values:

|  | 2021           |                | 2020            |                |
|--|----------------|----------------|-----------------|----------------|
|  | Income         | Net equity     | Income          | Net equity     |
| Marzotto S.p.A.  | 180            | 133,045        | (616)           | 132,650        |
| Elimination of shareholdings consolidated line-by-line | (9,734)        | (27,359)       | (21,582)        | (21,099)       |
| Valuations at equity                                   | 1,185          | 13,866         | (109)           | 12,668         |
| Intercompany dividends                                 | =              | =              | (3,687)         | =              |
| Consolidation adjustments                              | 327            | (4,367)        | (597)           | (4,689)        |
| <b>Total</b>   | <b>(8,042)</b> | <b>115,184</b> | <b>(26,590)</b> | <b>119,530</b> |

5.1) Long-term  
provisions

[Notes to the consolidated financial statements]

|                                      | 2021   | 2020   | Change  |          |             |             |
|--------------------------------------|--------|--------|---------|----------|-------------|-------------|
| Amounts to:                          | 22,614 | 24,352 | (1,738) |          |             |             |
| and refers to:                       |        |        |         |          |             |             |
|                                      | 2021   | 2020   | Change  | due to   |             |             |
| Provision for staff term.indemnities |        |        |         | Accruals | Utilisation | Exch. Diff. |
| Amounts to:                          | 7,649  | 8,340  | (691)   | 2,805    | (3,496)     | =           |
| and refer to:                        |        |        |         |          |             |             |
| Marzotto S.p.A.                      | 499    | 589    | (90)    | 321      | (411)       | =           |
| Marzotto Wool S.r.l.                 | 3,838  | 4,298  | (460)   | 974      | (1,434)     | =           |
| Marzotto Lab S.r.l.                  | 1,102  | 923    | 179     | 568      | (389)       | =           |
| B.M.T. S.r.l.                        | 1,564  | 1,887  | (323)   | 751      | (1,074)     | =           |
| Ambiente Energia S.r.l.              | 98     | 75     | 23      | 43       | (20)        | =           |
| AB Liteksas                          | 110    | 82     | 28      | 28       | =           | =           |
| Linificio S.r.l.                     | 438    | 486    | (48)    | 120      | (168)       | =           |

Employee termination indemnities reflect the indemnity, calculated in accordance with current legislation, accrued by employees as at 31 December 2006, which will be liquidated when they leave. Where specific conditions apply, they may be partially advanced to employees during the course of their working life.

The provision for employee termination indemnities is treated from an accounting point of view as a defined benefit and as such is recalculated at the end of each period according to a statistical and actuarial criterion which also takes account of financial discounting.

This liability has been calculated according to the actuarial criterion of the “projected unit credit method” which “considers each working period as the source of one additional unit of right to the benefits and measures each unit separately to calculate the final obligation”.

The following parameters are used: an annual discount rate of 1.26% and an annual inflation index of 1.50%.

The booking of employee benefits is in accordance with IAS 19 for defined benefits plans; the company has decided to apply the amendments made by IAS 19 early, as from the financial statements as at 31 December 2012, with the consequent noting of changes in actuarial gains/losses amongst other items of the statement of comprehensive income, whilst financial gains/losses are noted on the income statement.

According to Italian Law no. 296/06, effective from 30 June 2007, employee termination indemnities accrued after 1 January 2007 must be paid into an appropriate treasury fund opened with the INPS (National Institute for Social Protection) or, at the employee’s indication, to a specific supplementary pension fund. With these payments, the item relating to employee termination indemnities is no longer affected by provisions other than the revalued share of the accumulated past debt.

| Pension       | 2021 | 2020 | Change |
|---------------|------|------|--------|
| and refer to: | 403  | 452  | (49)   |

The provision relates to supplementary pension schemes of the Parent Company currently in place for the secondary beneficiary.

|   | 2021   | 2020   | Change | due to   |             |             |
|---|--------|--------|--------|----------|-------------|-------------|
| Other provisions                        |        |        |        | Accruals | Utilisation | Exch. Diff. |
| Amounts to:                             | 14,562 | 15,560 | (998)  | 217      | (1,216)     | =           |
| and refer to:                           |        |        |        |          |             |             |
| Agents' severance pay provision         | 4,594  | 4,668  | (74)   | 161      | (235)       | =           |
| Legal risk fund                         | 1,054  | 1,259  | (205)  | 31       | (236)       | =           |
| Restructuring and relocation provisions | 2,861  | 2,861  | =      | =        | =           | =           |
| Tax provisions                          | 53     | 82     | (29)   | =        | (29)        | =           |
| Other provisions for risk/charges       | 6,000  | 6,690  | (690)  | 25       | (716)       | =           |

Allocations to provisions for risks and charges during the year relate to the management's best estimate of the contingent liabilities connected to disputes in progress. Where applicable, their estimate takes account of the opinion of legal advisors and other experts, previous experience in the history of the company and other entities in similar situations and the company's intention as regards taking further action.

Below are comments on the main provisions booked.

The **agents' indemnity provision**, allocated to cover any risks of the termination of agency contracts, was adjusted to take into account foreseeable contingent liabilities connected to contracts in existence at the end of the financial year. This provision was calculated on the basis of the provisions of law in force as at the reporting date, and the change during the year takes account of expected future cash flows.

The **provision for litigation risk** is intended to cover liabilities that may arise from litigation or other disputes. This includes an estimate of charges from ongoing litigation, updated based on indications from internal and external legal counsel.

The **restructuring and relocation provisions** are allocated mainly to offset planned charges and costs related to the industrial reorganisation plan of some production operations.

The **tax provision** includes accruals made to cover losses that may be incurred by the company in connection with tax liabilities.

**Provisions for future risks and charges** relate to the process of streamlining the business units most affected by the observed ongoing decline in demand during the year, as well as the foreseeable risks due to operations relating to Aree Urbane S.r.l. and expenses relating to the Praia a Mare plant.

Please see the Management Report for more information.

## 5.2) Other medium/long-term payables

|  | 2021 | 2020 | Change |
|--|------|------|--------|
| Amounts to:                                  | 54   | 50   | 4      |
| and refers to:                               |      |      |        |
| Payables due to social security institutions | 54   | 50   | 4      |
| Total  | 54   | 50   | 4      |

## 5.3) Deferred taxes payables

|  | 2021  | 2020  | Change |
|--|-------|-------|--------|
| Amounts to:                                | 4,497 | 5,249 | (752)  |
| and can be broken down as follows:         |       |       |        |
| Tangible and intangible assets differences | 3,304 | 3,465 | (161)  |
| Capitalized installment                    | 432   | 864   | (432)  |
| Forex                                      | 160   | 175   | (15)   |
| Other temporary differences                | 601   | 745   | (144)  |
| Total                                      | 4,497 | 5,249 | (752)  |

This item includes deferred taxes reported by the consolidated companies, mainly attributable to the difference between depreciation and amortisation based on tax rates and on the useful life of the asset, as well as the tax effect of the consolidation entries.

5.4) Medium/long term  
financial payables

[Notes to the consolidated financial statements]

|                                    | 2021           | 2020           | Change         |
|------------------------------------|----------------|----------------|----------------|
| Amounts to:                        | 160,460        | 170,446        | (9,986)        |
| and can be broken down as follows: |                |                |                |
| Funding with state guarantee       | 102,556        | 68,500         | 34,056         |
| Non-secured financing received     | 52,822         | 100,136        | (47,314)       |
| Financial payables for leasing     | 4,990          | 1,488          | 3,502          |
| Other medium/long-term debt        | 92             | 322            | (230)          |
| <b>Total</b>                       | <b>160,460</b> | <b>170,446</b> | <b>(9,986)</b> |

Medium/long-term financial payables are financial liabilities due to banks and other lenders beyond twelve months.

As at the reporting date, the portion due within 12 months is reclassified to current financial liabilities.

State guaranteed loans of 106,525,000 euros, including 102,556,000 euros falling due after 12 months, were taken out in the financial years with the banks listed above, to ensure the liquidity necessary for operations performed by the Italian Group companies affected by the Covid-19 epidemic (Legislative Decree no. 23 of 8 April 2020, as amended).

| Funding with state guarantee            | nominal value  | residual debt  | overdue beyond one year |
|---|----------------|----------------|-------------------------|
| <b>Bank</b>                             |                |                |                         |
| Banca Popolare di Sondrio               | 20,500         | 20,500         | 20,500                  |
| Friuladria Credit Agricole              | 15,625         | 15,625         | 14,375                  |
| Cassa depositi e prestiti               | 20,000         | 20,000         | 18,750                  |
| Unicredit                               | 4,400          | 4,400          | 4,400                   |
| Banco BPM                               | 29,500         | 29,500         | 28,719                  |
| Cassa di Risparmio di Bolzano Sparkasse | 11,000         | 11,000         | 10,312                  |
| Banca Intesa                            | 5,500          | 5,500          | 5,500                   |
| <b>Total</b>                            | <b>106,525</b> | <b>106,525</b> | <b>102,556</b>          |

More specifically, the unsecured medium/long-term loans item, which amounted to 52,822,000 euros as at 31 December, consists of the non-current portion of loans. It is broken down as follows:

| Non-secured financing received                   | nominal value  | residual debt | overdue beyond one year |
|--|----------------|---------------|-------------------------|
| <b>Bank</b>                                      |                |               |                         |
| Banco BPM  | 30,000         | 16,750        | 11,500                  |
| Banca Nazionale del Lavoro                       | 19,000         | 9,650         | 5,600                   |
| Unicredit  | 3,000          | 1,500         | 500                     |
| Friuladria Credit Agricole                       | 5,000          | 3,500         | 2,100                   |
| Banca Popolare dell'Emilia                       | 9,000          | 5,446         | 3,646                   |
| Mediocredito Italiano                            | 15,000         | 834           | =                       |
| Banca Popolare di Sondrio                        | 20,500         | 14,964        | 10,201                  |
| BVR Banca  | 1,500          | 1,500         | 1,352                   |
| Cassa di Risparmio di Bolzano Sparkasse          | 7,500          | 5,625         | 3,750                   |
| Banca Montepaschi di Siena                       | 15,000         | 10,635        | 6,896                   |
| Banca Sella                                      | 6,000          | 4,507         | 504                     |
| Biver Banca                                      | 5,000          | 4,454         | 3,355                   |
| Simest S.p.A.                                    | 53             | 53            | 53                      |
| UniCredit Bank Czech Republic and Slovakia, a.s. | 7,963          | 5,411         | 3,365                   |
| <b>Total</b>                                     | <b>144,516</b> | <b>84,829</b> | <b>52,822</b>           |

[Notes to the consolidated financial statements]

There are no debts backed by collateral over company assets.

Other medium/long-term financial payables of 92,000 euros include 43,000 euros of fair value relating to financial derivatives (interest rate swaps) booked using hedge accounting.

To stabilise future flows relating to hedged loans, interest rate swap agreements were entered into in 2021 and in previous years, with characteristics that fully mirror the characteristics of the related loans: therefore, the hedging relationship is effective.

The interest rate swaps relate to:

- Marzotto Wool Manufacturing S.r.l.: Banca Montepaschi di Siena, notional 5,000,000 euros, fixed rate 0.70%, Banca Nazionale del Lavoro, notional 10,000,000 euros, fixed rate 0.89%, and Unicredit, notional 4,400,000 euros, fixed rate 0.56%;
- Biella Manifatture Tessili S.r.l.: Banca Montepaschi di Siena, notional 5,000,000 euros, fixed rate 0.70% and Banca Nazionale del Lavoro, notional 4,000,000 euros, fixed rate 0.89%;
- Linificio e Canapificio Nazionale S.r.l. SB: Banca Montepaschi di Siena, notional 5,000,000 euros, fixed rate 1.05%.



7.1) Trade payables and  
other payables

[Notes to the consolidated financial statements]

|  | 2021          | 2020          | Change        |
|--|---------------|---------------|---------------|
| Amounts to:                                  | 98,759        | 59,738        | 39,021        |
| and can be broken down as follows:           |               |               |               |
| Trade payables                               | 77,903        | 42,936        | 34,967        |
| Trade payables due to affiliates             | 3,297         | 1,746         | 1,551         |
| Advance payments received                    | 1,053         | 681           | 372           |
| Payables due to Inland Revenue               | 3,709         | 3,261         | 448           |
| Payables due to social security institutions | 3,241         | 2,446         | 795           |
| Payables due to employees                    | 7,624         | 6,942         | 682           |
| Other payables                               | 359           | 233           | 126           |
| Other payables to parent companies           | 927           | 788           | 139           |
| Accrued liabilities and deferred income      | 646           | 705           | (59)          |
| <b>Total</b>                                 | <b>98,759</b> | <b>59,738</b> | <b>39,021</b> |

Trade payables are due within the year, and pertain to debts for the purchase of goods and services relating to ordinary operations and settled under normal market conditions.

Trade payables to associates relate to:

|  | 2021         | 2020         | Change       |
|--|--------------|--------------|--------------|
| Mediterranean Wool Industries Co. S.A.E. | 180          | 84           | 96           |
| Pettinatura di Verrone S.r.l.            | 61           | 154          | (93)         |
| Ratti S.p.A.                             | 170          | 183          | (13)         |
| Tintoria di Verrone S.r.l.               | 886          | 541          | 345          |
| Schneider Australia                      | 1,146        | =            | 1,146        |
| UAB Lietvilna                            | 854          | 784          | 70           |
| <b>Total</b>                             | <b>3,297</b> | <b>1,746</b> | <b>1,551</b> |

Advance payments from customers are advances received from customers on supplies.

Payables to tax authorities can be broken down as follows:

|                                     | 2021         | 2020         | Change     |
|-------------------------------------|--------------|--------------|------------|
| Taxes withheld                      | 2,164        | 2,070        | 94         |
| Income taxes                        | 662          | 369          | 292        |
| Regional manufacturing tax          | 221          | 89           | 132        |
| Value added tax                     | 34           | 70           | (36)       |
| Other amounts due to Inland Revenue | 629          | 663          | (34)       |
| <b>Total</b>                        | <b>3,709</b> | <b>3,261</b> | <b>448</b> |

Payables to tax authorities, in the amount of 3,709,000 euros, represent an increase of 448,000 euros.

Payables to social security institutions relate to:

|                                  | 2021         | 2020         | Change     |
|----------------------------------|--------------|--------------|------------|
| INPS                             | 1,665        | 1,194        | 471        |
| Other Italian institutions       | 800          | 610          | 190        |
| Foreign social security agencies | 776          | 642          | 134        |
| <b>Total</b>                     | <b>3,241</b> | <b>2,446</b> | <b>795</b> |

Payables to social security institutions reflect non-matured positions at the end of the financial year, regularly paid upon maturity.

Payables to other institutions include amounts payable to supplementary pension funds.

Payables to employees can be broken down as follows:

|   | 2021         | 2020         | Change     |
|---|--------------|--------------|------------|
| December salaries paid in January                 | 2,593        | 2,282        | 311        |
| Staff termination indemnities paid after year-end | 83           | 619          | (536)      |
| Deferred salaries                                 | 4,724        | 3,828        | 896        |
| Miscellaneous amounts due                         | 224          | 213          | 11         |
| <b>Total</b>                                      | <b>7,624</b> | <b>6,942</b> | <b>682</b> |

## 7.2) Short-term financial payables

|  | 2021          | 2020          | Change         |
|--|---------------|---------------|----------------|
| Amounts to:                            | 58,318        | 68,268        | (9,950)        |
| and can be broken down as follows:     |               |               |                |
| Payables due to bank and other lenders | 53,204        | 67,168        | (13,964)       |
| Payables for leasing                   | 1,141         | 1,048         | 93             |
| Secured financing received             | 3,969         | =             | 3,969          |
| Other amounts due to third parties     | 4             | 52            | (48)           |
| <b>Total</b>                           | <b>58,318</b> | <b>68,268</b> | <b>(9,950)</b> |

Short-term financial payables, equal to 58,318,000 euros as at the reporting date, include amounts payable to banks and other lenders of 53,204,000 euros for the use of facilities and the current portion of medium/long-term loans, and payables to banks with state guarantees of 3,969,000 euros for the current portion of medium/long-term loans.

Below is a breakdown of the net financial position as at 31 December 2021, showing changes occurring during the year in question.

## Net financial position

|                                     | 2021            | 2020             | Change        |
|-------------------------------------|-----------------|------------------|---------------|
| Amounts to:                         | (89,493)        | (114,898)        | 25,405        |
| and can be broken down as follows:  |                 |                  |               |
| 1.8 Long term financial receivables | 187             | 42               | 145           |
| 3.4 Current financial assets        | 129,098         | 123,774          | 5,324         |
| 5.4 Long term financial payables    | (160,460)       | (170,446)        | 9,986         |
| 7.2 Current financial payables      | (58,318)        | (68,268)         | 9,950         |
| <b>Total</b>                        | <b>(89,493)</b> | <b>(114,898)</b> | <b>25,405</b> |

Net borrowing totals -89,493 million euros.

Please see the statement of cash flows for evidence of the individual factors that went towards determining the change during the period.

[Notes to the consolidated financial statements]

Comments on the commitments as at 31 December 2021 are provided below:

*“Guarantees to subsidiaries and associates”* were given:

- by the parent company in favour of the subsidiary Marzotto Lab S.r.l. for 16,000,000 euros for the assignment of receivables without recourse;
- by the parent company to the subsidiary Marzotto Lab S.r.l. for 38,500,000 euros to guarantee loans;
- by the parent company to the subsidiary Marzotto Lab S.r.l. for 34,350,000 euros for lines of credit;
- by the parent company to the subsidiary Linificio e Canapificio Nazionale S.r.l. SB for 2,000,000 euros for transfers of receivables without recourse;
- to other subsidiaries/associates to guarantee loans for 8,895,000 euros and to guarantee miscellaneous securities for 639,000 euros.

*“Guarantees received from third parties”* were given:

- to subsidiaries/associates for 535,000 euros to guarantee miscellaneous securities;
- to the Parent Company to guarantee miscellaneous securities for 135,000 euros and to guarantee medium/long-term loans for 9,000,000 euros.

*“Foreign currency hedging contracts”* for the group’s Italian companies regard forward purchasing contracts of 38,042,000 euros and forward sale agreements of 12,406,000 euros.

As of 31 December 2021, currency forward purchasing contracts totalled 13,625,000 US dollars, with an equivalent value of 11,642,000 euros, and 100,000,000 Japanese yen, with an equivalent value of 764,000 euros. Currency forward purchasing agreements totalled 640,000,000 Czech crowns, with an equivalent value of 24,427,000 euros, and 21,650,000 Australian dollars with an equivalent value of 13,615,000 euros.

Currency forward purchasing agreements for the foreign companies were 2,700,000 EUR, with an equivalent value of 69,379,000 CZK.

The fair value of the currency forward sale and purchase contracts at the reporting date, which was positive for 675,000 euros, was determined on the basis of quotes provided by the banks.

*“Interest rate hedging contracts”* relate to:

- Marzotto S.p.A. has two interest rate swaps on a notional amount of 27,000,000 euros. At 31 December 2021, the fair value of this instrument was 139,000 euros;
- Marzotto Wool Manufacturing S.r.l. has three interest rate swaps on a notional amount of 19,400,000 euros. At 31 December 2021, the fair value of these instruments was a negative 18,000 euros;
- Biella Manifatture Tessili S.r.l. has two interest rate swaps on a notional amount of 9,000,000 euros. At 31 December 2021, the fair value of these instruments was a negative 22,000 euros;
- Linificio e Canapificio Nazionale S.r.l. SB has one interest rate swap on a notional amount of 5,000,000 euros. At 31 December 2021, the fair value of this instrument was a negative 3,000 euros.

For comments on the income performance of the Group during the year in question, reference is made to the specific section of the Management Report.

## 8. Net revenues

The table below gives the breakdown of Net revenues according to business sector.

|                          | 2021           | 2020           | % change    |
|--------------------------|----------------|----------------|-------------|
| Marzotto Wool M.         | 118,991        | 116,592        | 2.1         |
| Marzotto Lab             | 112,638        | 82,116         | 37.2        |
| Other operations         | 17,007         | 15,898         | 7.0         |
| Eliminations/adjustments | (10,064)       | (9,784)        | 2.9         |
| <b>Total</b>             | <b>238,572</b> | <b>204,822</b> | <b>16.5</b> |

Net revenues earned by the Group during the year amounted to 238,572,000 euros, up by 16.5% compared with the previous year.

The item "Net revenues" includes the following other revenues:

|   | 2021          | 2020          | % change    |
|---|---------------|---------------|-------------|
| Amounts to:                             | 19,251        | 14,789        | 30.2        |
| and refers to:                          |               |               |             |
| Real estate income                      | 1,468         | 1,136         | 29.2        |
| Other revenues and miscellaneous income | 17,783        | 13,653        | 30.2        |
| <b>Total</b>                            | <b>19,251</b> | <b>14,789</b> | <b>30.2</b> |

Other revenues and miscellaneous income mainly relate to the sale of semi-finished products, processes and the provision of other services relating to ordinary operations, as well as income deriving from photovoltaic management (640,000 euros), tax credits for research and development (619,000 euros) and other (210,000 euros), as well as contributions (51,000 euros).

## 9. Cost of goods sold

|   | 2021             | 2020             | % change   |
|---|------------------|------------------|------------|
| Amounts to:   | (202,039)        | (186,465)        | 8.4        |
| and refers to:  |                  |                  |            |
| Third party production  | (7,158)          | (6,312)          | 13.4       |
| In house manufacturing  | (78,849)         | (70,829)         | 11.3       |
| Purchase of raw materials, finished and semi-finished products        | (96,788)         | (75,634)         | 28.0       |
| Change in stock of raw materials, finished and semi-finished products | (927)            | (14,740)         | (93.7)     |
| Commercial exchange differences                                       | 1,357            | (835)            | n.c.       |
| Other logistic and industrial costs                                   | (19,674)         | (18,115)         | 8.6        |
| <b>Total</b>  | <b>(202,039)</b> | <b>(186,465)</b> | <b>8.4</b> |

Trade exchange rate differences are detailed below:

| Trade exchange rate differences        | 2021         | 2020         | % change    |
|--|--------------|--------------|-------------|
| Amounts to:                            | 1,357        | (835)        | n.c.        |
| and refers to:                         |              |              |             |
| Exchange rate on cash                  |              |              |             |
| from customers in foreign currency     | 839          | (1,245)      |             |
| Exchange rate gains on payments        |              |              |             |
| to suppliers in foreign currency       | (1,036)      | 975          |             |
| Exchange rate on extinguishing         |              |              |             |
| of trade financing in foreign currency | 1,555        | (565)        |             |
| <b>Total</b>                           | <b>1,357</b> | <b>(835)</b> | <b>n.c.</b> |

Exchange differences on hedging transactions are all related to hedging instruments put in place to determine the exchange rate based on estimates of net sales and purchasing volumes for each Group company and the currency exchange rate considered when the price lists are prepared. The Group did not enter into currency forward contracts for speculative purposes.

#### 11. Marketing and product development costs

The breakdown of commercial and development costs produced as at 31 December 2021 is given in the table below:

|   | 2021            | 2020            | % change   |
|---|-----------------|-----------------|------------|
| Amounts to:                                 | (29,568)        | (28,018)        | 5.5        |
| and refers to:                              |                 |                 |            |
| Variable sales costs                        | (9,210)         | (7,840)         | 17.5       |
| Losses, write-down, accounts receivables    | (627)           | (843)           | (25.6)     |
| Product research and development            | (10,077)        | (10,102)        | (0.2)      |
| Advertising, marketing and public relations | (1,430)         | (1,950)         | (26.7)     |
| Other fixed sales and marketing costs       | (8,224)         | (7,283)         | 12.9       |
| <b>Total</b>                                | <b>(29,568)</b> | <b>(28,018)</b> | <b>5.5</b> |

Variable selling costs of 9,210,000 euros include:

- agent bonuses, commissions and contributions for 5,316,000 euros;
- transport and transport insurance costs for 3,862,000 euros;
- costs for royalties and agent indemnities for 32,000 euros.

Losses, impairment and credit management, amounting to 627,000 euros, includes the change in provisions for doubtful debt and losses on loans recorded during the period (for -37,000 euros), insurance costs (for -449,000 euros) and other credit management expenses (for -141,000 euros).

Other fixed commercial costs of 8,224,000 euros mainly include commercial payroll costs, expenses incurred for travel and transfers and other minor expenses.

#### 12. General and administrative costs

|             | 2021     | 2020     | % change |
|-------------|----------|----------|----------|
| Amounts to: | (15,758) | (14,660) | 7.5      |

General and administrative costs as at 31 December 2021 include payroll costs (around 8,315,000 euros), consultancy costs and fees (legal, administrative and other minor), third-party costs (884,000 euros), insurance expenses (463,000 euros) and other costs (maintenance, depreciation/amortisation, utilities and transport) of 6,005,000 euros.

## 13. Other income and expenses

|  | 2021         | 2020           | % change      |
|--|--------------|----------------|---------------|
| Amounts to:  | (987)        | (6,333)        | (84.4)        |
| and refers to:                                       |              |                |               |
| Gain on disposal of tangible and intangible assets   | 536          | 222            |               |
| Loss on disposal of tangible and intangible assets   | (10)         | (151)          |               |
| Write-down of tangible assets                        | (30)         | (4,023)        |               |
| Allocation/use to legal risk fund and future charges | (71)         | (1,360)        |               |
| Other income/charges                                 | (1,412)      | (1,021)        |               |
| <b>Total other income/charges</b>                    | <b>(987)</b> | <b>(6,333)</b> | <b>(84.4)</b> |

Other income and expenses include extraordinary payroll costs of 562,000 euros allocated for redundancy incentives.

## 14. EBIT

The table below provides a breakdown of EBIT by business segment.

|                          | 2021           | 2020            | % change      |
|--------------------------|----------------|-----------------|---------------|
| Amounts to:              | (9,780)        | (30,654)        | (68.1)        |
| and refers to:           |                |                 |               |
| Marzotto Wool M.         | (12,594)       | (18,455)        | (31.8)        |
| Marzotto Lab             | 806            | (13,014)        | n.c.          |
| Other operations         | 2,077          | 817             | n.c.          |
| Eliminations/Adjustments | (69)           | (2)             | n.c.          |
| <b>Total</b>             | <b>(9,780)</b> | <b>(30,654)</b> | <b>(68.1)</b> |

EBIT amounted to -9,780,000 euros, up by 20,874,000 compared with the previous reporting date.

Below are the details of payroll costs and the depreciation and amortisation included in the EBIT calculation.

## Payroll costs:

|                  | 2021            | 2020            | % change   |
|------------------|-----------------|-----------------|------------|
| Amounts to:      | (66,181)        | (60,999)        | 8.5        |
| and refers to:   |                 |                 |            |
| Marzotto Wool M. | (37,050)        | (37,214)        | (0.4)      |
| Marzotto Lab     | (22,269)        | (17,102)        | 30.2       |
| Other operations | (6,862)         | (6,683)         | 2.7        |
| <b>Total</b>     | <b>(66,181)</b> | <b>(60,999)</b> | <b>8.5</b> |

The number of active employees had the following trend:

|                      | Year End Staff |              |            | Average      |              |              |
|----------------------|----------------|--------------|------------|--------------|--------------|--------------|
|                      | 31.12.2021     | 31.12.2020   | % change   | 2021         | 2020         | % change     |
| Blue-collar workers  | 2,229          | 2,162        | 3.1        | 2,198        | 2,304        | (4.6)        |
| White-collar workers | 554            | 556          | (0.4)      | 558          | 580          | (3.8)        |
| Managers             | 36             | 35           | 2.9        | 36           | 36           | =            |
| <b>Total</b>         | <b>2,819</b>   | <b>2,753</b> | <b>2.4</b> | <b>2,792</b> | <b>2,920</b> | <b>(4.4)</b> |

Amortisation and depreciation were as follows:

|   | 2021     | 2020     | % change |
|---|----------|----------|----------|
| Amounts to:                             | (16,185) | (17,066) | (5.2)    |
| and refers to:                          |          |          |          |
| amortization of intangible fixed assets | (529)    | (616)    |          |
| depreciation of tangible fixed assets   | (15,656) | (16,450) |          |

## 15. Net financial expenses

|  | 2021           | 2020           | % change      |
|--|----------------|----------------|---------------|
| Amounts to:                                    | (1,976)        | (2,197)        | (10.1)        |
| and refers to:                                 |                |                |               |
| <b>Financial income</b>                        |                |                |               |
| Interests received from affiliates             | 16             | 20             | (20.0)        |
| Interests received from banks                  | 18             | 43             | (58.1)        |
| Interests received from other                  | =              | 2              | n.c.          |
| Exchange rate gains on financial transactions  | 793            | 488            | 62.5          |
| <b>Total financial income</b>                  | <b>827</b>     | <b>553</b>     | <b>49.5</b>   |
| <b>Financial charges</b>                       |                |                |               |
| Interests payable to banks                     | (878)          | (1,058)        | (17.0)        |
| Interests payable to other creditors           | (636)          | (77)           | >100,0        |
| Bank charges                                   | (741)          | (470)          | 57.7          |
| Exchange rate losses on financial transactions | (379)          | (1,078)        | (64.8)        |
| Other financial charges                        | (169)          | (67)           | +100,0        |
| <b>Total financial charges</b>                 | <b>(2,803)</b> | <b>(2,750)</b> | <b>1.9</b>    |
| <b>Total</b>                                   | <b>(1,976)</b> | <b>(2,197)</b> | <b>(10.1)</b> |

The balance of financial operations at 31 December 2021 was a loss of 1,976,000 euros, down by 221,000 euros.

In addition, it should be noted that interest income from associates relates to Mediterranean Wool Industries Co. S.A.E. for 16,000 euros.

## 16. Dividends from unconsolidated equity investments and valuations at equity

|                                   | 2021         | 2020         | % change    |
|-----------------------------------|--------------|--------------|-------------|
| Amounts to:                       | 1,183        | (109)        | n.c.        |
| and refer to:                     |              |              |             |
| <b>Valuations to equity</b>       |              |              |             |
| Ratti Group                       | 1,002        | 135          |             |
| G. Schneider Australia Pty Ltd    | 17           | 31           |             |
| Schneider New Zealand Ltd         | =            | 9            |             |
| Pettinatura di Verrone S.r.l.     | (45)         | (149)        |             |
| Uab Lietvilna                     | 385          | 182          |             |
| Tintoria di Verrone S.r.l.        | (176)        | (317)        |             |
| <b>Total valuations to equity</b> | <b>1,183</b> | <b>(109)</b> | <b>n.c.</b> |
| <b>Total</b>                      | <b>1,183</b> | <b>(109)</b> | <b>n.c.</b> |

The above investments are measured according to the equity method; accordingly, their book value has been aligned to incorporate the results for the year.



## 18. Other financial income and expenses

|  | 2021        | 2020        | % change     |
|--|-------------|-------------|--------------|
| Amounts to:  | (58)        | (64)        | (9.4)        |
| and refers to:   |             |             |              |
| Loss on equity investment in Le Cotonerie S.r.l.           | (4)         | =           |              |
| Loss on equity investment in Schneider New Zealand Limited | (10)        | =           |              |
| Adjustment TFR IAS 19                                      | (44)        | (64)        |              |
| <b>Total</b>   | <b>(58)</b> | <b>(64)</b> | <b>(9.4)</b> |

Other financial income and expenses, amounting to -58,000 euros, include the financial component of the adjustment of employee termination indemnities pursuant to IAS 19 (-44,000 euros), the capital loss on the disposal of Schneider New Zealand Ltd. of -10,000 euros and the capital loss on the closure of the liquidation process of Le Cotonerie S.r.l. (-4,000 euros).

## 20. Income taxes

|                           | 2021         | 2020         | % change      |
|---------------------------|--------------|--------------|---------------|
| Amounts to                | 2,589        | 6,434        | (59.8)        |
| and refer to:             |              |              |               |
| Current taxes             | (1,052)      | (564)        |               |
| Deferred taxes receivable | 2,911        | 6,392        |               |
| Deferred taxes payable    | 1,270        | 441          |               |
| Other variations          | (540)        | 165          |               |
| <b>Total</b>              | <b>2,589</b> | <b>6,434</b> | <b>(59.8)</b> |

The estimated tax assets for 2021 of 2,589,000 euros essentially relate to deferred tax assets, mainly attributable to tax losses, as described in point 1.7.

The reconciliation of the theoretical tax rate with the effective tax rate on income before taxes is set out in the table below.

|                    | 2021         |               | 2020         |               |
|--------------------|--------------|---------------|--------------|---------------|
|                    | Amount       | %age          | Amount       | %age          |
| Pre-tax profit     | (10,631)     |               | (33,024)     |               |
| Theoretical taxes  | 2,551        | (24.0)        | 7,926        | (24.0)        |
| IRAP               | (174)        | 1.6           | (92)         | 0.3           |
| Deferred taxes     | 4,181        | (39.3)        | 6,833        | (20.7)        |
| Other variations   | (3,969)      | 37.3          | (8,233)      | 24.9          |
| <b>Total taxes</b> | <b>2,589</b> | <b>(24.4)</b> | <b>6,434</b> | <b>(19.5)</b> |

## Other information

## [Notes to the consolidated financial statements]

Equity investments held directly or indirectly by the parent company

Below is the list of equity investments in which the parent company directly or indirectly holds more than 10% of the voting shares as at 31 December 2021. All equity investments represent ownership:

| Company name                                | Head office           | Direct investor                             | % owned | % group owned |
|---|-----------------------|---|---------|---------------|
| Ambiente Energia S.r.l.                     | Schio (I)             | Marzotto S.p.A.                             | 100.00% | 100.00%       |
| Marzotto Textiles Czech Republic s. r.o.    | Praga (CZ)            | Marzotto S.p.A.                             | 100.00% | 100.00%       |
| Aree Urbane S.r.l. in bankruptcy            | Milan (I)             | Marzotto S.p.A.                             | 32.50%  | 32.50%        |
| Mascioni S.p.A.                             | Milan (I)             | Marzotto S.p.A.                             | 13.31%  | 13.31%        |
| Marzotto Wool Manufacturing S.r.l.          | Valdagno (VI)         | Marzotto S.p.A.                             | 100.00% | 100.00%       |
| Biella Manifatture Tessili S.r.l.           | Valdagno (I)          | Marzotto Wool Manufacturing S.r.l.          | 100.00% | 100.00%       |
| Novà Mosilana a.s.                          | Brno (CZ)             | Marzotto Wool Manufacturing S.r.l.          | 100.00% | 100.00%       |
| Pettinatura di Verrone S.r.l.               | Verrone (I)           | Marzotto Wool Manufacturing S.r.l.          | 15.00%  | 15.00%        |
| Mediterranean Wool Industries Co. S.A.E.    | Sadat City (ET)       | Marzotto Wool Manufacturing S.r.l.          | 30.00%  | 30.00%        |
| Tintoria di Verrone S.r.l.                  | Verrone (I)           | Marzotto Wool Manufacturing S.r.l.          | 25.00%  | 50.00%        |
| G. Schneider PTY Limited                    | Greenwich (AUS)       | Marzotto Wool Manufacturing S.r.l.          | 25.00%  | 25.00%        |
| Marzotto Lab S.r.l.                         | Valdagno (VI)         | Marzotto S.p.A.                             | 100.00% | 100.00%       |
| AB Liteksas                                 | Kaunas (LT)           | Marzotto Lab S.r.l.                         | 99.97%  | 99.97%        |
| Sametex spol s r.o                          | Kraslice (CZ)         | Marzotto Lab S.r.l.                         | 100.00% | 100.00%       |
| Girmes International G.m.b.h.               | Tonisevst (DE)        | Marzotto Lab S.r.l.                         | 100.00% | 100.00%       |
| Tintoria di Verrone S.r.l.                  | Verrone (I)           | Marzotto Lab S.r.l.                         | 25.00%  | 50.00%        |
| UAB Lietvilna                               | Kaunas (LT)           | Marzotto Lab S.r.l.                         | 50.00%  | 50.00%        |
| Marzotto Textile N.V.                       | Amsterdam (NL)        | Marzotto Wool S.r.l./Marzotto Lab S.r.l.    | 100.00% | 100.00%       |
| Marzotto Int. Trad. (Shanghai) Co. Ltd.     | Shanghai (RPC)        | Marzotto Textile N.V.                       | 100.00% | 100.00%       |
| Marzotto Textiles USA Inc.                  | New York (USA)        | Marzotto Textile N.V.                       | 100.00% | 100.00%       |
| Linificio e Canapificio Nazionale S.r.l. SB | Valdagno (I)          | Marzotto Lab S.r.l.                         | 100.00% | 100.00%       |
| Filature de Lin Filin S.A.                  | Chbedda (TN)          | Linificio e Canapificio Nazionale S.r.l. SB | 100.00% | 100.00%       |
| UAB Lietlinen                               | Kaunas (LT)           | Linificio e Canapificio Nazionale S.r.l. SB | 100.00% | 100.00%       |
| Ratti S.p.A.                                | Guanzate (I)          | Marzotto S.p.A.                             | 34.24%  | 34.24%        |
| Creomoda S.a.r.l.                           | Soussa (TN)           | Ratti S.p.A.                                | 76.00%  | 26.02%        |
| La Maison des Accessoires S.a.r.l.          | Soussa (TN)           | Ratti S.p.A.                                | 68.40%  | 23.42%        |
| Second Life Fibers S.r.l.                   | Guanzate (I)          | Ratti S.p.A.                                | 100.00% | 34.24%        |
| Ratti USA Inc.                              | New York (USA)        | Ratti S.p.A.                                | 100.00% | 34.24%        |
| Ratti Int. Trading (Shanghai) Co. Ltd       | Shanghai (RPC)        | Ratti S.p.A.                                | 100.00% | 34.24%        |
| Textrom S.r.l.                              | Cluj - Napoca (RO)    | Ratti S.p.A.                                | 100.00% | 34.24%        |
| Foto Azzurra S.r.l.                         | Cassina Rizzardi (CO) | Ratti S.p.A.                                | 20.00%  | 6.85%         |
| Marielle S.r.l.                             | Firenze (FI)          | Ratti S.p.A.                                | 30.00%  | 10.27%        |

## Other information

[Notes to the consolidated financial statements]

## Related parties

It is in the economic interest of the parent company to carry out operations with related parties, to realise the existing synergies within the Group, especially with reference to the integration of production and sales, the efficient use of the acquired knowledge, the rationalisation of the use of central structures and financial resources.

All relations with subsidiaries, associates and other related parties, whether in relation to the exchange of goods and services or to financial transactions, are carried out at arm's length. The relations with subsidiaries have been eliminated from the consolidated financial statements. Relations with associates are shown in the financial statements and the relevant notes.

## Directors and Statutory Auditors

Amounts paid to the Directors and Statutory Auditors of the Marzotto Group

| (thousands of euro) | Office    |          | Total |
|---------------------|-----------|----------|-------|
|                     | Directors | Auditors |       |
| Remuneration        | 858       | 41       | 899   |

In the year in question, compensation for the supervisory body of 16,000 euros was recognised.

## Independent Auditors

Remuneration due for the financial year for services provided by the Independent Auditors

| (thousand of euro) | Marzotto S.p.A. | Company      | Total |
|--------------------|-----------------|--------------|-------|
|                    |                 | Subsidiaries |       |
| Auditing services  | 9               | 171          | 180   |

## Other information

During the financial year there were no atypical or unusual transactions.

## Events after the date of these financial statements

Please see the Management Report for events subsequent to 31 December 2021.

## Segment reporting

The tables below provide segment reporting information.

Segment reporting  
2021

(thousands of euro)

| Segment reporting<br>Income statement                              | Marzotto<br>Wool M. | Marzotto<br>Lab | Other<br>Operations | Eliminations    | Total           |
|--|---------------------|-----------------|---------------------|-----------------|-----------------|
| Other revenues   | 118,504             | 111,993         | 8,076               | =               | 238,572         |
| Inter-sector revenues  | 487                 | 645             | 8,932               | (10,065)        | =               |
| <b>Totale revenues</b>   | <b>118,991</b>      | <b>112,638</b>  | <b>17,008</b>       | <b>(10,065)</b> | <b>238,572</b>  |
| Sector costs   | (131,585)           | (111,832)       | (14,930)            | 9,995           | (248,352)       |
| of which depreciation & amortization                               | (10,199)            | (4,446)         | (1,872)             | 332             | (16,185)        |
| of which other non monetary costs                                  | 37                  | (73)            | =                   | =               | (36)            |
| <b>Operating income</b>  | <b>(12,594)</b>     | <b>806</b>      | <b>2,078</b>        | <b>(70)</b>     | <b>(9,780)</b>  |
| Financial charges net  | =                   | =               | =                   | =               | (1,976)         |
| Dividends from non cons. equity invest.<br>and valuation to equity | =                   | =               | =                   | =               | 1,183           |
| Other financial income/charges                                     | =                   | =               | =                   | =               | (58)            |
| <b>Pre-tax profit</b>  | <b>=</b>            | <b>=</b>        | <b>=</b>            | <b>=</b>        | <b>(10,631)</b> |
| Taxes  | =                   | =               | =                   | =               | 2,589           |
| <b>Net profit</b>  | <b>=</b>            | <b>=</b>        | <b>=</b>            | <b>=</b>        | <b>(8,042)</b>  |

| Segment reporting<br>Balance sheet                | Marzotto<br>Wool M. | Marzotto<br>Lab | Other<br>Operations | Eliminations    | Total          |
|---|---------------------|-----------------|---------------------|-----------------|----------------|
| Assets by segment                                 | 72,085              | 53,091          | (6,063)             | 179,953         | 299,065        |
| Equity investments in subsidiaries companies      | 93,317              | 54,164          | 100,790             | (248,271)       | =              |
| Equity investments in affiliated companies        | 4,346               | 3,448           | 23,742              | =               | 31,536         |
| Non-allocated assets                              | =                   | =               | =                   | =               | 129,285        |
| <b>Total assets</b>                               | <b>169,748</b>      | <b>110,703</b>  | <b>118,469</b>      | <b>(68,318)</b> | <b>459,886</b> |
| Shareholders' equity                              | =                   | =               | =                   | =               | 115,184        |
| Liabilities by segment                            | 65,003              | 49,841          | 16,851              | (5,771)         | 125,924        |
| Non-allocated liabilities                         | =                   | =               | =                   | =               | 218,778        |
| <b>Total liabilities and shareholders' equity</b> | <b>65,003</b>       | <b>49,841</b>   | <b>16,851</b>       | <b>(5,771)</b>  | <b>459,886</b> |
| <b>Investments</b>                                | <b>1,843</b>        | <b>2,482</b>    | <b>1,747</b>        | <b>=</b>        | <b>6,072</b>   |

| Information by<br>geographical area | Italy   | Other Europ.<br>Countries | North<br>America | Asia   | Other<br>Countries | Total   |
|-------------------------------------|---------|---------------------------|------------------|--------|--------------------|---------|
| Revenues                            | 87,268  | 108,676                   | 8,929            | 26,981 | 6,718              | 238,572 |
| Fixed assets                        | 341,742 | 103,592                   | 418              | 61     | 14,073             | 459,886 |
| Investments                         | 4,131   | 1,183                     | =                | =      | 758                | 6,072   |

Please note that the unallocated assets and liabilities respectively correspond to the assets and liabilities making up the net borrowing.

Segment reporting  
2020

(thousands of euro)

| Segment reporting<br>Income statement                              | Marzotto<br>Wool M. | Marzotto<br>Lab | Other<br>Operations | Eliminations   | Total           |
|--|---------------------|-----------------|---------------------|----------------|-----------------|
| Other revenues   | 116,126             | 81,434          | 7,263               | =              | 204,822         |
| Inter-sector revenues  | 466                 | 682             | 8,635               | (9,784)        | =               |
| <b>Totale revenues</b>   | <b>116,592</b>      | <b>82,116</b>   | <b>15,898</b>       | <b>(9,784)</b> | <b>204,822</b>  |
| Sector costs   | (135,046)           | (95,130)        | (15,081)            | 9,781          | (235,476)       |
| of which depreciation & amortization                               | (11,390)            | (4,053)         | (1,945)             | 322            | (17,066)        |
| of which other non monetary costs                                  | (237)               | (150)           | =                   | =              | (387)           |
| <b>Operating income</b>  | <b>(18,454)</b>     | <b>(13,014)</b> | <b>817</b>          | <b>(3)</b>     | <b>(30,654)</b> |
| Financial charges net  | =                   | =               | =                   | =              | (2,197)         |
| Dividends from non cons. equity invest.<br>and valuation to equity | =                   | =               | =                   | =              | (109)           |
| Other financial income/charges                                     | =                   | =               | =                   | =              | (64)            |
| <b>Pre-tax profit</b>  | <b>=</b>            | <b>=</b>        | <b>=</b>            | <b>=</b>       | <b>(33,024)</b> |
| Taxes  | =                   | =               | =                   | =              | 6,434           |
| <b>Net profit</b>  | <b>=</b>            | <b>=</b>        | <b>=</b>            | <b>=</b>       | <b>(26,590)</b> |

| Segment reporting<br>Balance sheet                | Marzotto<br>Wool M. | Marzotto<br>Lab | Other<br>Operations | Eliminations    | Total          |
|---|---------------------|-----------------|---------------------|-----------------|----------------|
| Assets by segment                                 | 78,831              | 42,134          | (2,220)             | 174,676         | 293,421        |
| Equity investments in subsidiaries companies      | 93,317              | 50,319          | 100,728             | (244,364)       | =              |
| Equity investments in affiliated companies        | 4,404               | 3,317           | 22,675              | =               | 30,396         |
| Non-allocated assets                              | =                   | =               | =                   | =               | 123,816        |
| <b>Total assets</b>                               | <b>176,552</b>      | <b>95,770</b>   | <b>121,183</b>      | <b>(69,688)</b> | <b>447,633</b> |
| Shareholders' equity                              | =                   | =               | =                   | =               | 119,530        |
| Liabilities by segment                            | 43,567              | 34,516          | 18,467              | (7,161)         | 89,389         |
| Non-allocated liabilities                         | =                   | =               | =                   | =               | 238,714        |
| <b>Total liabilities and shareholders' equity</b> | <b>43,567</b>       | <b>34,516</b>   | <b>18,467</b>       | <b>(7,161)</b>  | <b>447,633</b> |
| <b>Investments</b>                                | <b>1,913</b>        | <b>1,814</b>    | <b>1,421</b>        | <b>=</b>        | <b>5,148</b>   |

| Information by<br>geographical area | Italy   | Other Europ.<br>Countries | North<br>America | Asia   | Other<br>Countries | Total   |
|-------------------------------------|---------|---------------------------|------------------|--------|--------------------|---------|
| Revenues                            | 77,940  | 93,409                    | 5,137            | 24,310 | 4,026              | 204,822 |
| Fixed assets                        | 338,560 | 97,694                    | 350              | 131    | 10,899             | 447,633 |
| Investments                         | 3,370   | 1,424                     | =                | =      | 354                | 5,148   |

Please note that the unallocated assets and liabilities respectively correspond to the assets and liabilities making up the net borrowing.

Valdagno (VI), 29 March 2022

FOR THE BOARD OF DIRECTORS  
THE CHIEF EXECUTIVE OFFICER  
DAVIDE FAVRIN



EY S.p.A.  
Via Meravigli, 12  
20123 Milano

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Independent auditor's report pursuant to article 14 of Legislative  
Decree n. 39, dated 27 January 2010  
(Translation from the original Italian text)

To the Shareholders of  
Manifattura Lane Gaetano Marzotto & Figli S.p.A.

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Marzotto Group (the Group), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of profit/(loss) and consolidated items of other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of Manifattura Lane Gaetano Marzotto & Figli S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms provided by the 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, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

EY S.p.A.  
Sede Legale: Via Meravigli, 12 - 20123 Milano  
Sede Secondaria: Via Lombardia, 31 - 00187 Roma  
Capitale Sociale Euro 2.525.000,00 i.v.  
Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi  
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. di Milano 606158 - P.IVA 00891231003  
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998  
Iscritta all'Albo Speciale delle società di revisione  
Cesob al progressivo n. 2 delibera n.10831 del 16/7/1997

A member firm of Ernst & Young Global Limited





The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

### Auditor's 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 auditor's 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 International Standards on Auditing (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 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 International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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;
- we have obtained 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;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated 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.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities 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 have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



## Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010

The Directors of Manifattura Lane Gaetano Marzotto & Figli S.p.A. are responsible for the preparation of the Report on Operations of Marzotto Group as at December 31, 2021, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the consolidated financial statements of Marzotto Group as at December 31, 2021 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of Marzotto Group as at December 31, 2021 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milan, April 13, 2022

EY S.p.A.  
Signed by: Gabriele Grignaffini, Auditor

*This report has been translated into the English language solely for the convenience of international readers.*



**PARENT COMPANY: MARZOTTO S.p.A.**

Company with Sole Shareholder - subject to management and coordination by Trenora S.r.l.

Tax ID and V.A.T. registration number 00166580241

REA Vicenza nr. 801

PEC: Marzotto@legalmail.it

Registered and Administrative office:

Largo S. Margherita, 1

36078 Valdagno (VI)

Tel. 0445 429411

Secondary offices:

Piovene Rocchette (VI), Via A. Rossi 50





## Financial Statements as at 31 December 2021

MARZOTTO S.p.A.

**MARZOTTO S.p.A.**  
Company with sole partner

Registered and Administrative office in Largo S. Margherita 1, 36078 Valdagno (VI)  
Subject to Trenora S.r.l. management and coordination activities  
Tax ID, V.A.T. registration number 00166580241 - REA Vicenza nr. 801 - PEC: Marzotto@legalmail.it



**Marzotto S.p.A.**

- General information
- Report on operations
- Financial statements

# General information



**Marzotto S.p.A.**  
Company with sole partner

Registered and Administrative office in Largo S. Margherita 1, 36078 Valdagno (VI)  
Subject to Trenora S.r.l. management and coordination activities  
Tax ID, V.A.T. registration number 00166580241 - REA Vicenza nr. 801 - PEC: Marzotto@legalmail.it



## [Corporate management and shareholders]

### Corporate management

#### Board of Directors

*Chairman*

Antonio Favrin <sup>(1)</sup>

*Deputy Chairman*

Andrea Donà dalle Rose <sup>(1)</sup>

*Board Members*

Federica Favrin

Andrea Guaccero

Vittorio Marzotto

Donatella Ratti

*Chief Executive Officer*

Davide Favrin <sup>(1)</sup>

1. Members of Executive Committee

#### Board of statutory auditors

*Acting Auditors*

Sandro Miotto - Chairman

Marco Della Putta

Federico Giorgione

*Substitute Auditors*

Paolo Corgnati

Stefano Rudelli

#### Independent auditors

EY S.p.A.

### Shareholders

As at 31.12.2021 the share capital amounted to 40,000,000 euros, totally owned by the Sole Shareholder **Wizard S.r.l.**





**Marzotto S.p.A.**

- General information
- Report on operations
- Financial statements

# Report on operations



**Marzotto S.p.A.**  
Company with sole partner

Registered and Administrative office in Largo S. Margherita 1, 36078 Valdagno (VI)  
Subject to Trenora S.r.l. management and coordination activities  
Tax ID, V.A.T. registration number 00166580241 - REA Vicenza nr. 801 - PEC: Marzotto@legalmail.it

## [Management Report]

Dear Shareholders,

The financial statements for the year ended 31 December 2021, submitted herewith for your review and approval, close with revenues of 9.6 million euros and a profit of 0.2 million euros.

Basis of preparation of  
the financial statements

Marzotto S.p.A.'s financial statements have been prepared in compliance with the International Financial Reporting Standards (IAS/IFRS) and the related interpretations of the International Accounting Standards Board (IASB), approved by the European Commission and transposed into Italian law by Legislative Decree no. 38/2005.

Please see the explanatory notes for comments on the results of the financial statements. Below, please find information on the Company's position and future outlook, as well as that required by current legislation.

General information

Marzotto S.p.A. is the parent company of the Marzotto Group, which is one of the main international players in the textile sector, operating in the development, production and distribution of high-end wool fabrics (through the Marzotto Wool Manufacturing Group), cotton, wool yarns and linens, furnishing textiles, velvets (through the Marzotto Lab Group) and silk (with the Ratti Group).

Impacts of the Covid-19 pandemic

The 2021 financial year was again characterised by the presence of the Covid-19 pandemic, which continued to influence the global economy and the markets in which the Group operates. The pandemic affected the various markets to different degrees: they were influenced by a range of factors, including the decisions on containment measures made by different governments, the spread of new variants of the virus and the ongoing development of vaccination campaigns.

With the growth and roll-out of the vaccination campaigns, there was a progressive reopening of stores and a gradual return to purchasing by customers and end-consumers, particularly in the second half of the year.

From the outset, Marzotto has been closely monitoring developments in the spread of the virus, promptly adopting all necessary measures to prevent, control and contain the pandemic, at all its premises in Italy and abroad.

To restart the production sites, the Company and the Group prepared all necessary measures to combat the virus and protect the health of its employees and contractors.

In order to address this situation, internal safety protocols were defined, the use of smart working was extended, working environments were equipped with hygiene kits and daily sanitisation was carried out. Employees were provided with appropriate personal protective equipment and proximity devices for tracking contacts within the workplace.

The Company was indirectly affected by the Covid-19 pandemic, as a holding company with equity investments operating in wool fabrics and sundry textiles, which were among the main sectors hit hardest by the pandemic.

The Company and all the businesses in the Marzotto Group continued the process undertaken last year to streamline all fixed costs, implementing measures in advertising and marketing, collection creation, and commercial and general expenses. In order to limit payroll costs, social protection measures and other forms of public support were used to protect workers in each country, as well as the use of unused leave, the blocking of staff turnover at all the plants and retirement incentives for staff of pensionable age.

In this context, investment plans that have been adapted to production volumes have been redefined; investments have mainly been made in the area of plant safety and production process innovation.

In 2020 and the first few months of 2021, the Group's financial structure was further strengthened by the signing of new medium/long-term loan agreements totalling 106.5 million euros. The new loans enabled the average life of the debt to be extended at a cost broadly in line with that existing at the end of the previous period.

The Board of Statutory Auditors and the Supervisory Body have always been promptly informed about the management of the epidemiological emergency and all measures have always been controlled and verified in order to ensure business continuity and the protection of people.

In line with the many social initiatives designed to support the communities where the business is present and undertaken during the long history of the Marzotto Group, the subsidiary Marzotto Wool Manufacturing has hosted a vaccine hub since last March, which is managed in collaboration with the competent local health and social care services in the region.

The Covid-19 pandemic will continue to influence global economies in 2022, though with increasing tools for containment, mainly due to the widespread vaccination campaigns and the study of drug treatments to counter the virus and its mutations.

However, the forecasts for 2022 remain uncertain, partly due to recent events on the international scene with the crisis between Russia and Ukraine. The signs of recovery observed in the various markets net of unpredictable exogenous changes enable 2022 to be planned in accordance with the objectives established at budget level.

The 2022-2025 Business Plan has recently been updated, and sets out a detailed series of actions to reconfigure both the product offering, based on market requests, and the use of sales channels that are closer to customers.

The plan provides for efficiency action in various areas: from changing the supply mix and reconfiguring production capacity, making it consistent with the new volumes at full capacity, to lightening the general cost structure, streamlining and remodelling it to return to a pre-crisis percentage incidence, as well as adapting the investment plan to the new production volumes at full capacity.

The effectiveness of the actions undertaken with a view to flexibility, the streamlining of production structures and processes, and the consequent effects on working capital and initial margins, have resulted in a significant improvement in the net financial position compared with the previous year.

## [Management Report]

Impacts of the Covid-19  
pandemic

Management is confident and convinced that, following the planned actions, the Group companies can return to sustainable growth and profitability: it has therefore agreed that the Company and the Group can continue to operate as a going concern, realising its assets and honouring its liabilities as it carries out its ordinary business.

## [Main events of the year]

To begin this report, before addressing the Company's operational activity in 2021, we would like to mention the main events that took place during the year just ended and in the current year.

### Praia a Mare litigation

With regard to the Praia a Mare plant, which was acquired by the Company in 1988 and whose operations ceased in 2004, the following proceedings are pending:

- 1) Proceeding no. 481/16 Criminal Records Registry and no. 1633/16 General Registry Examining Judge before the Public Prosecutor's Office at the Court of Paola, for the offences of manslaughter and injury through negligence. In the initial phase, the Public Prosecutor requested a special evidentiary hearing, which ended on 31 May 2021 with the hearing at which experts described the conclusions drawn from the report filed with the Examining Judge, ruling out the existence of a causal link between the disease found in some former employees of the company and the alleged exposure to any harmful substances at the same company. The investigations are still ongoing and it is not currently possible to predict their progress.
- 2) In February 2021, the Court of Paola rejected the civil appeals filed by a group of employees, in large part the same persons who filed the complaints that formed the basis of the above criminal proceedings, in order to obtain compensation for the damage allegedly suffered for injury or death resulting from the illness caused by the alleged exposure to harmful substances at the company. Proceedings relating to the appeals of judgements are pending before the Catanzaro Court of Appeal. A first-instance discussion of a second group of cases is still pending. These hearings will be held in 2022.
- 3) Civil proceedings no. 750/2020 RG before the Court of Appeal of Catanzaro. This relates to the resumption of civil proceedings following the ruling of the Court of Cassation relating to the first criminal proceedings, which, rejecting the appeal by the Chief Prosecutor, confirmed the acquittals of the offences that were contested at the time, but criticised the second instance ruling for failure to deal with the position of the Municipality of Tortora on the issues raised in relation to alleged damage resulting from an environmental disaster. The first hearing will be held on 13 July 2022: no forecasts can be made on the outcome of the proceedings.

### Bankruptcy of Aree Urbane S.r.l. in liquidation

Aree Urbane S.r.l. in liquidation, in which Marzotto holds a 32.50% stake, was declared bankrupt in June 2021. In the next few months, the application to be admitted as a creditor of this company's receivership, filed by Marzotto due to the receivable it held by way of a shareholder loan of 25,720,719.85 euros, was approved and, on the other hand, the insolvency administrator sought clarification of the remediation costs relating to the properties transferred to that company in 2003, and not yet sold, located in Schio, Vicenza and Piovene Rocchette. Negotiations are currently under way with the insolvency administrator in order to better determine the extent of any such measures.

The aforementioned shareholder loan was fully written off in the financial statements of Marzotto S.p.A.

## [Management Report]

Highlights of the income statement and statement of financial position

The table below contains summaries of the Company's main economic, income and financial indicators for the year ended 31 December 2021.

| (in millions of euro)             | 2021          | 2020          | change       | change %          |
|-----------------------------------|---------------|---------------|--------------|-------------------|
| <b>Net revenues</b>               | <b>9.6</b>    | <b>9.3</b>    | <b>0.3</b>   | <b>+ 3.2%</b>     |
| Operating income                  | 0.7           | (0.5)         | 1.2          | n.c.              |
| % of net revenues                 | 7.3%          | (5.4%)        |              |                   |
| <b>EBITDA (1)</b>                 | <b>1.9</b>    | <b>0.7</b>    | <b>1.2</b>   | <b>&gt;100,0%</b> |
| % of net revenues                 | 19.8%         | 7.5%          |              |                   |
| Income before taxes               | 0.6           | (0.6)         | 1.2          | n.c.              |
| % of net revenues                 | 6.3%          | (6.5%)        |              |                   |
| <b>Net income</b>                 | <b>0.2</b>    | <b>(0.6)</b>  | <b>0.8</b>   | <b>n.c.</b>       |
| % of net revenues                 | 2.1%          | (6.5%)        |              |                   |
| <b>Net working capital</b>        | <b>0.8</b>    | <b>4.2</b>    | <b>(3.4)</b> | <b>- 81.0%</b>    |
| <b>Net employed capital</b>       | <b>116.7</b>  | <b>117.5</b>  | <b>(0.8)</b> | <b>- 0.7%</b>     |
| <b>Net financial position (*)</b> | <b>(16.3)</b> | <b>(15.1)</b> | <b>(1.2)</b> | <b>+ 7.9%</b>     |
| Investments for the period        | 1.3           | 0.1           | 1.2          | >100,0%           |
| Active staff: employees           | 71            | 81            | (10)         | - 12.3%           |

(\*) Net financial debt in the table = positive NFP

|                                     | 2021   | 2020   | change |
|-------------------------------------|--------|--------|--------|
| ROI                                 | 0.6%   | -0.4%  | 1.0%   |
| ROE                                 | 0.2%   | -0.5%  | 0.6%   |
| ROS                                 | 7.3%   | -5.4%  | 12.7%  |
| Debt/Equity (*)                     | -12.3% | -11.4% | -0.9%  |
| Capitalisation ratio                | 114.0% | 112.9% | 1.1%   |
| Financial coverage rate of assets   | 83.0%  | 81.6%  | 1.4%   |
| Inventory rotation index            | =      | =      | =      |
| Number of days of credit to clients | 158    | 190    | -32    |

### Legend:

ROI: EBIT/Capital employed

ROE: Net result/Shareholders' equity

ROS: EBIT/Net revenues

Debt/Equity: Net financial position/Shareholders' equity

Capitalisation index: Ratio of shareholders' equity to capital employed net of operating liabilities

Financial hedging of fixed assets: Fixed assets + ML-term provisions/Shareholders' equity + ML-term financial borrowing

Inventory rotation index: Net inventory/Cost of goods sold x 360 days

Credit days to customers: Gross trade receivables/Net revenues x 360 days

(1). EBIT + Amortisation/depreciation.

## [Management Report]

### Income statement

The income statement is summarised below.

| (in millions of euro)              | 2021       |               | 2020         |               |
|------------------------------------|------------|---------------|--------------|---------------|
| <b>Net revenues</b>                | <b>9.6</b> | <b>100.0%</b> | <b>9.3</b>   | <b>100.0%</b> |
| Cost of sales                      | (1.6)      | (16.7%)       | (1.7)        | (18.3%)       |
| <b>Gross income</b>                | <b>8.0</b> | <b>83.3%</b>  | <b>7.6</b>   | <b>81.7%</b>  |
| R&D and marketing costs            | =          | =             | =            | =             |
| General and administrative costs   | (7.3)      | (76.0%)       | (7.2)        | (77.4%)       |
| <b>Profit from core businesses</b> | <b>0.7</b> | <b>7.3%</b>   | <b>0.4</b>   | <b>4.3%</b>   |
| Non-recurring income/(charges)     | 0.0        | =             | (0.9)        | (9.7%)        |
| <b>Operating income</b>            | <b>0.7</b> | <b>7.3%</b>   | <b>(0.5)</b> | <b>(5.4%)</b> |
| Net financial charges              | (0.1)      | (1.0%)        | =            | =             |
| Dividends                          | =          | =             | =            | =             |
| Other financial income/charges     | =          | =             | (0.1)        | (1.1%)        |
| <b>Income before taxes</b>         | <b>0.6</b> | <b>6.3%</b>   | <b>(0.6)</b> | <b>(6.5%)</b> |
| Taxes                              | (0.4)      | (4.2%)        | =            | =             |
| <b>Net income</b>                  | <b>0.2</b> | <b>2.1%</b>   | <b>(0.6)</b> | <b>(6.5%)</b> |

### Net revenues

Net revenues achieved by the Company in FY 2021 come to 9.6 million euros and relate to the following businesses:

| (in millions of euro)    | 2021       |               | 2020       |               |
|--------------------------|------------|---------------|------------|---------------|
| Holding and coordination | 7.3        | 76.0%         | 6.5        | 69.9%         |
| Real estate              | =          | =             | 1.1        | 11.8%         |
| Logistics                | 2.1        | 21.9%         | 1.3        | 14.0%         |
| Other                    | 0.2        | 2.1%          | 0.4        | 4.3%          |
| <b>Total</b>             | <b>9.6</b> | <b>100.0%</b> | <b>9.3</b> | <b>100.0%</b> |

### by geographical area

| (in millions of euro)    | 2021       |               | 2020       |               |
|--------------------------|------------|---------------|------------|---------------|
| Italy                    | 9.1        | 94.8%         | 8.6        | 92.5%         |
| Other European Countries | 0.5        | 5.2%          | 0.7        | 7.5%          |
| <b>Total</b>             | <b>9.6</b> | <b>100.0%</b> | <b>9.3</b> | <b>100.0%</b> |

### Result from ordinary operations

The result from ordinary operations as at 31 December 2021 was positive for 0.7 million euros, deriving from revenues achieved during the period of 9.6 million euros, net of the cost of goods sold (1.6 million euros) and general and administrative costs (7.3 million euros).

### Non-recurring income and expenses

As at the reporting date, the net balance of non-recurring operations totalled 0.0 million euros, compared with a balance of -0.9 million euros in 2020.

### Net financial expenses

In FY 2021, the Company booked net financial expenses of -0.1 million euros, compared with 0.0 million euros of net financial expenses in the previous year.

### Dividends from investees

No dividends were received by the Company in the current year, as in 2020.

## [Management Report]

### Income taxes

Marzotto S.p.A. and the subsidiaries Linificio e Canapificio Nazionale S.r.l., Biella Manifatture Tessili S.r.l., Le Cotonerie S.r.l., Ambiente Energia S.r.l., Marzotto Wool Manufacturing S.r.l. and Marzotto Lab S.r.l. opted for the national tax consolidation scheme, for which the parent company is Wizard S.r.l., and its effects are reflected in the results as of 31 December 2021.

The balance of tax operations for the period is -0.4 million euros (0.0 million as at 31 December 2020).

### Net result

On the basis of the aforementioned analyses, net profit for the year was +0.2 million, compared with a net profit of -0.6 million in 2020.



## [Management Report]

### Financial position

The Company's financial position as at 31 December 2021 is summarised in the table below, compared with the corresponding amounts for the previous year.

| (in millions of euro)  | 31.12.2021    | 31.12.2020    |
|--|---------------|---------------|
| Net trade receivable   | 4.1           | 4.8           |
| Other receivables  | 0.9           | 3.6           |
| Inventory  | =             | =             |
| Commercial suppliers   | (1.6)         | (1.5)         |
| Other payables   | (2.6)         | (2.7)         |
| <b>A) Net working capital</b>  | <b>0.8</b>    | <b>4.2</b>    |
| <b>B) Assets/liabilities held for sale</b>   | <b>=</b>      | <b>=</b>      |
| Receivables beyond 12 months   | 2.8           | 3.0           |
| Equity investments   | 112.0         | 111.8         |
| Tangible fixed assets  | 10.4          | 8.8           |
| Intangible fixed assets  | 0.9           | 1.1           |
| <b>C) Net fixed assets</b>   | <b>126.1</b>  | <b>124.7</b>  |
| <b>D) Employee severance fund, reserves, and other non-financial M/L term payables</b> | <b>(9.6)</b>  | <b>(10.4)</b> |
| <b>E) Deferred taxes reserve</b>   | <b>(0.6)</b>  | <b>(1.0)</b>  |
| <b>F) Invested capital net of current liabilities (A+B-C-D-E)</b>                      | <b>116.7</b>  | <b>117.5</b>  |
| Covered by:  |               |               |
| Short-term financial payables  | 3.6           | 6.1           |
| Cash and short-term financial receivables  | (26.6)        | (27.5)        |
| Medium/long term financial payables  | 72.2          | 57.8          |
| Medium/long term financial receivables   | (65.5)        | (51.5)        |
| <b>G) Net borrowing</b>  | <b>(16.3)</b> | <b>(15.1)</b> |
| <b>H) Shareholders' net equity</b>   | <b>133.0</b>  | <b>132.6</b>  |
| <b>I) Total (G+H) as in F</b>  | <b>116.7</b>  | <b>117.5</b>  |

### Net capital employed

Capital employed, net of operating liabilities, came to 116.7 million euros, including net fixed assets of 126.1 million euros and provisions for employee termination indemnities and other non-financial medium/long-term liabilities of 10.2 million euros.

In detail, fixed assets include long-term receivables in the amount of 2.8 million euros, which represent prepaid tax receivables deemed likely to be recovered; investments for 112.0 million euros, which include the book value of equity investments in subsidiaries and associates (see section 1.5 of the explanatory notes); fixed assets for 11.3 million euros, of which land and buildings for 6.1 million euros and plant, machinery and equipment (mainly relating to the Piovene logistics business) for 3.3 million euros.

The item "Employee termination indemnities and other non-financial medium/long-term liabilities" includes the indemnity, calculated in accordance with current legislation, accrued by employees up until 31 December 2006 for 0.5 million euros; the pension provision for 0.4 million euros; the provision for restructuring and delocalisation for 2.8 million euros, intended to cover expenses connected with the plan to restructure some industrial activities; the provision for legal risks and disputes for 0.9 million euros, intended to cover liabilities that may ensue from legal and other disputes; and other provisions for risks and charges for 5.0 million euros, related to the foreseeable risks consequent to the operations relating to the company Aree Urbane S.r.l. and the plant at Praia a Mare.

### Net borrowing

The Company's net borrowings were positive for 16.3 million euros at the reporting date, compared with a positive balance of 15.1 million euros in 2020. The final net financial debt includes 1.3 million euros of higher financial debts due to IFRS 16.

### Shareholders' equity

Shareholders' equity came in at 133.0 million euros, up 0.4 million euros on 2020. The change is mainly due to the result for the period and the change in the fair value reserve.

To aid comprehension of the Company's equity position, we should point out that the index measuring the ratio of own funds and net capital employed increased from 112.9% at the end of 2020 to 114.0% at the end of 2021.

## [Equity investments]

### Equity investments in subsidiaries

The main news and information on the performance of subsidiaries and associates is provided below. Transactions with subsidiaries and associates and other related parties are presented in the financial schedules and the relevant notes.

### Marzotto Wool Manufacturing Group

The main object of Marzotto Wool Manufacturing Group, with parent company Marzotto Wool Manufacturing S.r.l., which has its registered office in Valdagno (VI), is the development, production and distribution of high-end fabrics for men's and women's collections, mainly in wool, but also in fine fibres such as alpaca, cashmere, linen and silk.

The Marzotto Wool Group includes subsidiaries Nová Mosilana a.s. (wholly owned), Biella Manifatture Tessili S.r.l. (100% owned), and associates Tintoria di Verrone S.r.l. (25% owned), Pettinatura di Verrone S.r.l. (15% owned), Mediterranean Wool Industries SAE (30% owned), Marzotto Textiles USA and Marzotto Shanghai (50% owned), and Schneider Australia (25%).

The total turnover generated increased compared with the previous year, to 119.0 million euros, with EBIT of -12.6 million euros and a net loss of -10.9 million euros.

As concerns the breakdown of turnover by operating business unit, the Lanificio Gmf segment recognised income of 61.8 million euros (51.9% of the total) and Biella Manifatture Tessili recognised 44.4 million euros (37.3%), while Estethia/G.B. Conte closed the year with 12.3 million euros in income (10.3%).

The table below shows the income contribution and trend by business.

### Net revenues by business

| (in millions of euro)      | 2021         |               | 2020         |               |
|----------------------------|--------------|---------------|--------------|---------------|
| Lanificio Gmf              | 61.8         | 51.9%         | 62.0         | 53.2%         |
| Biella Manifatture Tessili | 44.4         | 37.3%         | 41.8         | 35.8%         |
| Estethia/G.B. Conte        | 12.3         | 10.3%         | 12.4         | 10.6%         |
| Other                      | 0.5          | 0.5%          | 0.4          | 0.4%          |
| <b>Total</b>               | <b>119.0</b> | <b>100.0%</b> | <b>116.6</b> | <b>100.0%</b> |

## [Equity investments]

Below are some comments on the performance of the main segments in which the Group operates.

### **MARZOTTO WOOL MANUFACTURING**

The contraction in turnover caused by the Covid pandemic continued in the first nine months of 2021 and only in the last quarter did the hoped-for recovery take place, driven by increasing consumption and the partial normalisation of social life (events, ceremonies and return to work at company offices), particularly in the European and US markets.

China pursued its positive trend in 2021, while other markets in the Far East, particularly Japan and Korea, only began to register a slow recovery in the first few months of 2022.

The losses during the year are therefore all attributable to the revenue contraction that continues to cause plant disruption, even though production capacity was scaled back during 2020 and 2021 to make it consistent, not so much with the extraordinary situation of the pandemic but with the volumes forecast in the 2022-2025 plan. During 2021, operations continued with the extraordinary wages guarantee fund procedure in Italy, using flexibility tools in the foreign plants.

In the last three months of 2021, the group achieved a progressive improvement in results due not only to increasing volumes, but also to the consolidation of the increase in the margins of all the commercial lines already started in 2020.

In this context, the fixed cost structure continued to be monitored closely, with a further improvement achieved compared with FY20.

Investments mainly concerned the scope of production reorganisations and new technologies; they remained in line with the plan with the aim of adapting them to the production volumes set out therein.

### **LANIFICIO GMF**

The decrease in turnover in 2021 continued to affect all markets, with the exception of China; in the last quarter of 2021, however, orders and turnover took off again in Europe and above all in the North American market, which had remained completely absent in 2020.

In order to cope with the reduction in volumes, the work to rebalance production capacity already undertaken in 2020 continued, with the use of social shock absorbers and flexibility instruments at the foreign plants. These interventions have substantially reduced not only variable costs but also fixed factory structures.

Thanks to a flexible production structure and well-integrated production systems, a market-appropriate level of service has been ensured.

In this dramatic situation, Lanificio GMF retained the elements that have always made up its offering, implementing even more a mix of fashion solutions aimed at more informal clothing providing comfort, wearability and ease of maintenance.

**Sustainability:** In 2021, we continued to invest in sustainability with environmental certification and protection projects that start with the supply of wools from selected farms that pay particular attention to the protection of animals and the ecosystem, investing in the training of our employees and implementing the use of production processes with less environmental impact, including through the careful control of energy consumption, gas, electricity and water.

Sustainability is becoming a necessity for dialogue with the successful brands that will grow in the next few years; Lanificio GMF, as well as the entire Marzotto Wool group, has embraced this philosophy for years, and today this represents a significant competitive advantage.

## [Equity investments]

### BIELLA MANIFATTURE TESSILI

The results achieved by the business unit summarise the varying performances of the company brands, which include revenues of 16.5 million euros for the Guabello division (up 9.3% from the previous year), 13.2 million euros for the Marlane division (down 4.3% from 2020), 13.0 million euros for the Tallia di Delfino division (up 5.7% from 31 December 2020) and 1.3 million euros for the Opera Piemontese division.

The various business units recorded slightly different trends due to the difference in presence on world markets and the various types of products and services.

Below are comments on the performance of the individual brands:

**Guabello** closed 2021 with an increase in turnover compared with the previous year, but nevertheless a sharp decrease compared with 2019, due to the continuing decline in volumes, particularly in fine clothing, throughout the world and particularly in Germany, Italy and the US, where Guabello is most present. The policy of expansion in the markets of the Far East continued, despite the inability to travel, with the insertion of a new sales structure in the Shanghai area of China. The redesign of the Guabello collection began to generate results in the second half of the year, in particular the K-easy line (constructions similar to knitted fabrics but with more modern performances and aspects) and the new Space line (pure wool fabrics with no elastomeric synthetic materials).

**Marlane** is the division that, in 2021, was again adversely affected by the clothing crisis resulting from Covid-19, which caused a sharp slowdown in the sale of more formal/business clothes in the northern European, Italian and US markets. The expansion of the in stock service since it was started in 2020 was developed further, bringing interesting results in the last quarter of 2021 and in the first few months of 2022, partly due to the opportunity offered by customers in search of fabrics, especially in classic colours, for the post-Covid recovery in ceremonies and events. The new commercial network in China started to reap results, and plans have also begun to be made regarding this market, in collaboration with the local sales structure, for an offer of more technical and stretch products with in stock service.

**Tallia di Delfino** registered a recovery in 2021 compared with 2020, due in part to a recovery in sales via the sartorial channel and made to measure. The Gentlemen's Wardrobe offering was implemented with more informal luxury products and during FY 2021 a further expansion was made of high-quality and outerwear products in fine fibres such as cashmere and alpaca.

**Opera Piemontese** is the new Donna di Lusso line, for which fine fibres such as cashmere, alpaca and silk are used, but with a modern performance and look. The line was launched in 2020. The line represents an opportunity both due to the entry of the Marzotto Wool group into markets where it was previously only marginally present, and due to the influence of fashion and the spread of particular finishes and yarns into the men's collections in the other divisions. Likewise, Opera Piemontese is working on the next collections in synergy with, and using the historical archives of, both Marzotto and Tallia di Delfino.

## [Equity investments]

### ESTETHIA/G.B. CONTE

In the year under review, the division booked net revenues of 12.3 million euros (12.4 million euros in the previous year).

Estethia G.B. Conte maintained turnover in line with 2020, therefore recording less of a contraction than before the pandemic, due both to the activity being concentrated in women's clothing fabrics, which are less affected by drops in consumption, and to its presence in the French and Italian markets, which were less affected by the decline due to a high level of exports to China.

In 2021, a new "Prima Donna" high-quality product line was introduced within the collection; thanks to the use of a new range of yarns developed exclusively for this line, fabrics have been created that are very feminine but at the same time comfortable and pleasant to touch; this new line presented for the AW 2022 collection has received good feedback, particularly in the markets of the Far East.

In 2021, the distribution of Harris Tweed products continued to perform well, in line with pre-pandemic numbers. This enabled relations with the manufacturing company to become even more efficient, and technology collaboration activities were planned to make the partnership between MWM and Harris Tweed Hebrides even closer and more dynamic.

#### Net revenues by geographical area

| (in millions of euro)    | 2021         |               | 2020         |               |
|--------------------------|--------------|---------------|--------------|---------------|
| Italy                    | 34.4         | 28.9%         | 38.2         | 32.8%         |
| Other European countries | 53.3         | 44.8%         | 52.7         | 45.2%         |
| North America            | 6.0          | 5.0%          | 2.9          | 2.5%          |
| Asia                     | 22.1         | 18.6%         | 20.9         | 17.9%         |
| Other countries          | 3.2          | 2.7%          | 1.9          | 1.6%          |
| <b>Total</b>             | <b>119.0</b> | <b>100.0%</b> | <b>116.6</b> | <b>100.0%</b> |

Below are the key indicators of the Marzotto Wool Manufacturing Group.

#### Key indicators

| (in millions of euro)                         | 2021          | 2020          | change        | change %       |
|---|---------------|---------------|---------------|----------------|
| <b>Consolidated net revenues</b>              | <b>119.0</b>  | <b>116.6</b>  | <b>2.4</b>    | <b>+ 2.1%</b>  |
| <b>Profit from core businesses</b>            | <b>(12.5)</b> | <b>(17.9)</b> | <b>5.4</b>    | <b>+ 30.2%</b> |
| % of net revenues                             | (10.5%)       | (15.4%)       | 4.9%          |                |
| <b>Operating income</b>                       | <b>(12.6)</b> | <b>(18.5)</b> | <b>5.9</b>    | <b>+ 31.9%</b> |
| % of net revenues                             | (10.6%)       | (15.9%)       | 5.3%          |                |
| <b>Net income</b>                             | <b>(10.9)</b> | <b>(15.1)</b> | <b>4.2</b>    | <b>+ 27.8%</b> |
| <b>Consolidated net invested capital</b>      | <b>108.3</b>  | <b>137.0</b>  | <b>(28.7)</b> | <b>- 20.9%</b> |
| <b>Investments for the period</b>             | <b>1.8</b>    | <b>1.9</b>    | <b>(0.1)</b>  | <b>- 5.3%</b>  |
| <b>Active staff at 31 December: employees</b> | <b>1,385</b>  | <b>1,445</b>  | <b>-60</b>    | <b>- 4.2%</b>  |

Net capital invested in 2021 was down by 28.7 million euros, reflecting a decrease in working capital of -25.9 million euros and fixed assets of -4.4 million euros, and a reduction of m/I-term provisions for +1.6 million euros.

## [Equity investments]

### Marzotto Lab Group

The main object of the Marzotto Lab Group, with parent company Marzotto Lab S.r.l., which has its registered office in Valdagno (VI), is to carry out industrial and commercial operations relating to the purchase, and main and accessory manufacture, of textile fibres of all kinds.

The Marzotto Lab Group, which comprises parent company Marzotto Lab S.r.l., its subsidiary, Linificio e Canapificio Nazionale S.r.l. (wholly owned) and the relative investee companies, AB Liteksas (99.97% owned), Uab Lietvilna (50% owned), Sametex spol s r.o (wholly owned), Girmes G.m.b.H. (wholly owned), Tintoria di Verrone S.r.l. (25% owned), Marzotto Textiles USA and Marzotto Shanghai (50% owned), is active in the Linen, Cotton, Velvet, Furnishings and Other segments (mainly including coordination functions and service activities carried out by the parent company for the operating businesses).

Revenues for the year just ended totalled 112.6 million euros, up 37.1% from the previous year (2020: 82.1 million euros).

Below is the opening according to product type:

### Net revenues by product

| (in millions of euro) | 2021         |               | 2020        |               |
|-----------------------|--------------|---------------|-------------|---------------|
| Linen                 | 50.0         | 44.4%         | 35.0        | 42.6%         |
| Cotton                | 29.0         | 25.8%         | 23.8        | 29.0%         |
| Velvet                | 18.4         | 16.3%         | 12.1        | 14.7%         |
| Furnishing            | 12.5         | 11.1%         | 9.1         | 11.1%         |
| Other                 | 2.7          | 2.4%          | 2.1         | 2.6%          |
| <b>Total</b>          | <b>112.6</b> | <b>100.0%</b> | <b>82.1</b> | <b>100.0%</b> |

The Marzotto Lab Group's activities bring together divisions and companies relative to diversified textile sectors, even if they are in part complementary or belong to a single chain.

### LINEN

Linificio e Canapificio Nazionale closed 2021 with turnover up 52% on the previous year, resuming the path of growth launched in 2018. Growth stopped abruptly in 2020 when, due to the outbreak of the Sars Covid-19 pandemic, there was a sharp drop in consumption of linen yarns worldwide.

In 2021, demand for linen yarn, particularly from the clothing sector, was also significantly affected by the sinusoidal spread of the Sars Covid-19 virus and its variants in countries where linen consumption has historically been highest.

The trend in raw materials, the company's main cost item, was a source of great concern for the entire 12 months, as, due to a series of unfortunate weather coincidences, the 2020 harvest of 2020 was poor in both qualitative and quantitative terms.

This situation has resulted in the possibility of the processing companies relying solely on the 2019 crop; the scarcity on the supply side has generated major supply difficulties and consequently very significant increases in the cost of raw materials. These increases have been progressively revised upwards by suppliers on a quarterly basis.

Over the course of the year, high levels of the virus also affected workers and employees at the Company's production facilities, resulting in high average absenteeism over the 12 months, which caused in significant problems in plant management and production planning.

Despite these three main adverse factors, the 2021 economic result was positive and comparable to the last two pre-pandemic years.

This was possible because, over the years, the Company consolidated its role as a global leader in terms of innovation and environmental, social and value sustainability over the years and simultaneously started the process of automation/reorganisation of production that has had a positive effect on the productivity of the plants.

Thanks to this position of privilege, the close attention paid to proximity and valorisation of the region, the development of new, highly sustainable products and the creation "ex novo" of new markets with a strong positive impact on the environment, Linificio e Canapificio Nazionale succeeded in penetrating some markets more effectively and in opening new ones.

The decline in consumption of linen yarns, particularly by the clothing sector, was thus offset by the entry into new markets and the growth - including by comparison with 2018 and 2019 - recorded in the interior decoration and home furnishing markets.

Among the developed markets, primarily in the last year, the following are regarded as of particular strategic importance in the short and medium term:

- The food packaging market, where, in order to achieve the aim of effective communication and marketing, a new trademark for this sector has also been registered.

## [Equity investments]

- The composite materials market: where, in order to be competitive, a patent has also been filed.

Therefore, although demand for linen yarns was not particularly high for long periods of the year, especially for some types of product with higher value-added for the world of clothing, partly due to the presence of these new markets and very careful sales and marketing management, the average sale price of yarns and total turnover were comparable with those of 2019, and the year-end portfolio was significantly higher than the average for the last five years.

This demonstrates the excellent health of the company and confirms the ambitions set out in the three-year plan presented in 2020 and further improved in December 2021.

The phenomena described above indicate a first half of 2022 in line with the last four months of 2021 in terms of both quantity and prices of yarns.

### COTTON

The Tessuti di Sondrio BU closed the year with turnover growth of approximately 22% compared with the previous year.

Growth in volumes and turnover continued in the second half of the year. The first half was affected by the Covid-19 pandemic. From January to May, the plan made use of Covid Ordinary Wage Guarantee Fund. Thanks to these measures and the recovery of orders and sales in the second half of the year, the plant's productivity increased sharply compared with the previous year. The turnover growth showed that the Tessuti di Sondrio and NTB brands have been able to capture demand for high-quality products as the pandemic situation stabilises.

Action continued to obtain environmentally sustainable products, which are increasingly requested by customers. There has also been a drive towards products that meet the changing needs of consumers who want items in line with the athletic leisure and sportswear trend.

### VELVET

**Fabrics for the fashion world:** in 2021 there was a decrease in volumes, again due to the pandemic-related difficulties seen in the first half of the year, which is the key season for fashion velvet. A review of the clothing collection was launched during the year, in the belief that the market may value Redaelli's quality and production capacity. The introduction of sustainable products with recycled material and the launch of a fake fur collection continued.

**Fabrics for the world of interior decoration:** new products were created and marketed despite the commercial difficulties linked to the pandemic. This resulted in growth in volumes. Additional contract products that require specific technical specifications (Trevira, FR) were created. With the entry, first under a lease agreement and then with the completion of the acquisition, of Prosetex, 2021 marked a turning point in strengthening the interior decoration offering, which is one of the most important collections, able to capture demand from the various sales channels (textile designers, furniture makers, contract).

The Kraslice and Bulciago plants have all the cost-cutting tools in place.

The actions implemented, some already carried out prior to Sars Covid-19, have resulted in a marked improvement in the main economic indicators of the Redaelli Business Unit compared with 2020.

### FURNISHINGS

This division operates in the home textile accessories sector, offering a range of finished bedlinen and living room products. The distribution structure for the retail channel is based on an extensive network of agents located both in Italy and abroad. During the year, the aim was to develop a strategy that is increasingly focused on the e-commerce channel, through the website and the main sector marketplaces, in order to promote online sales. Social media activity was intensified with a focus on Instagram, and a customer newsletter was implemented. Development of large "private label" customers in Northern Europe, Central Europe, the US and the Far East also continued. A line of environmentally sustainable items called "Green label" was also strengthened. The work on the collection, on e-commerce and the marketing activities introduced enabled significant sales growth.

## [Equity investments]

With regard to the end markets, it should be noted that the domestic market accounts for 40.7% of the total (compared with 41.0% in the previous year), while the rest of Europe, which covers around an additional 49.2% of the total, was in turn slightly up (49.5% in 2020).

Net revenues  
by geographical area

| (in millions of euro)    | 2021         |               | 2020        |               |
|--------------------------|--------------|---------------|-------------|---------------|
| Italy                    | 45.9         | 40.7%         | 33.7        | 41.0%         |
| Other European countries | 55.4         | 49.2%         | 40.6        | 49.5%         |
| North America            | 3.0          | 2.7%          | 2.3         | 2.8%          |
| Asia                     | 4.8          | 4.3%          | 3.4         | 4.1%          |
| Other countries          | 3.5          | 3.1%          | 2.1         | 2.6%          |
| <b>Total</b>             | <b>112.6</b> | <b>100.0%</b> | <b>82.1</b> | <b>100.0%</b> |

Below are the key indicators of the Marzotto Lab Group.

Key indicators

| (in millions of euro)                         | 2021         | 2020          | change       | change %       |
|---|--------------|---------------|--------------|----------------|
| <b>Consolidated net revenues</b>              | <b>112.6</b> | <b>82.1</b>   | <b>30.5</b>  | <b>+ 37.1%</b> |
| <b>Profit from core businesses</b>            | <b>1.3</b>   | <b>(8.3)</b>  | <b>9.6</b>   | <b>n.c.</b>    |
| % of net revenues                             | 1.2%         | (10.1%)       | 11.3%        |                |
| <b>Operating income</b>                       | <b>0.8</b>   | <b>(13.0)</b> | <b>13.8</b>  | <b>n.c.</b>    |
| % of net revenues                             | 0.8%         | (15.8%)       | 16.6%        |                |
| <b>Net income</b>                             | <b>0.5</b>   | <b>(12.1)</b> | <b>12.6</b>  | <b>n.c.</b>    |
| <b>Consolidated net invested capital</b>      | <b>65.9</b>  | <b>66.0</b>   | <b>(0.1)</b> | <b>- 0.2%</b>  |
| <b>Investments for the period</b>             | <b>2.5</b>   | <b>1.8</b>    | <b>0.7</b>   | <b>+ 38.9%</b> |
| <b>Active staff at 31 December: employees</b> | <b>1,334</b> | <b>1,202</b>  | <b>132</b>   | <b>+ 11.0%</b> |

Net capital invested in 2021 was down by -0.1 million euros, reflecting a decrease in net working capital of 5.8 million euros and an increase in fixed assets of 5.7 million euros.



## [Equity investments]

Ambiente Energia S.r.l.  
Share capital  
100,000 euros

Established on 22 May 2009, Ambiente Energia S.r.l. is a limited liability company with its registered office at Viale dell'Industria, Schio (VI).

The Company, which operates independently with a single director vested with full powers, mainly carries out integrated industrial and other waste management activities, in the capture, collection, supply, purification and drainage phases, and carries out waste, water, sludge treatment and similar activities.

The subsidiary closes the year with revenues of 6.7 million euros, (5.8 million euros in 2020) and a net result of 1.0 million euros (0.8 million euros in 2020).

## [Equity investments]

### Equity investments in associates

Ratti S.p.A.  
Share capital  
11,115,000 euros

Below is a summary of other equity investments in associates:

|                            | 2021               | 2020               |
|----------------------------|--------------------|--------------------|
| Equity investments         | 34.24%             | 34.01%             |
| no. of shares owned        | 9,364,000          | 9,300,400          |
| Marzotto S.p.A. book value | 11.1 euro/millions | 10.8 euro/millions |

In 2010, Marzotto S.p.A. purchased an initial equity investment of 33.36% in Ratti S.p.A., a company listed on the Milan stock exchange with its registered office in Guanzate (CO).

The Ratti Group operates in the silk sector, producing and marketing printed, solid-colour and yarn-dyed fabrics for clothing and furnishings. It also develops and distributes finished products, mainly men's and women's accessories.

The Ratti Group earned revenues of 78.7 million euros (compared with 71.9 million euros in FY 2020) and a net profit of 2.9 million euros (compared with 0.4 million euros in 2020).

Mascioni S.p.A. (MI)  
Share capital  
5,560,000 euros

|                            | 2021    | 2020    |
|----------------------------|---------|---------|
| Equity investments         | 13.31%  | 13.31%  |
| no. of shares owned        | 283,500 | 283,500 |
| Marzotto S.p.A. book value | =       | =       |

It should be recalled that the company entered into composition proceedings in 2015. The equity investment was written off.

Aree Urbane S.r.l. (MI)  
in liquidation  
Share capital  
100,000 euros

|                            | 2021   | 2020   |
|----------------------------|--------|--------|
| Equity investments         | 32.50% | 32.50% |
| Marzotto S.p.A. book value | =      | =      |

See in this regard the contents of the "Main events of the year" section at the beginning of this document.

## [Other information]

### Employees

As of 31 December 2021, the Company had 72 active employees, compared with 82 in the previous year.

|                             | Year-end staff |               |               |               | Average staff |               |           |               |
|-----------------------------|----------------|---------------|---------------|---------------|---------------|---------------|-----------|---------------|
|                             | at 31.12.2021  |               | at 31.12.2020 |               | 2021          |               | 2020      |               |
| Fabrics                     | 1              | 1.4%          | 4             | 4.9%          | 1             | 1.3%          | 5         | 6.0%          |
| Other Operations            | 70             | 98.6%         | 77            | 95.1%         | 74            | 98.7%         | 78        | 94.0%         |
| <b>Total</b>                | <b>71</b>      | <b>100.0%</b> | <b>81</b>     | <b>100.0%</b> | <b>75</b>     | <b>100.0%</b> | <b>83</b> | <b>100.0%</b> |
| Laid off/dismissed          | 1              |               | 1             |               | 1             |               | 1         |               |
| <b>Total staff year end</b> | <b>72</b>      |               | <b>82</b>     |               | <b>76</b>     |               | <b>84</b> |               |

### Industrial relations

The effects of the health emergency due to the Sars Covid-2 virus had significant effects on the 2021 financial year in the Marzotto Group, including in terms of industrial and trade union relations, not only due to the decrease in production activities and the use of social shock absorbers, but also due to the organisation of work, given the absences due to illness, quarantine and parental leave. In addition, activities related to the management of contagion risk and control delegated by the government to employers were implemented.

The use of CIGO (*Cassa Integrazione Guadagni Ordinaria* - Ordinary Wage Guarantee Fund) due to Covid-19 concerned the various Group companies and divisions in different ways, according to market demand and product type.

The CIGO procedures provided for the stipulation of trade union agreements in application of the relevant regulations that occurred during the year, including with respect to the specific ATECO production sector code.

The use of the CIGO was accompanied by smart working and a scheduling plan to encourage the use of leave and other remaining contractual arrangements.

Anti-contagion protocols were also implemented both at Group level and at local offices, including through the use of electronic tools such as thermoscanners, proximity tracking devices and automatic monitoring of green passes.

In addition, the Human Resources Department and the national representatives of the trade unions, continuing what began in 2020, entered into trade union agreements in the various Group companies for the consensual termination of employment relationships. Agreements to this effect were signed on 11 February 2021, 30 March 2021 and 27 July 2021.

### Training and development of human resources

In 2021, Marzotto S.p.A. delivered 100 hours of training on soft skills and updates on the 231 Model and customs regulations.

### Secondary offices

In accordance with the provisions of Article 2428, para. 5, of the Italian Civil Code, evidence is provided of the secondary operating offices at which the Company carries out its activities:

- Piovene Rocchette (Vicenza province), Via A. Rossi 50.

## [Other information]

### Risk management (IFRS 7)

The Company acts to identify and assess risk, in order to implement procedures for managing any risk factors that may influence business results.

In addition to the above approach, the Company, in order to minimise exposure to, and consequently the financial impact of, any damaging event, has prepared the transfer of the remaining risks to the insurance market, if they are insurable.

Over the years, the specific needs of the Marzotto Group companies have involved the significant specific personalisation of insurance cover, to adapt it to the operational specificities and their inherent risk profiles.

All the companies in the Marzotto Group are currently insured against the main risks regarded as strategically important, such as property all risk, third-party liability and products. During the year, the Marzotto Group underwent an in-depth risk assessment process with a focus on the main cyber risks to which the various companies within the consolidation scope may be exposed. The process involved the Group's entire IT structure, testing the effectiveness and adequacy of the protection, storage and defence systems of the computing architectures currently in place. At the end of the process, an international insurance programme to protect against major cyber risks was activated with a leading operator in the sector.

All the companies in the Marzotto Group are currently insured against the main risks regarded as strategically important, such as property all risk, third-party liability and products. The analysis, management and insurance transfer of the risks borne by the Group is carried out in collaboration with an insurance broker of prime standing, which also supports this activity through its international organisation.

### Internal risks (processing risks)

#### *Risks related to financing sources and liquidity risk*

The effects of potential turmoil in the global financial system could represent a risk factor in relation to the possibility of obtaining further financial resources at current conditions.

However, the Company believes that the present debt structure, in particular the immediately available financial resources (deposits) and unused lines of credit, will limit the negative effects of any difficulty in obtaining credit.

#### *Credit risk*

Credit risk is the risk that a customer or one of the counterparties to a financial instrument may cause a financial loss by not complying with an obligation, and mainly pertains to the Company's trade receivables and financial investments.

The **commercial credit risk** is essentially reduced also in view of the type of customers, which are diversified and not significantly concentrated in the new outlet markets.

Through a specific department, the Company adopts procedures for verifying the credit rating of its customers when they request extended payments. Exposure is regularly monitored and suitable action is taken to combat delays, minimise exposure and reduce the risk of loss.

With regard to **financial credit risk**, the Company limits its exposure to credit risk by investing exclusively in high liquidity securities and only with high credit rating parties.

The age of trade receivables at the date of the financial statements was as follows:

| (thousands of euro)       | 2021       |             | 2020         |             |
|---------------------------|------------|-------------|--------------|-------------|
|                           | gross      | fund        | gross        | fund        |
| Current                   | 179        | =           | 394          | (33)        |
| Overdue from 0 to 90 days | 77         | =           | 90           | =           |
| Overdue over 90 days      | 150        | (71)        | 1,329        | (39)        |
| <b>Total</b>              | <b>406</b> | <b>(71)</b> | <b>1,813</b> | <b>(72)</b> |

## [Other information]

### *Interest rate risk*

The Company is exposed to the risk of volatility of interest rates associated both with liquidity and loans.

The effects of potential turmoil, already experienced in the banking system, could represent a potential risk in relation to the cost of obtaining financial resources. The benchmark rates and the spreads granted by lending banks call for a constant monitoring of the risk described above. However, this risk is not believed to be material in terms of impact, given the current level of net debt.

Interest rate hedging contracts are in place on medium/long-term loans at variable rates, through financial derivatives, to avoid market fluctuations.

### *Environmental and safety risk*

The Company manages the environmental risk and safety with suitable staff training according to new legislation and by introducing systems to prevent and improve health and safety at work. In terms of safety, the Company invests constantly in protecting and ensuring the safety of the workplace, both inside and outside the production facilities.

The organisation is always committed to respecting environmental standards in compliance with the environmental regulations in force in each local area with regard to the specific business segments.

New investments are being considered, also in view of their environmental impact, the potential savings in terms of a reduction in the consumption of resources and energy during operations, as well as the reduction of total waste materials produced.

Considering the sector in which the Company operates and its financial structure, there are no other significant risks.

With regard to the risks of the Group, of which Marzotto is the parent, please see the Management Report for the consolidated financial statements. With regard to the specific risks of the subsidiaries, please see the risks described in the consolidated financial statements.

## Significant events

At the date of this document, there are no significant events to report after the close of the year.

## [Performance news and outlook for the current year]

The management of Marzotto S.p.A., whose purpose is to manage the operative Companies, is influenced by the performance of the investee companies.

As regards economic performance during the first two months of this year, we note that the consolidated net revenues of the Marzotto Group came to 48.6 million euros, up by around 92% on the 25.4 million booked for the same period of 2021.

### Business outlook

It is expected that the management of the Covid-19 pandemic will entail the progressive easing of restrictive measures in connection with the roll-out of the vaccination campaign against the virus, although some concern remains about the spread of variants. These issues, together with growing international tension over developments in the Russian/Ukrainian conflict and the surge in commodity and energy prices, could slow the process of normalisation of the national and global economic environment.

The efforts made during the two-year period 2020-2021 to reduce costs, with the resulting increased efficiency of the system, and to redefine supply to make it more streamlined but heterogeneous (strengthening interior decoration), innovative, sustainable, and in keeping with the demands of a market that is changing rapidly, have prepared the Group to effectively ride the wave of the envisaged recovery, regain lost volumes and consequently strengthen its position in the market, as envisaged in the 2022-2025 Business Plan.

Valdagno (VI), 29 March 2022

FOR THE BOARD OF DIRECTORS  
THE CHIEF EXECUTIVE OFFICER  
DAVIDE FAVRIN

**Marzotto S.p.A.**

- General information
- Report on operations
- Financial statements

# Financial statements

| (thousands of euro)  | 31.12.2021 |                | 31.12.2020 |                |
|--|------------|----------------|------------|----------------|
|  | Partial    | Total          | Partial    | Total          |
| <b>1. Non-current assets</b>   |            |                |            |                |
| 1.1 Property, plant and machinery  |            | 9,716          |            | 8,042          |
| 1.2 Civil buildings  |            | 719            |            | 749            |
| 1.3 Goodwill, trademarks and other intangible assets                     |            | 907            |            | 1,059          |
| 1.5 Other investments (participations)                                   |            | 112,017        |            | 111,769        |
| 1.6 Long-term receivables  |            | 8              |            | 9              |
| 1.7 Deferred tax assets  |            | 2,756          |            | 3,024          |
| 1.8 Long-term financial receivables third parties                        | 147        |                | 8          |                |
| Long-term financial receivables subsidiaries and affiliates              | 65,344     | 65,491         | 51,500     | 51,508         |
| <b>Total non-current assets</b>  |            | <b>191,614</b> |            | <b>176,160</b> |
| <b>2. Non-currents assets held for sale</b>                              |            | =              |            | =              |
| <b>3. Current assets</b>   |            |                |            |                |
| 3.1 Inventories  |            | =              |            | =              |
| 3.2 Trade receivables third parties                                      | 335        |                | 1,741      |                |
| Trade receivables subsidiaries and affiliates                            | 3,835      | 4,170          | 3,086      | 4,827          |
| 3.3 Other receivables third parties                                      | 790        |                | 1,434      |                |
| Other receivables subsidiaries and affiliates                            | 94         | 884            | 2,107      | 3,541          |
| 3.4 Current financial assets, cash and cash equivalents third parties    | 23,215     |                | 14,500     |                |
| Current financial assets, cash and cash equivalents subs. and affiliates | 3,432      | 26,647         | 13,024     | 27,524         |
| <b>Total current assets</b>  |            | <b>31,701</b>  |            | <b>35,892</b>  |
| <b>Total assets</b>  |            | <b>223,315</b> |            | <b>212,052</b> |
| <b>4. Shareholders' equity</b>   |            |                |            |                |
| 4.1 Share capital and reserves   |            | 132,865        |            | 133,266        |
| 4.2 Income/(Loss) for the year   |            | 180            |            | (616)          |
| <b>Shareholders' equity</b>  |            | <b>133,045</b> |            | <b>132,650</b> |
| <b>5. Non-current liabilities</b>  |            |                |            |                |
| 5.1 Long-term provisions   |            | 9,656          |            | 10,355         |
| 5.2 Other long-term payables   |            | =              |            | =              |
| 5.3 Deferred tax liabilities   |            | 572            |            | 1,001          |
| 5.4 Long-term financial payables   |            | 72,197         |            | 57,778         |
| <b>Total non-current liabilities</b>                                     |            | <b>82,425</b>  |            | <b>69,134</b>  |
| <b>6. Current liabilities</b>  |            |                |            |                |
| 6.1 Trade payables and other payables third parties                      | 3,556      |                | 3,659      |                |
| Trade payables and other payables subsidiaries and affiliates            | 690        | 4,246          | 522        | 4,181          |
| 6.2 Current financial payables third parties                             | 3,599      |                | 6,087      |                |
| Current financial payables subsidiaries and affiliates                   | =          | 3,599          | =          | 6,087          |
| <b>Total current liabilities</b>   |            | <b>7,845</b>   |            | <b>10,268</b>  |
| <b>Total shareholders' equity and liabilities</b>                        |            | <b>223,315</b> |            | <b>212,052</b> |
| <b>Net financial debt</b>  |            | <b>16,342</b>  |            | <b>15,167</b>  |



# Financial statements

## [Company statement of profit/(loss) for the year and items of other comprehensive income]

| (thousand euro)  | Year 2021    |              | Year 2020    |              |
|--|--------------|--------------|--------------|--------------|
|  | Amounts      | %            | Amounts      | %            |
| <b>7. Net revenues third parties</b>                                       | 1,177        | 12.3         | 1,061        | 11.4         |
| Net revenues subsidiaries and affiliates                                   | 8,423        | 87.7         | 8,252        | 88.6         |
| <b>Total net revenues</b>  | <b>9,600</b> | <b>100.0</b> | <b>9,313</b> | <b>100.0</b> |
| <b>8. Cost of sales third parties</b>                                      | (1,557)      | (16.2)       | (1,666)      | (17.9)       |
| Cost of sales subsidiaries and affiliates                                  | (12)         | (0.1)        | (1)          | =            |
| <b>9. Gross income</b>   | <b>8,031</b> | <b>83.7</b>  | <b>7,646</b> | <b>82.1</b>  |
| 10. R&D and marketing costs  | (16)         | (0.2)        | (2)          | =            |
| 11. General and administrative costs                                       | (7,265)      | (75.7)       | (7,277)      | (78.1)       |
| 12. Other income and charges   | (14)         | (0.1)        | (907)        | (9.7)        |
| <b>13. Operating income</b>  | <b>736</b>   | <b>7.7</b>   | <b>(540)</b> | <b>(5.7)</b> |
| 14. Net financial charges third parties                                    | (537)        | (5.6)        | (122)        | (1.3)        |
| Net financial charges subsidiaries and affiliates                          | 417          | 4.3          | 101          | 1.1          |
| 15. Dividends  | =            | =            | =            | =            |
| 16. Valuation of equity investments held for sale                          | =            | =            | =            | =            |
| 17. Other financial income and charges                                     | (7)          | (0.1)        | (57)         | (0.6)        |
| <b>18. Income before taxes</b>   | <b>609</b>   | <b>6.3</b>   | <b>(618)</b> | <b>(6.5)</b> |
| 19. Taxes  | (429)        | (4.5)        | 2            | =            |
| <b>20. Net income</b>  | <b>180</b>   | <b>1.8</b>   | <b>(616)</b> | <b>(6.5)</b> |
| 21. Fair Value adjustments <sup>(1)</sup>                                  | 203          | 2.1          | (97)         | (1.0)        |
| 22. Other adjustments <sup>(1)</sup>                                       | =            | =            | =            | =            |
| <b>Items that will be reclassified subsequently to profit and loss</b>     | <b>203</b>   | <b>2.1</b>   | <b>(97)</b>  | <b>(1.0)</b> |
| 23. IAS 19 adjustments <sup>(1)</sup>                                      | 12           | 0.1          | (3)          | =            |
| <b>Items that will not be reclassified subsequently to profit and loss</b> | <b>12</b>    | <b>=</b>     | <b>(3)</b>   | <b>=</b>     |
| <b>24. Total comprehensive income for the period</b>                       | <b>395</b>   | <b>4.1</b>   | <b>(716)</b> | <b>(7.5)</b> |

1. The Change in Fair Value Reserve, IAS 19 Reserve and the Other adjustments are components of the comprehensive income statement accounted for in equity.

| (thousands of euro)   | 2021           | 2020            |
|---|----------------|-----------------|
| <b>Net income</b>   | <b>180</b>     | <b>(616)</b>    |
| Amortisation and depreciation   | 1,141          | 1,299           |
| Change in provisions  | (911)          | (744)           |
| Gain/(losses) on disposal of fixed assets                                     | (97)           | (113)           |
| Change in inventories   | =              | =               |
| Change in trade receivables and other receivables third parties               | 2,050          | 26              |
| Change in trade receivables and other receivables subsidiaries and affiliates | 1,264          | (921)           |
| Change in trade payables and other payables third parties                     | (103)          | (1,152)         |
| Change in trade payables and other payables subsidiaries and affiliates       | 168            | (8,068)         |
| Change in long-term other financial receivables and payables                  | 1              | 2               |
| <b>Operating cash flow (A)</b>  | <b>3,693</b>   | <b>(10,287)</b> |
| Investments in intangible and tangible fixed assets                           | (1,294)        | (95)            |
| Disposals in intangible and tangible fixed assets                             | 106            | 119             |
| Investments in equity investments   | (248)          | =               |
| Disposals of other equity investments   | =              | =               |
| <b>Cash flow from investments (B)</b>   | <b>(1,436)</b> | <b>24</b>       |
| Other equity changes (C)  | =              | =               |
| Extraordinary operations (D)  | =              | =               |
| <b>Cash flow before dividends (A+B+C+D)</b>                                   | <b>2,257</b>   | <b>(10,263)</b> |
| Dividends paid  | =              | =               |
| Increase in share capital of Parent Company                                   | =              | 10,100          |
| <b>Change in net financial position</b>                                       | <b>2,257</b>   | <b>(163)</b>    |
| Change in long-term financial payables  | 13,733         | 51,419          |
| Change in current financial payables third parties                            | (2,714)        | 6,076           |
| Change in leasing financial receivables                                       | (309)          | (302)           |
| Change in current financial payables subsidiaries and affiliates              | =              | =               |
| Change in long-term financial receivables third parties                       | =              | 28              |
| Change in long-term financial receivables subsidiaries and affiliates         | (13,844)       | (51,500)        |
| <b>Total Change in current financial assets, cash and cash equivalent</b>     | <b>(877)</b>   | <b>5,558</b>    |
| <b>Cash and current financial assets - beginning of the period</b>            | <b>27,524</b>  | <b>21,966</b>   |
| <b>Cash and current financial assets - end of the period</b>                  | <b>26,647</b>  | <b>27,524</b>   |

| (thousand euro)                            | Share capital | Legal reserve | Share Capital payment reserve | Extra-ordinary reserve | Fair Value reserve | Transfer reserve | IAS 19 reserve | Profits carried forward | Income for the year | Total share-holders' equity |
|--|---------------|---------------|-------------------------------|------------------------|--------------------|------------------|----------------|-------------------------|---------------------|-----------------------------|
| <b>Balances as at 31.12.2019</b>           | 40,000        | 8,000         | =                             | 76                     | =                  | 51,998           | (25)           | 12,892                  | 10,325              | 123,266                     |
| Net income for the year 2020               |               |               |                               |                        |                    |                  |                |                         | (616)               | (616)                       |
| Other total profit/(losses) <sup>(1)</sup> |               |               |                               |                        | (97)               |                  | (3)            |                         |                     | (100)                       |
| <b>Total other income/charges</b>          | =             | =             | =                             | =                      | (97)               | =                | (3)            | =                       | (616)               | (716)                       |
| Other movements                            |               |               | 10,100                        |                        |                    |                  |                |                         |                     | 10,100                      |
| Allocation of net income 2019              |               |               |                               |                        |                    |                  |                |                         |                     |                             |
| carried forward                            |               |               |                               |                        |                    |                  |                | 10,325                  | (10,325)            | =                           |
| <b>Balances as at 31.12.2020</b>           | 40,000        | 8,000         | 10,100                        | 76                     | (97)               | 51,998           | (28)           | 23,217                  | (616)               | 132,650                     |
| Net income for the year 2021               |               |               |                               |                        |                    |                  |                |                         | 180                 | 180                         |
| Other total profit/(losses) <sup>(1)</sup> |               |               |                               |                        | 203                |                  | 12             |                         |                     | 215                         |
| <b>Total other income/charges</b>          | =             | =             | =                             | =                      | 203                | =                | 12             | =                       | 180                 | 395                         |
| Other movements                            |               |               |                               |                        |                    |                  | 7              | (7)                     |                     | =                           |
| Allocation of net income 2020              |               |               |                               |                        |                    |                  |                |                         |                     |                             |
| carried forward                            |               |               |                               |                        |                    |                  |                | (616)                   | 616                 | =                           |
| <b>Balances as at 31.12.2021</b>           | 40,000        | 8,000         | 10,100                        | 76                     | 106                | 51,998           | (9)            | 22,594                  | 180                 | 133,045                     |

1. Profits and Losses of the Comprehensive Income Statement recognized in Shareholders' Equity.

## Introduction

## [Notes to the Company's financial statements]

### General information

Marzotto S.p.A. is a joint stock company with sole shareholder and registered office in Valdagno (VI).

As of 2015, Marzotto S.p.A. has mainly been providing strategic management and coordination activities in support of the operative companies (administration and finance, legal and corporate, human resource management and information systems) and distribution logistics activities at the site of Piovene Rocchette (VI), on behalf of the Group companies and third parties.

### Management and coordination activities

Marzotto S.p.A. is managed and coordinated by Trenora S.r.l. (Valdagno); a summary table of key data for this company from the last approved financial statements is shown below.

| Balance sheet             | 31.12.2020     |                           | 31.12.2020     |
|---------------------------|----------------|---------------------------|----------------|
| (thousands of euro)       |                |                           |                |
| B) Fixed assets           | 100,134        | A) Shareholders' equity   | 100,852        |
| C) Current assets         | 906            | B) Accounts payable       | =              |
| D) Accruals and deferrals | 2              | D) Accruals and deferrals | 190            |
| <b>Total assets</b>       | <b>101,042</b> | <b>Total liabilities</b>  | <b>101,042</b> |

| Income statements  | Year 2020    |
|--|--------------|
| (thousands of euro)  |              |
| A) Value of production                                       | =            |
| B) Cost of goods sold  | (202)        |
| <b>Difference between value and cost of goods sold (A+B)</b> | <b>(202)</b> |
| C) Financial income and charges                              | (1)          |
| D) Adjustment to value of financial assets                   | =            |
| <b>Income before taxes (A+B+C+D+E)</b>                       | <b>(203)</b> |
| Income taxes   | 10           |
| <b>Profit (loss) for the year</b>                            | <b>(193)</b> |

### Publication

The Company, which has equity investments in subsidiaries and associates, has prepared the Group's consolidated financial statements at the same time as the separate financial statements. These are published in accordance with the law.

### Compliance with IFRS/IAS

These financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union, as well as with the orders issued in implementation of Italian Legislative Decree 38/2005.

IFRS also means all revised international accounting standards (IAS) and all interpretations by the International Financial Reporting Interpretations Committee (IFRIC), previously named the Standing Interpretations Committee (SIC).

### Financial statements

This document consists of the statement of financial position, the statement of profit/(loss) for the year and other comprehensive income, the statement of cash flows, the statement of changes in shareholders' equity and the notes to the financial statements.

With regard to the presentation of the financial statements, the Company has made the following choices:

- in the statement of financial position, current and non-current assets and current and non-current liabilities are shown separately. Current assets are expected to be realised, transferred or consumed during the Company's normal operating cycle; current liabilities are expected to be paid off during the Company's normal operating cycle or in the 12 months following the end of the period;
- for the statement of profit/(loss) for the period and items of other comprehensive income, costs are allocated according to their intended purpose;
- for the statement of cash flows, the indirect method has been used.

## Introduction

## [Notes to the Company's financial statements]

### Identification of the segments

Disclosure according to business segment and geographical area is provided in accordance with IFRS 8 - Operating Segments.

The criteria applied to identify these segments are based on the ways in which the management manages the Group and attributes managerial responsibilities.

The information by segment is primarily organised by business type, as follows:

- Holding and coordination;
- Real estate;
- Logistics;
- Other.

### Going concern

The Company was indirectly affected by the Covid-19 pandemic, as a holding company with equity investments operating in wool fabrics and sundry textiles, which were among the main sectors hit hardest by the pandemic.

The effects of the continuation of the pandemic marked the first part of 2021, resulting in turnover and volumes that remained low, offset by a rationalisation of all fixed costs, partly due to the use of social shock absorbers and retirement incentives for staff of pensionable age.

In 2021, the Group's financial structure was further strengthened by the signing of new medium/long-term loan agreements totalling 39.5 million euros. Overall, the Group took out new loans of 106.5 million euros in the two-year period 2020-21.

Despite the uncertainty, the forecasts for 2022 suggest signs of recovery from the second half of the year, and a gradual return to pre-pandemic demand: the approved 2022-2025 Business Plans provide for a gradual return to economic and financial equilibrium.

Management is confident and convinced that, following the planned actions, once the pandemic is over, the Group companies can return to sustainable growth and profitability: it has therefore agreed that the company can continue to operate as a going concern, realising its assets and honouring its liabilities as it carries out its business.

Accordingly, the separate financial statements have been prepared on the basis of the accounting records as at 31 December 2021 and on a going concern basis.

## Change to accounting standards

These separate financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union, as well as with the orders issued in implementation of Italian Legislative Decree no. 38/2005.

IFRS also means all revised international accounting standards (IAS) and all interpretations by the International Financial Reporting Interpretations Committee (IFRIC), previously named the Standing Interpretations Committee (SIC).

*Accounting standards that entered into force on 1 January 2021*

On 27 August 2020, the IASB published the document "Amendments to IFRS 9, IAS 39, IFRS7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2", endorsed by the EU with Regulation 2021/25 of 13 January 2021, in the light of the reform of interbank interest rates such as IBOR.

This document defines the specific accounting treatment in the temporal distribution of the effect on financial instruments and lease agreements of the replacement of benchmarks for the determination of existing interest rates with alternative reference rates. The adoption of this amendment has had no effect on the Company's financial statements.

On 31 March 2021, the IASB published the amendment "Amendments to IFRS 16 Leases Covid-19 Related Rent Concessions", endorsed by the EU with Regulation 2021/1421 of 30 August 2021, which extends for one year the period of application of the similar document issued in 2020. This amendment allows lessees benefiting from suspensions of lease payments due on the lease not to consider an amendment of the lease, without compromising the relevance and usefulness of the financial information. The amendments apply as of 1 April 2021 for annual reporting periods starting on 1 January 2021.

This amendment has not been applied by the Company.

*Accounting standards, amendments and interpretations not yet applicable and not adopted early by the Company*

On 23 January 2020, the IASB published the document "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current", which is intended to clarify the classification of payables as short-term or long-term liabilities. This amendment, initially in force from 1 January 2022, was subsequently amended on 15 July 2020 in order to postpone the date of entry into force until 1 January 2023. The Company does not expect the application of this amendment to have a material impact on its financial statements.

On 14 May 2020, the IASB published various clarification amendments:

"Amendments to IFRS 3 Business Combinations": this amendment updates the reference in IFRS 3 to the "Conceptual Framework" in the revised version, without these involving changes to the provisions of the standard;

"Amendments to IAS 16 Property, Plant and Equipment": this amendment does not allow the amount received from the sale of goods produced before the asset was ready for use to be deducted from the cost of the asset. These sales revenues and the related costs will be recognised in the income statement;

"Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets": this clarifies the cost items to be considered when determining whether a contract will be onerous;

"Annual Improvements 2018-2020": amendments have been made to the standards "IFRS 1 First-Time Adoption of International Financial Reporting Standards", "IFRS 9 Financial Instruments", and "IAS 41 Agriculture", as well as to the Illustrative Examples" that accompany the standard "IFRS 16 Leases".

These amendments, endorsed by the EU with Regulation 2021/1080, will enter into force on 1 January 2022; the Company does not expect the application of these amendments to have a material impact.

On 12 February 2021, the IASB published two amendments entitled "Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS Practice Statement 2" and "Definition of Accounting Estimates—Amendments to IAS 8". The amendments are intended to improve disclosure of accounting policy in order to provide more useful information to investors and other primary users of the financial statements as well as helping companies to distinguish changes in accounting estimates from changes in accounting policies. These amendments, not yet endorsed by the EU, will enter into force on 1 January 2023; the Company does not expect the application of these amendments to have a material impact.

On 7 May 2021, the IASB published an amendment entitled "Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction". The document clarifies how deferred taxes must be accounted for on certain transactions that may generate assets and liabilities of equal amounts, such as leasing and dismantling obligations. This amendment has not yet been endorsed by the EU; the amendments will apply from 1 January 2023; the Company does not expect the application of these amendments to have a material impact.

## Valuation criteria

## [Notes to the Company's financial statements]

The most significant valuation criteria adopted in preparing the financial statements are indicated below:

### 1.1 Property, plant and equipment

#### 1.2 Civil real estate

Property, plant and equipment is carried at historical cost, including directly attributable accessory costs.

Land, both vacant and annexed to civil or industrial buildings, has not been amortised since its useful life is indefinite.

Some assets that had been revalued in previous periods are recognised on the basis of the revalued amount, regarded as the substitute amount of the cost at the date of transition to IAS.

Maintenance and repair expenses that do not increase the value or prolong the remaining useful life of assets are recognised as expenses in the period in which they are incurred.

Tangible assets are shown net of accumulated depreciation and any impairment, determined in accordance with the methods described below. Depreciation is straight-line, based on the estimated useful life of the asset.

The estimated useful life of the main property, plant and equipment is as follows:

|                                     |             |
|-------------------------------------|-------------|
| Land                                | indefinite  |
| Buildings                           | 10/33 years |
| Plant and machinery:                |             |
| - Textiles                          | 8 years     |
| - Textiles in corrosive environment | 5/6 years   |
| - Other                             | 6/25 years  |
| Industrial and commercial equipment | 4/7 years   |
| Other assets:                       |             |
| - Electronic office machinery       | 5 years     |
| - Office furniture and fixtures     | 7/9 years   |
| - Vehicles                          | 4/5 years   |

### Leases

Leases are recognised on the basis of the right to control the use of an identified asset for a period of time, excluding leases relating to low-value assets or with a term of 12 months or less.

Right of use assets are valued at cost, which is equal to the lease liability, including the initial direct costs incurred and payments made at the inception date or before the commencement date, net of depreciation, amortisation, impairment and adjusted for any change in the lease liability. Depreciation is calculated over the lease term; if the lease provides for the transfer of ownership of the asset or the lessee exercises the purchase option, depreciation is over the useful life of the asset.

Lease liabilities are measured on the basis of the present value of the payments still due, applying an interest rate equal to the company's medium/long-term loan rate. After the inception date, the amount of the lease liability increases to take account of the interest on the lease liability and decreases to take account of the payments made. The book value of lease payables is recalculated in the event of any changes in the lease or for the revision of the contractual terms due to changes to payments.

Lease liabilities also include the exercise price of an option, if this is certain or probable, as well as any penalty for termination of the lease.

### 1.3 Goodwill, trademarks and other intangible fixed assets

Intangible assets with a "finite useful life" are recognised at cost, determined according to the methods prescribed for tangible assets, and shown net of accumulated amortisation and any lasting impairment, determined according to the methods described below.

Intangible assets with an "indefinite useful life" (e.g. trademarks) are not amortised.

### Impairment

At every reporting date, the Company verifies whether there are any indicators of asset impairment.

If these indications exist, an estimate is prepared of the value that can be recovered on the asset, i.e. the greater of the fair value of an asset or cash generating unit, less the costs of sale, and its use value. In determining its value in use, estimated future cash flows are discounted to present value, using a rate gross of tax that reflects current market appraisals of the value of money and the specific risks of the asset.

A reduction in value is recognized in the income statement when the book value of the asset, or of the related cash generating unit, to which it is allocated, is greater than the estimated realizable value.

Impairment losses are written back if the reasons for generating them no longer exist.

## Valuation criteria

## [Notes to the Company's financial statements]

### 1.5 Equity investments

Equity investments in subsidiaries, joint ventures and associates that represent long-term investments are shown at the cost of acquisition or establishment, insofar as it is representative of the fair value. At every reporting date, the Company checks whether there are any indicators of lasting impairment for all equity investments in respect of their value at initial recognition. Equity investments in subsidiaries, joint ventures and associates that represent long-term investments therefore maintain their value at initial recognition unless there is lasting impairment. Equity investments in other companies are measured at fair value, with any profits or losses recognised directly in equity. At the time of their sale, such accumulated profits and losses are recognised in the income statement. When fair value cannot be reliably determined, equity investments in other companies are measured at cost adjusted for impairment, with the difference recognised in the income statement.

In particular, equity investments in subsidiaries and associates are tested for impairment at least once a year; this test requires an estimate of the recoverable value of the asset, i.e. the greater of the fair value of an asset or cash generating unit less selling costs and value in use.

### 1.8 Medium/long-term financial receivables

Financial assets are initially recognised at the amount incurred, which is representative of fair value, and later recognised at the lower of the book value and the presumed realisable value.

### 2. Non-current assets held for sale

Assets or groups of assets and liabilities whose value will be recovered mainly through their sale rather than their ongoing use are recognised separately from other assets and liabilities in the statement of financial position.

Non-current assets or groups of assets and liabilities held for sale are recognised at the lower between the book value and the fair value net of the costs of sale.

### 3.1 Inventory

Inventories are measured at the lower of cost and the presumed net realisable value, using the weighted average cost criterion to determine the cost. The inventory valuation includes direct material and labour costs and indirect costs (variable and fixed) attributable to production.

### 3.2 Trade receivables

### 3.3 Other receivables

Trade receivables due within standard business terms and other operating receivables (other receivables) are not discounted and are carried at nominal value net of any write-downs (fair value). The adjustment to the estimated realisable value is recognised in a special adjustment reserve.

### 3.4 Short-term financial assets and cash and cash equivalents

Financial assets held for trading are recognised at the fair value shown in the income statement.

Cash and cash equivalents are made up of cash in hand, i.e. cash that is readily available or available in the very short term, successfully, and without collection expenses.

A financial asset (or, if applicable, a portion of a financial asset or a portion of a group of similar financial assets) is cancelled from the statement of financial position when:

- the rights to receive cash flows from the asset expire;
- the Company has transferred the right to receive cash flows from the asset or has taken over the contractual obligation to pay them fully and without delay to a third party and (a) it has substantially transferred all risks and benefits of the ownership of the financial asset or (b) it has not substantially transferred nor retained all risks and benefits of the asset but has transferred control of the same.



## Valuation criteria

## [Notes to the Company's financial statements]

### 5.1 Long-term provisions

Allocations to long-term provisions are recognised when there is a legal or implicit obligation towards a third party and it is likely that there will be an outlay of resources, the amount of which can be reliably estimated. If the effect is significant, the allocations are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects the current market value of the cost of money in relation to time.

When the amount is discounted, the increase in the provision due to the passing of time is recognised as a financial expense.

#### *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the entity pays fixed contributions to a separate entity and has no legal or implicit obligation to pay additional contributions. The contributions to be paid into defined contribution plans are recorded as a cost in the result of the period in which they are incurred. Contributions paid in advance are recorded amongst assets to the extent to which the advance payment will determine a reduction in future payments or a refund.

#### *Defined benefit plans*

The amount payable for employee termination indemnities falls within the scope of defined benefit pension plans, which are plans based on the working life of employees and on the remuneration received by the employee during a pre-determined period of service.

More specifically, the liability relating to the employee termination indemnity is booked at its actuarial value, insofar as it can be classified as an employee benefit due on the basis of a defined benefit plan. The booking of defined benefit plans requires an estimate using actuarial techniques of the amount of the benefits accrued by employees in exchange for work performed during the current and previous years, and the discounting of these benefits in order to determine the current value of the company's commitments (IAS 19).

According to Italian Law no. 296/06, effective from 30 June 2007, employee termination indemnities accrued after 1 January 2007 must be paid into an appropriate treasury fund opened with the INPS (National Institute for Social Protection) or, at the employee's indication, to a specific supplementary pension fund. With these payments, the item relating to employee termination indemnities is no longer subject to allocations, unlike employee termination indemnities accrued by 31 December 2006, which come under the scope of defined benefit pension plans.

In June 2012, IAS 19 was amended to provide for the recording of changes to actuarial gains/losses of defined benefit plans, including employee termination indemnities, to other comprehensive income as from 1 January 2013. The Company decided to apply this amendment early, as from the financial statements as at 31 December 2012.

### 5.4 Medium/long-term financial payables

Financial liabilities, except for derivatives, are initially carried at fair value net of directly attributable transaction costs. They are later measured using the effective interest rate method.

### 6.1 Trade payables and other payables

Trade payables due within standard business terms, and other operating payables, are not discounted and are carried at nominal value.

### 6.2 Short-term financial payables

Financial liabilities, except for derivatives, are carried at fair value net of directly attributable transaction costs.

## Valuation criteria

### [Notes to the Company's financial statements]

#### Derivative financial instruments

Derivatives are carried at fair value. They are designated as hedging instruments when the relationship between the derivative and the underlying instrument is formally documented and the effectiveness of the hedge, which is verified periodically, is adequate.

When the derivatives cover the risk of change in fair value of the underlying instruments (fair value hedge), they are carried at fair value, and the difference is recognised in the income statement; consistently, the underlying instruments are adjusted to reflect the change in fair value associated with the hedged risk, and the difference is also recognised in the income statement.

When derivatives cover the risk of changes in cash flows from the underlying instruments (cash flow hedge), the changes in fair value are initially recognised in shareholders' equity and later in the income statement, in line with the effects produced by the hedging transaction.

Changes in the fair value of derivatives that do not satisfy the conditions for being qualified as hedges are recognised in the income statement.

The fair values used to prepare the financial statements, relating to the valuation of term purchases and sales of foreign currency, foreign exchange options and interest rate swaps, were established based on the rates provided by the banking system.

#### Translation of items in foreign currency

Transactions in foreign currencies are recorded at the exchange rate prevailing on the day of the transaction.

At the closing date, trade and financial receivables and payables are adjusted to the exchange rate at end of the year.

Instruments used to hedge the exchange rate risk, in relation to specific assets and liabilities or groups of assets and liabilities, are shown in the income statement on an accrual basis.

#### Contributions

Contributions from both government agencies and private third parties are carried at fair value when there is the reasonable certainty that they will be received and the prescribed conditions for obtaining them are satisfied.

Contributions received for specific expenses are recognised among other liabilities and credited to the income statement on a straight-line basis throughout the same period in which the related costs accrue.

Contributions received for specific assets whose value is stated among tangible and intangible assets are shown among liabilities and credited to the income statement in relation to the depreciation period for the assets to which they refer.

Operating contributions are fully recognised in the income statement when the conditions for recognising them are satisfied.

## Valuation criteria

## [Notes to the Company's financial statements]

### 7. Revenues

Revenues from the sale of goods from contracts with customers are recognised if the following criteria are met: 1- identification of the contract, which has commercial substance, and identification of the contractual obligations to the transfer of goods/services to a customer; 2- approval of the contract; 3- determination of the price of the transaction; 4- recognition of the revenue when the contractual obligations are met, or at the time of the transfer to the customer of the asset/service promised.

Revenues are recognised when control of the assets is transferred to the customer, i.e. when the risks and benefits are effectively transferred.

Revenues are recognised in an amount equal to the fair value of the consideration to which the company believes it is entitled in exchange for the goods and/or services promised to the customer, net of returns, discounts and rebates.

Revenues from services are recognised upon completion of the service.

### 14. Net financial expenses

Financial income and expenses are recognised on the basis of accrued interest on the net value of the relevant financial assets and liabilities using the effective interest rate.

### 15. Dividends

Dividends are recognised when the right to receive payment is established.

Dividends payable to third parties are shown as changes in shareholders' equity on the date of approval by the Shareholders' Meeting.

### 19. Taxes

Current income taxes for the financial year are determined based on estimates of taxable income and according to law.

Deferred and advance income taxes are calculated on the basis of the temporary differences between the recorded asset values and the respective recognised values for tax purposes, applying the tax rate in effect at the date on which the temporary difference will be reversed, calculated on the basis of the tax rates provided by law or substantively in force at the reference date. The asset entry for advance tax payments is made when recovery is likely, that is when it is estimated that in the future there will be taxable amounts sufficient to recover the asset. The ability to recover assets for advance tax payments is reassessed at the end of each accounting period.

### Use of estimates

In application of IFRS, preparing the financial statements requires the use of estimates and assumptions that affect the values of assets and liabilities in the statement of financial position and the relevant information on any contingent assets and liabilities at the reference date.

The estimates and assumptions are made by the directors with the support of the company departments and, where appropriate, by independent specialists; they are revised regularly, booking the effects of each change to the income statement.

Actual results may differ from these estimates.

Estimates and assumptions are reviewed periodically, and the effects of each change are reflected in the income statement.

A significant discretionary valuation is required from the directors to establish the amount of deferred tax assets that may be booked. They have to estimate the likely time of occurrence and the amount of future profit subject to tax as well as a planning strategy for future taxes.

Estimates are also used to record provisions for bad debt, inventory obsolescence, amortisation and depreciation, employee benefits and provisions for risks and charges.

At every reporting date, the Company checks whether there are any indicators of lasting impairment for all non-financial assets. Goodwill and other intangible assets with an indefinite useful life are subject to review each year to identify any decrease in value. The recoverable value of non-current assets is typically established with regard to the value in use, based on the present value of financial flows expected from the continuous use of the asset.

This verification also involves the choice of an appropriate discount rate to calculate the present value of the expected cash flows.

## Valuation criteria

## [Notes to the Company's financial statements]

### Tax consolidation

The Company, together with other companies of the Marzotto Group, joined the national tax consolidation scheme with Wizard S.r.l. as the parent company. Adherence to the tax consolidation of Wizard is governed by a specific regulation in force for the entire period for which the option is valid.

Economic relations for tax consolidation are regulated as follows:

- Subsidiaries which have positive taxable income for the years concerned pay Wizard S.r.l. the greater tax payable by the latter;
- Consolidated companies with negative taxable income receive compensation amounting to 100% of the tax saving achieved on a Group level and corresponding to the tax generated by the subsidiary from Wizard S.r.l. This compensation is due when effectively used by Wizard S.r.l.;
- Consolidated companies with interest expense not deducted pursuant to Article 96 of the TUIR and transferred to the tax consolidation scheme receive from Wizard S.r.l. compensation corresponding to 100% of the tax savings achieved at the Group level and corresponding to the tax generated by the subsidiary in relation to its interest expense. This compensation is due at the time of actual use of the EBIT surplus transferred to the tax consolidation;
- In the event that the consolidated companies have surpluses of ACE (Support for Economic Growth pursuant to Article 1 of Legislative Decree No. 201/2011) to be transferred to the Group, within the limits of the Group's comprehensive income, these companies receive compensation corresponding to 100% of the tax savings achieved at Group level from Wizard S.r.l.;
- If Wizard S.r.l. and the subsidiaries do not renew the national tax consolidation option, or if the requirements to continue to apply it are no longer met prior to the end of the three years for which the option is valid, the tax losses that can be reported as resulting from tax return are allocated proportionally to the companies that produced them.

Deferred and advance corporation tax is calculated on the temporary differences between the values of assets and liabilities determined according to statutory criteria and the corresponding tax values exclusively with reference to the company.

Current, deferred and advance IRAP is determined exclusively with reference to the Company.

### Other information

For ease of reading, all figures in the consolidated statement of financial position, the statement of profit/(loss) for the year and the other components of the comprehensive income statement, the statement of cash flows and the statement of changes in shareholders' equity, as well as in the explanatory notes are expressed in thousands of euros.

For ease of comparison, the figures for the previous year have been reclassified as needed, and adequate information has been provided.

Again, in order to improve comparability, the revised tables resulted in a different presentation of data compared with the previous year.

Please refer to the Management Report for further information regarding:

- main events of the 2021 financial year;
- events after the close of the financial year;
- outlook (IFRS 7);
- other relevant information on operating performance and financial position.

With regard to the disclosure obligations established by Italian Law 124 of 4 August 2017, and subsequent amendments (Italian Decree-Law no. 34 of 30/04/2019), please note:

- Income recognised during the period for the production of electricity from solar farms of 481,000 euros, including 372,000 euros for contributions to electricity production (TPA) and 109,000 for fees for energy produced and sold (TFO). During the year, 452,000 euros were collected by the Energy Services Operator (net of withholding tax and compensation paid by the Operator) relating to the production of electricity from photovoltaic plants, including 357,000 euros for contributions (TPA) and 95,000 euros for energy produced and sold (TFO);
- Offset income for tax credits for the sanitisation and purchase of protective equipment (Article 125 of Legislative Decree no. 34/2020) of 3,000 euros;
- Guarantee granted by SACE S.p.A. - Covid-19 Sace Garanzia Italia on a loan of 17 million euros provided by Banco BPM on 30/07/2021;
- Income collected from Fondimpresa of 86,000 euros and booked at 8,000 euros;
- Income booked from Fondirigenti of 2,000 euros and collected.

The tables below are in **thousands of euros**.

1.1) Property,  
plant and  
machinery  
1.2) Civil building

|  |                                |                                     |                           |                                      |                                   |  |       |          |
|--|--------------------------------|-------------------------------------|---------------------------|--------------------------------------|-----------------------------------|--|-------|----------|
| 1.1) Property,<br>plant and<br>machinery |                                |                                     |                           |                                      |                                   | 2021   | 2020  | Change   |
|  | Amounts to:                    |                                     |                           |                                      |                                   | 10,435   | 8,791 | 1,644    |
| 1.2) Civil building                      | broken down as follows:        |                                     |                           |                                      |                                   |  |       |          |
|  | A)                             | B)                                  | C)                        | D)                                   | E)                                | F)   |       |          |
|  | Civil<br>land and<br>buildings | Industrial<br>land and<br>buildings | Plant<br>and<br>machinery | Industrial<br>and comm.<br>equipment | Other<br>tangible<br>fixed assets | Tangible<br>fixed assets<br>under cons./<br>advances |       | Total    |
| Original cost                            | 982                            | 11,889                              | 8,392                     | 752                                  | 914                               | 35   |       | 22,964   |
| Depreciation funds                       | (233)                          | (7,653)                             | (4,882)                   | (724)                                | (681)                             | =  |       | (14,173) |
| Balances as at 31.12.2020                | 749                            | 4,236                               | 3,510                     | 28                                   | 233                               | 35   |       | 8,791    |
| Movements during the year:               |                                |                                     |                           |                                      |                                   |  |       |          |
| Original cost:                           |                                |                                     |                           |                                      |                                   |  |       |          |
| acquisitions                             | =                              | 287                                 | 178                       | 819                                  | =                                 | (35)   |       | 1,249    |
| acquisitions IFRS16                      | =                              | 1,323                               | =                         | =                                    | 25                                | =  |       | 1,348    |
| gross disposal                           | =                              | (448)                               | (27)                      | (142)                                | (12)                              | =  |       | (629)    |
| Depreciation funds:                      |                                |                                     |                           |                                      |                                   |  |       |          |
| depreciation for the year                | (29)                           | (194)                               | (390)                     | (14)                                 | (13)                              | =  |       | (640)    |
| depreciation IFRS16                      | =                              | (220)                               | =                         | =                                    | (84)                              | =  |       | (304)    |
| gross disposal                           | (1)                            | 447                                 | 23                        | 138                                  | 13                                | =  |       | 620      |
| Total movements for the year             | (30)                           | 1,195                               | (216)                     | 801                                  | (71)                              | (35)   |       | 1,644    |
| Original cost                            | 982                            | 13,051                              | 8,543                     | 1,429                                | 927                               | =  |       | 24,932   |
| Depreciation funds                       | (263)                          | (7,620)                             | (5,249)                   | (600)                                | (765)                             | =  |       | (14,497) |
| Balances as at 31.12.2021                | 719                            | 5,431                               | 3,294                     | 829                                  | 162                               | =  |       | 10,435   |

Tangible fixed assets as at 31 December 2021 are 10,435,000 euros, an increase of 1,644,000 euros.

In detail, the increases for investments in the period (1,249,000 euros) mainly relate to the following categories of assets:

- **Industrial land and buildings** for 287,000 euros. These capitalisations refer, in the amount of approximately 242,000 euros, to the adaptation of the plants at Piovene to extend the warehouse and extraordinary maintenance; the remaining 45,000 euros relates to interventions in the former Tintoria area;
- **Plant and machinery** for 178,000 euros. These capitalisations relate to fire prevention systems at the Piovene warehouse for 17,000 euros, the safety and system adjustment in the former Tintoria in Piovene for approximately 148,000 euros and the revamping of the automatic warehouse for 13,000 euros;
- **Industrial and commercial equipment** for 819,000 euros. These investments mainly relate to various items of equipment in the Piovene warehouse, and furniture and fittings for commercial activities.

Work in progress from the previous year has been reclassified to the relevant categories.

As of 31 December 2021, the fixed assets of the Company were not encumbered by mortgages or third party liens.

## Statement of financial position

## [Notes to the Company's financial statements]

### 1.3) Goodwill, trademarks and other intangible assets

|  |  |   |          |  |  |         |       |        |
|--|--|---|----------|--|--|---------|-------|--------|
| 1.3) Goodwill,<br>trademarks<br>and other<br>intangible assets |  |   |          |  |  | 2021    | 2020  | Change |
|  | Amounts to:  |   |          |  |  | 907     | 1,059 | (152)  |
|  | made up as follows:                                      |   |          |  |  |         |       |        |
| Description  | A)   | B)  | C)       | D)                                     | E)   |         |       |        |
|  | Ind. patent<br>and<br>intellectual<br>property<br>rights | Concessions,<br>licenses,<br>trade-marks<br>and<br>similar rights | Goodwill | Other<br>intangible<br>fixed<br>assets | Intangible<br>fixed assets<br>being<br>developed<br>and advances | Total   |       |        |
| Original cost  | 4,308  | 548   | 167      | =                                      | 54   | 5,077   |       |        |
| Accumulated depreciation                                       | (3,738)  | (280)   | =        | =                                      | =  | (4,018) |       |        |
| Balances as at 31.12.2020                                      | 570  | 268   | 167      | =                                      | 54   | 1,059   |       |        |
| Movements during the year:                                     |  |   |          |  |  |         |       |        |
| Original cost:   |  |   |          |  |  |         |       |        |
| acquisitions   | 100  | =   | =        | =                                      | (54)   | 46      |       |        |
| disposals/depreciations  | =  | =   | =        | =                                      | =  | =       |       |        |
| Amortisation:  |  |   |          |  |  |         |       |        |
| for the year   | (185)  | (12)  | (1)      | =                                      | =  | (198)   |       |        |
| disposals/depreciations  | =  | =   | =        | =                                      | =  | =       |       |        |
| Total movements for the year                                   | (85)   | (12)  | (1)      | =                                      | (54)   | (152)   |       |        |
| Original cost  | 4,408  | 548   | 167      | =                                      | =  | 5,123   |       |        |
| Depreciation funds   | (3,923)  | (292)   | (1)      | =                                      | =  | (4,216) |       |        |
| Balances as at 31.12.2021                                      | 485  | 256   | 166      | =                                      | =  | 907     |       |        |

Intangible assets at 31 December 2021 came to 907,000 euros, a decrease of 152,000 euros compared with the previous year (which included -197,000 euros of amortisation and depreciation in the period).

The main increases in the period relate to industrial patent rights and intellectual property rights for 99,000 euros (mainly software and EDP applications).

Goodwill relates to the "Logistics Services" business unit of Piovene in 2011. This item is recognised with the consent of the Board of Statutory Auditors.

Research expenses paid during the year, mainly pertaining to product innovation and applications for the rationalisation of production and logistics, have been charged to the income statement.

Intangible assets with a "finite useful life" are recognised at cost, determined according to the methods prescribed for tangible assets, and shown net of accumulated amortisation.

The average amortisation rates applied are shown, by individual category, in the following table:

|   | 2021   |
|---|--------|
| Software  | 12.00% |
| Concessions, licenses, trade-marks and similar rights | 10.60% |

1.5) Equity investments

|   | 2021          | 2020          | Change        |         |
|---|---------------|---------------|---------------|---------|
| Amounts to:                             | 112,017       | 111,769       | 248           |         |
| made up as follows:                     |               |               |               |         |
|   | A)            | B)            | C)            |         |
|   | Shareholdings | Shareholdings | Shareholdings |         |
|   | in            | in            | in other      |         |
| Description                             | Subsidiaries  | Affiliates    | companies     | Total   |
| Original cost                           | 100,790       | 10,824        | 206           | 111,820 |
| Adjust. for permanent decrease in value | =             | =             | (51)          | (51)    |
| Balances as at 31.12.2020               | 100,790       | 10,824        | 155           | 111,769 |
| Movements during the year:              |               |               |               |         |
| Original cost:                          |               |               |               |         |
| acquisitions                            | =             | 248           | =             | 248     |
| disposal                                | =             | =             | (51)          | (51)    |
| Adjust. for permanent decrease in value |               |               |               |         |
| disposal                                | =             | =             | 51            | 51      |
| Total movements for the year            | =             | 248           | =             | 248     |
| Original cost                           | 100,790       | 11,072        | 155           | 112,017 |
| Adjust. for permanent decrease in value | =             | =             | =             | =       |
| Balances as at 31.12.2021               | 100,790       | 11,072        | 155           | 112,017 |

The investments are intended to be strategic and long-term for the Company and are measured, in compliance with the principle of continuity of measurement criteria, at purchase or subscription cost.

Equity investments are valued pursuant to IAS 36 (Impairment of assets), on which basis the Company checks whether there is any indication of lasting impairment.

A financial asset or group of financial assets should be regarded as impaired if, and only if, there is objective evidence of impairment as a result of one or more events that took place after initial recognition (when a loss event occurs) and this loss event has an impact, which can be reliably estimated, on the estimated future cash flows of the financial asset or group of financial assets. Evidence of impairment may be represented by indicators such as financial difficulties, inability to honour obligations, insolvency in paying interest or making major payments, by debtors or a group of debtors; the probability of default or subjection to another form of financial reorganisation, and where the data that can be observed shows that there is a measurable decline in estimated future cash flows, such as changes in the circumstances or economic conditions connected with obligations.

In particular, where the conditions are met, material equity investments are tested for impairment using an estimate of the recoverable value of the asset, i.e. the greater of the fair value of an asset or cash generating unit less selling costs and value in use.

The parameters used for the valuations are in line with current market standards for the valuation of equity investments in industrial contexts with a long-term time frame.

For details of the equity investments, please see the tables below.

At 31 December 2021, the item amounted to 112,017,000 euros: during the year, 63,600 shares of associate Ratti S.p.A. were acquired for 248,000 euros.

In addition, the liquidation procedure was completed with the related cancellation of the equity investment of Le Cotonerie S.r.l., a company in liquidation.



## Statement of financial position

### 1.6) Other medium/long-term receivables

## [Notes to the Company's financial statements]

|                     | 2021     | 2020     | Change     |
|---------------------|----------|----------|------------|
| Amounts to:         | 8        | 9        | (1)        |
| made up as follows: |          |          |            |
| Other receivables   | 8        | 9        | (1)        |
| <b>Total</b>        | <b>8</b> | <b>9</b> | <b>(1)</b> |

**Sundry medium/long-term receivables**, of 8,000 euros, include the caution deposits paid and still in place as at 31 December 2021.

### 1.7) Deferred tax assets

|                              | 2021         | 2020         | Change       |
|------------------------------|--------------|--------------|--------------|
| Amounts to:                  | 2,756        | 3,024        | (268)        |
| made up as follows:          |              |              |              |
| Depreciation of receivables  | 17           | 17           | =            |
| Accrual for risk and charges | 2,646        | 2,789        | (143)        |
| Fair value of IRS            | =            | 30           | (30)         |
| Other temporary differences  | 93           | 188          | (95)         |
| <b>Total</b>                 | <b>2,756</b> | <b>3,024</b> | <b>(268)</b> |

The table above gives details of the items involved by temporary differences on which prepaid tax assets have been calculated.

### 1.8) Medium/long-term financial receivables

|  | 2021          | 2020          | Change        |
|--|---------------|---------------|---------------|
| Amounts to:                                    | 65,491        | 51,508        | 13,983        |
| made up as follows:                            |               |               |               |
| Receivables from subsidiaries                  | 65,344        | 51,500        | 13,844        |
| Other medium / long-term financial receivables | 139           | =             | 139           |
| Guarantee deposits (financial)                 | 8             | 8             | =             |
| <b>Total</b>                                   | <b>65,491</b> | <b>51,508</b> | <b>13,983</b> |

**Other medium/long-term financial receivables** of 139,000 euros represent the fair value relating to financial derivatives (interest rate swaps) booked using hedge accounting.

To stabilise future flows relating to hedged loans, interest rate swap agreements were entered into in 2020 and 2021, with characteristics that fully mirror the characteristics of the related loans; therefore, the hedging relationship is effective.

The interest rate swaps relate to:

- Marzotto S.p.A.: Banca Credit Agricole Friuladria, notional 10,000,000 euros, fixed rate 0.69% - agreed during 2020;
- Marzotto S.p.A.: Banco BPM, notional 17,000,000 euros, fixed rate 0.611% - agreed during 2021.

**Medium/long-term financial receivables from subsidiaries** relate to:

|                                    | 2021          | 2020          | Change        |
|------------------------------------|---------------|---------------|---------------|
| Marzotto Wool Manufacturing S.r.l. | 29,172        | 20,750        | 8,422         |
| Biella Manifatture Tessili S.r.l.  | 10,000        | 10,000        | =             |
| Marzotto Lab S.r.l.                | 26,172        | 20,750        | 5,422         |
| <b>Total</b>                       | <b>65,344</b> | <b>51,500</b> | <b>13,844</b> |

**Medium/long-term financial receivables from subsidiaries** of 65,344,000 euros derive from the use of cash obtained by taking out medium/long-term loans with various credit institutions backed by state guarantees (Article 1 of Legislative Decree no. 23 of 8 April 2020, as amended), which the Company in turn granted to the Group's main operating companies.

3.2) Trade receivables

[Notes to the Company's financial statements]

|                                    | 2021    | 2020   | Change  |         |
|------------------------------------|---------|--------|---------|---------|
| Amounts to:                        | 4,170   | 4,827  | (657)   |         |
| and refer to:                      |         |        |         |         |
|                                    | 2021    |        | 2020    |         |
|                                    | Amounts | %age   | Amounts | %age    |
| Active customers receivables       | 334     | 100.0  | 1,741   | 100.0   |
| - Bad debt provision               | =       | =      | =       | =       |
| = Net active customers receivables | 334     | 100.0  | 1,741   | 100.0   |
| Bad debt                           | 72      | 100.0  | 72      | 100.0   |
| - Bad debt provision               | (71)    | (98.6) | (72)    | (100.0) |
| = Net bad debt                     | 1       | =      | =       | =       |
| Receivables from subsidiaries      | 3,668   | 100.0  | 2,877   | 100.0   |
| Receivables from parent            | 44      | 100.0  | 63      | 100.0   |
| Receivables from affiliates        | 123     | 100.0  | 146     | 100.0   |
| Total face value of receivables    | 4,241   | 100.0  | 4,899   | 100.0   |
| - Bad debt provision               | (71)    | (1.7)  | (72)    | (1.5)   |
| Net receivables from customers     | 4,170   | 98.3   | 4,827   | 98.5    |

Trade receivables totalled 4,170,000 euros, net of a provision for doubtful debt of 71,000 euros.

The carrying amount of the provision is considered appropriate in terms of bringing the par value of receivables in line with the presumed realisable value and is consistent with the provisions of the reference accounting standard.

We believe that the book value of the trade receivables, settled under normal market conditions, approximates their fair value.

Trade receivables by geographic area is as follows:

|                          | Italy        | Other European Countries | North America | Asia     | Other Countries | Total        |
|--------------------------|--------------|--------------------------|---------------|----------|-----------------|--------------|
| Towards customers        | 402          | 2                        | 2             | =        | =               | 406          |
| Towards subsidiaries     | 3,486        | 170                      | 3             | =        | 9               | 3,668        |
| Towards parent           | 44           | =                        | =             | =        | =               | 44           |
| Towards affiliates       | 118          | 5                        | =             | =        | =               | 123          |
| <b>Gross receivables</b> | <b>4,050</b> | <b>177</b>               | <b>5</b>      | <b>=</b> | <b>9</b>        | <b>4,241</b> |

## Trade receivables due from subsidiaries relate to:

|   | 2021         | 2020         | Change     |
|---|--------------|--------------|------------|
| Nová Mosilana a.s.                          | 67           | 62           | 5          |
| AB Liteksas                                 | 19           | 21           | (2)        |
| Marzotto Int. Trading Shanghai Ltd.         | =            | 4            | (4)        |
| Ambiente Energia S.r.l.                     | 152          | 155          | (3)        |
| Sametex spol s r. o                         | 75           | 99           | (24)       |
| Marzotto Wool Manufacturing S.r.l.          | 896          | 590          | 306        |
| Marzotto Lab S.r.l.                         | 893          | 515          | 378        |
| Biella Manifatture Tessili S.r.l.           | 763          | 775          | (12)       |
| Linificio e Canapificio Nazionale S.r.l. SB | 782          | 641          | 141        |
| UAB Lietlinen                               | 9            | 7            | 2          |
| Filature de Lin Filin s.a.                  | 9            | 7            | 2          |
| <b>Total</b>                                | <b>3,668</b> | <b>2,877</b> | <b>791</b> |

## Trade receivables due from lead companies relate to:

|                | 2021      | 2020      | Change      |
|----------------|-----------|-----------|-------------|
| Trenora S.r.l. | 19        | 28        | (9)         |
| Wizard S.r.l.  | 25        | 35        | (10)        |
| <b>Total</b>   | <b>44</b> | <b>63</b> | <b>(19)</b> |

## Trade receivables from associates relate to:

|                            | 2021       | 2020       | Change      |
|----------------------------|------------|------------|-------------|
| Tintoria di Verrone S.r.l. | 7          | 6          | 1           |
| Uab Lietvilna              | 5          | 41         | (36)        |
| Ratti S.p.A.               | 110        | 98         | 12          |
| Mascioni S.p.A.            | 1          | 1          | =           |
| <b>Total</b>               | <b>123</b> | <b>146</b> | <b>(23)</b> |

Trade receivables from parent companies, subsidiaries and associates result from business relations and are settled under normal market conditions.

3.3) Other receivables

[Notes to the Company's financial statements]

|                                     | 2021       | 2020         | Change         |
|-------------------------------------|------------|--------------|----------------|
| Amounts to:                         | 884        | 3,541        | (2,657)        |
| made up as follows:                 |            |              |                |
| Due from Tax Authorities            | 445        | 1,111        | (666)          |
| Other receivables                   | 328        | 2,323        | (1,995)        |
| Accrued income and prepaid expenses | 111        | 107          | 4              |
| <b>Total</b>                        | <b>884</b> | <b>3,541</b> | <b>(2,657)</b> |

Receivables from tax authorities relate to:

|                            | 2021       | 2020         | Change       |
|----------------------------|------------|--------------|--------------|
| Added value tax            | 43         | 416          | (373)        |
| Income taxes               | 267        | =            | 267          |
| IRAP                       | 35         | 35           | =            |
| Interest due               | =          | 321          | (321)        |
| Advance payments           | 6          | 9            | (3)          |
| Credits for taxes withheld | 91         | =            | 91           |
| Other items                | 3          | 330          | (327)        |
| <b>Total</b>               | <b>445</b> | <b>1,111</b> | <b>(666)</b> |

Other receivables relate to:

|                              | 2021       | 2020         | Change         |
|------------------------------|------------|--------------|----------------|
| Due from State pension funds | 78         | 103          | (25)           |
| Due from employees           | 156        | 109          | 47             |
| Due from subsidiaries        | 87         | 2,100        | (2,013)        |
| Due from affiliates          | 7          | 7            | =              |
| Other receivables            | =          | 4            | (4)            |
| <b>Total</b>                 | <b>328</b> | <b>2,323</b> | <b>(1,995)</b> |

The item **Other receivables from subsidiaries** relates to:

|   | 2021      | 2020         | Change         |
|---|-----------|--------------|----------------|
| Marzotto Wool Manufacturing S.r.l.          | 42        | 700          | (658)          |
| Biella Manifatture Tessili S.r.l.           | =         | 700          | (700)          |
| Marzotto Lab S.r.l.                         | 45        | =            | 45             |
| Linificio e Canapificio Nazionale S.r.l. SB | =         | 700          | (700)          |
| <b>Total</b>                                | <b>87</b> | <b>2,100</b> | <b>(2,013)</b> |

The item **Other receivables from associates** relates to Mascioni S.p.A.

## Statement of financial position

### 3.4) Short-term financial assets and cash and cash equivalents

## [Notes to the Company's financial statements]

|                                  | 2021          | 2020          | Change       |
|----------------------------------|---------------|---------------|--------------|
| Amounts to:                      | 26,647        | 27,524        | (877)        |
| and refers to:                   |               |               |              |
| <b>Financial assets</b>          |               |               |              |
| Due from subsidiaries            | 3,432         | 13,024        | (9,592)      |
| <b>Cash</b>                      |               |               |              |
| Bank and post-office accounts    | 23,209        | 14,495        | 8,714        |
| Cash and cash equivalent on hand | 6             | 5             | 1            |
| <b>Total</b>                     | <b>26,647</b> | <b>27,524</b> | <b>(877)</b> |

The total amount of the Company's **short-term financial assets and cash and cash equivalents** is 26,647,000 euros.

Liquid funds come to 23,215,000 euros and include temporary funds available on bank accounts and amounts held as cash for future use.

The values stated can be converted readily into cash and are subject to insignificant value risk.

Please see the cash flow statement for details of the sources of funds and uses that gave rise to the change in available cash as at 31 December 2021.

#### Financial receivables due from subsidiaries relate to:

|                                    | 2021         | 2020          | Change         |
|------------------------------------|--------------|---------------|----------------|
| Marzotto Textile N.V.              | 276          | 237           | 39             |
| Marzotto Lab S.r.l.                | 1,578        | =             | 1,578          |
| Marzotto Wool Manufacturing S.r.l. | 1,578        | 12,787        | (11,209)       |
| <b>Total</b>                       | <b>3,432</b> | <b>13,024</b> | <b>(9,592)</b> |

Financial receivables from subsidiaries refer, in relation to Marzotto Textile N.V., to a third-party giro account, governed by market conditions, while the remainder relate to the short-term portion of medium/long-term loans already described in section 1.8) Medium/long-term financial receivables.

4. Shareholders' equity

[Notes to the Company's financial statements]

Shareholders' equity as at 31 December 2021 is 133,045,000 euros, improving by 395,000 euros on last year.

*Share capital*

| Number of Shares | Share capital<br>at 31.12.2020 | Share capital<br>change | Share capital<br>at 31.12.2021 |
|------------------|--------------------------------|-------------------------|--------------------------------|
| Ordinary shares  | 40,000,000                     | =                       | 40,000,000                     |
| <b>Total</b>     | <b>40,000,000</b>              | <b>=</b>                | <b>40,000,000</b>              |

As at 31 December 2021, the fully subscribed and paid-up **share capital** was 40,000,000 euros.

*Legal reserve*

|  |              |
|--|--------------|
| Balances equity as at 31 December 2020 | 8,000        |
| +/- change                             | =            |
| <b>Total</b>                           | <b>8,000</b> |

The **legal reserve**, amounting to 8,000,000 euros, did not change during the year.

*Share capital payment reserve*

|  |               |
|--|---------------|
| Balances equity as at 31 December 2020 | 10,100        |
| +/- change                             | =             |
| <b>Total</b>                           | <b>10,100</b> |

The **capital contributions reserve**, amounting to 10,100,000 euros, did not change during the year.

*Extraordinary reserve*

|  |           |
|--|-----------|
| Balances equity as at 31 December 2020 | 76        |
| +/- change                             | =         |
| <b>Total</b>                           | <b>76</b> |

The **extraordinary reserve**, amounting to 76,000 euros, did not change during the year.

*Fair value reserve*

|              | 2021       | 2020        | Change     |
|--------------|------------|-------------|------------|
| IRS          | 106        | (97)        | 203        |
| <b>Total</b> | <b>106</b> | <b>(97)</b> | <b>203</b> |

In order to address the risks of changes in the variable interest rates on medium/long-term loans, the Company carries out interest rate hedging transactions (interest rate swaps) to predefine a fixed interest rate.

The **fair value reserve** includes the market value of these transactions, net of tax, which as at the reporting date came to 106,000 euros relating to interest rate hedges (IRS).

The gain (or loss) recorded under shareholders' equity is taken to the income statement when the hedged transaction affects the income statement.

## Statement of financial position

Statutory and tax regulations to which share capital and reserves as at 31/12/2021 are subject, in case of their reimbursement

Capital and reserves with tax constraints

Capital and reserves with statutory constraints

## Notes to the Company's financial statements

### Transfer reserve

|  |               |
|--|---------------|
| Balances equity as at 31 December 2020 | 51,998        |
| +/- change                             | =             |
| <b>Total</b>                           | <b>51,998</b> |

The **transfer reserve**, amounting to 51,998,000 euros, includes capital gains arising as part of the reorganisation due to the transfer in 2015.

### Other reserves and retained earnings

|                         | 2021          | 2020          | Change       |
|-------------------------|---------------|---------------|--------------|
| IAS 19 reserve          | (9)           | (28)          | 19           |
| Profits carried forward | 22,594        | 23,217        | (623)        |
| <b>Total</b>            | <b>22,585</b> | <b>23,189</b> | <b>(604)</b> |

| Description                   | Total amount of reserves and undistributed profits | Capital reserves which represent income for the Company | Capital and reserves which are not income for the Company or Shareholder | Total          |
|-------------------------------|--|---|--|----------------|
| Share capital                 | =  | =   | 40,000   | 40,000         |
| Legal reserve                 | 3,267  | 884   | 3,849  | 8,000          |
| Extraordinary reserve         | 76   | =   | =  | 76             |
| Share capital payment reserve | =  | =   | 10,100   | 10,100         |
| IAS 19 reserve                | (9)  | =   | =  | (9)            |
| Fair Value reserve            | 106  | =   | =  | 106            |
| Transfer reserve              | 51,998   | =   | =  | 51,998         |
| Profits carried forward       | 22,594   | =   | =  | 22,594         |
| <b>Total</b>                  | <b>78,032</b>                                      | <b>884</b>  | <b>53,949</b>  | <b>132,865</b> |

Following the demerger operation carried out in the 2010 tax period, the tax values recognised in shareholders' equity differ from those of the financial statements; in particular, the tax value of the share capital is higher, by 10,850,000 euros, than the value shown in the table above, while "other reserves" show a lower tax value.

The equity constraint as at 31 December 2021 can be broken down as follows:

- the equity constraint for IRES purposes amounts to 140,000 euros, consisting of the tax reversal made in 2004 and higher tax amortisation than accounting amortisation in 2007.

| Description                   | 31/12/2021     | Possibility of use | Notes |
|-------------------------------|----------------|--------------------|-------|
| Share capital                 | 40,000         |                    |       |
| Legal reserve                 | 8,000          | B                  |       |
| Extraordinary reserve         | 76             | A B C              |       |
| Fair value reserve            | 106            |                    |       |
| IAS 19 reserve                | (9)            |                    |       |
| Share capital payment reserve | 10,100         | A B C              |       |
| Transfer reserve              | 51,998         | A B C              |       |
| Profits carried forward       | 22,594         | A B C              |       |
| <b>Total</b>                  | <b>132,865</b> |                    |       |

- A: for capital increase  
 B: to cover losses  
 C: for distribution to shareholders  
 D: for other statutory constraints

## Statement of financial position

### 5.1) Long-term provisions

## [Notes to the Company's financial statements]

|               | 2021  | 2020   | Change |
|---------------|-------|--------|--------|
| Amounts to:   | 9,656 | 10,355 | (699)  |
| and refer to: |       |        |        |

| Provision for staff termination indemnities                     | 2021        | 2020        | Change     |
|---|-------------|-------------|------------|
| Amounts to:   | 499         | 589         | (90)       |
| the change is due to:   |             |             |            |
| Accrual in income statement                                     | 321         | 332         | (11)       |
| Disbursements for terminations                                  | (67)        | (105)       | 38         |
| 0.50% contributions on accruals for the year                    | (19)        | (20)        | 1          |
| Transfer to other reserves/other companies                      | (299)       | (303)       | 4          |
| Transfer to tax authorities for personal income taxes ("IRPEF") | (10)        | (1)         | (9)        |
| Adjustment as per IAS 19  | (16)        | 10          | (26)       |
| <b>Total</b>  | <b>(90)</b> | <b>(87)</b> | <b>(3)</b> |

Employee termination indemnities reflect the indemnity, calculated in accordance with current legislation, accrued by employees as at 31 December 2006, which will be liquidated when they leave. Where specific conditions apply, they may be partially advanced to employees during the course of their working life.

The provision for employee termination indemnities is treated from an accounting point of view as a defined benefit and as such is recalculated at the end of each period according to a statistical and actuarial criterion which also takes account of financial discounting.

This liability has been calculated according to the actuarial criterion of the "projected unit credit method" which "considers each working period as the source of one additional unit of right to the benefits and measures each unit separately to calculate the final obligation".

The following parameters are used: an annual discount rate of 1.26% and an annual inflation index of 1.50%.

The booking of employee benefits is in accordance with IAS 19 for defined benefits plans; the company has decided to apply the amendments made by IAS 19 early, as from the financial statements as at 31 December 2012, with the consequent noting of changes in actuarial gains/losses amongst other items of the statement of comprehensive income, whilst financial gains/losses are noted on the income statement.

According to Italian Law no. 296/06, effective from 30 June 2007, employee termination indemnities accrued after 1 January 2007 must be paid into an appropriate treasury fund opened with the INPS (National Institute for Social Protection) or, at the employee's indication, to a specific supplementary pension fund. With these payments, the item relating to employee termination indemnities is no longer affected by provisions other than the revalued share of the accumulated past debt.



[Notes to the Company's financial statements]

| Pension     | 2021 | 2020 | Change |
|-------------|------|------|--------|
| Amounts to: | 403  | 452  | (49)   |

The provision relates to supplementary pension schemes currently in place for the secondary beneficiary.

|   | 2021  | 2020  | Change | due to  |             |
|---|-------|-------|--------|---------|-------------|
| Other provisions                        |       |       |        | Accrual | Utilization |
| Amounts to:                             | 8,754 | 9,314 | (560)  | =       | (560)       |
| and refers to:                          |       |       |        |         |             |
| Legal risk fund                         | 925   | 1,064 | (139)  | =       | (139)       |
| Restructuring and relocation provisions | 2,861 | 2,861 | =      | =       | =           |
| Other provisions for risk/charges       | 4,968 | 5,389 | (421)  | =       | (421)       |

Allocations to provisions for risks and charges during the year relate to the management's best estimate of the contingent liabilities connected to disputes in progress. Where applicable, their estimate takes account of the opinion of legal advisors and other experts, previous experience in the history of the company and other entities in similar situations and the company's intention as regards taking further action.

Below are comments on the main provisions booked.

The **provision for litigation risk** is intended to cover liabilities that may arise from litigation or other disputes. This includes an estimate of charges from ongoing litigation, updated based on indications from internal and external legal counsel.

The **restructuring and relocation provisions** are allocated mainly to offset planned charges and costs related to the industrial reorganisation plan of some production operations.

**Other provisions for risks and charges** take into account foreseeable risks resulting from transactions relating to Aree Urbane S.r.l., and expenses associated with the Praia a Mare plant. Please see the Management Report for more information.

## Statement of financial position

### 5.3) Deferred taxes payables

## [Notes to the Company's financial statements]

|  | 2021       | 2020         | Change       |
|--|------------|--------------|--------------|
| Amounts to:                                | 572        | 1,001        | (429)        |
| and can be broken down as follows:         |            |              |              |
| Tangible and intangible assets differences | 107        | 137          | (30)         |
| Deferred tax liabilities                   | 432        | 864          | (432)        |
| Fair value IRS                             | 33         | =            | 33           |
| <b>Total</b>                               | <b>572</b> | <b>1,001</b> | <b>(429)</b> |

This item includes deferred taxes reported by the Company, attributable to the difference between depreciation and amortisation based on tax rates and on the useful life of the asset and to the division of capital gains into instalments.

### 5.4) Medium/long term financial payables

|                                    | 2021          | 2020          | Change        |
|------------------------------------|---------------|---------------|---------------|
| Amounts to:                        | 72,197        | 57,778        | 14,419        |
| and can be broken down as follows: |               |               |               |
| Funding with state guarantee       | 71,219        | 57,500        | 13,719        |
| Non-secured financing received     | =             | =             | =             |
| Financial payables for leasing     | 972           | 149           | 823           |
| Due to other lenders               | 6             | 129           | (123)         |
| <b>Total</b>                       | <b>72,197</b> | <b>57,778</b> | <b>14,419</b> |

**Medium/long-term financial payables** are financial liabilities due to banks and other lenders beyond twelve months.

More specifically, the state guaranteed medium/long-term loans item (COVID-19 - Sace Garanzia Italia), which amounted to 71,219,000 euros at 31 December, consists of the non-current portion of the loans and breaks down as follows:

| Funding with state guarantee | nominal value | residual debt | due beyond financial year |
|------------------------------|---------------|---------------|---------------------------|
| <b>Bank</b>                  |               |               |                           |
| Banca Popolare di Sondrio    | 15,000        | 15,000        | 15,000                    |
| Friuladria Credit Agricole   | 10,000        | 10,000        | 8,750                     |
| Cassa depositi e prestiti    | 20,000        | 20,000        | 18,750                    |
| Banco BPM                    | 29,500        | 29,500        | 28,719                    |
| <b>Total</b>                 | <b>74,500</b> | <b>74,500</b> | <b>71,219</b>             |

**State guaranteed loans** of 71,219,000 euros were taken out in the previous year and in the current year (17,000,000 euros) with the banks listed above, to ensure the liquidity necessary for operations performed by the Italian Group companies affected by the COVID-19 epidemic (Legislative Decree no. 23 of 8 April 2020, as amended).

## Statement of financial position

### 6.1) Trade payables and other payables

## [Notes to the Company's financial statements]

|  | 2021         | 2020         | Change    |
|--|--------------|--------------|-----------|
| Amounts to:                                  | 4,246        | 4,181        | 65        |
| and can be broken down as follows:           |              |              |           |
| Trade payables                               | 1,506        | 1,426        | 80        |
| Trade payables due to parent companies       | 93           | 31           | 62        |
| Payables due to Inland Revenue               | 583          | 617          | (34)      |
| Payables due to social security institutions | 305          | 340          | (35)      |
| Payables due to employees                    | 975          | 1,089        | (114)     |
| Other payables                               | 180          | 179          | 1         |
| Other payables due to parent companies       | 597          | 491          | 106       |
| Accrued liabilities and deferred income      | 7            | 8            | (1)       |
| <b>Total</b>                                 | <b>4,246</b> | <b>4,181</b> | <b>65</b> |

The balance of the item **Trade payables and other payables**, in the amount of 4,246,000 euros at 31 December 2021, increased by 65,000 euros.

Trade payables consist of trade payables arising from transactions with third party supplies and with Group companies registered net of commercial discounts and billing adjustments (returns and/or bonuses) in the amount corresponding to the amount defined with the counterparty.

The value of the trade payables as at the reporting date is a consequence, in particular, of the trend of purchases and investments of the latter part of the year in question.

Trade payables are due within the year and pertain to debts for the purchase of goods and services relating to ordinary operations and settled under normal market conditions.

**Trade payables to subsidiaries** relate to:

|                                    | 2021      | 2020      | Change    |
|------------------------------------|-----------|-----------|-----------|
| Marzotto Lab S.r.l.                | 7         | =         | 7         |
| Marzotto Wool Manufacturing S.r.l. | 46        | 30        | 16        |
| Sametex spol s r. o                | 2         | 1         | 1         |
| Ambiente Energia S.r.l.            | 2         | =         | 2         |
| Biella Manifatture Tessili S.r.l.  | 36        | =         | 36        |
| <b>Total</b>                       | <b>93</b> | <b>31</b> | <b>62</b> |

**Payables to tax authorities** can be broken down as follows:

|                            | 2021       | 2020       | Change      |
|----------------------------|------------|------------|-------------|
| Regional manufacturing tax | 86         | 60         | 26          |
| Withholding taxes          | 452        | 494        | (42)        |
| Value added tax            | =          | 5          | (5)         |
| Other amounts due          | 45         | 58         | (13)        |
| <b>Total</b>               | <b>583</b> | <b>617</b> | <b>(34)</b> |

**Payables to tax authorities**, amounting to 583,000 euros, mainly consist of tax withholdings on income from employment and other taxes for the period.

**Payables to social security institutions** relate to:

|                           | 2021       | 2020       | Change      |
|---------------------------|------------|------------|-------------|
| INPS for current taxes    | 210        | 216        | (6)         |
| Due to other institutions | 95         | 124        | (29)        |
| <b>Total</b>              | <b>305</b> | <b>340</b> | <b>(35)</b> |

**Payables to social security institutions** reflect non-matured positions at the end of the financial year, regularly paid upon maturity.

**Payables to other institutions** include amounts due to supplementary pension funds.

## [Notes to the Company's financial statements]

**Payables to employees** can be broken down as follows:

|   | 2021       | 2020         | Change       |
|---|------------|--------------|--------------|
| December salaries paid in January                         | 333        | 331          | 2            |
| Staff termination indemnities paid after year-end         | 12         | =            | 12           |
| Deferred salaries for vacation days accrued and not taken | 476        | 610          | (134)        |
| Deferred salaries for other deferrals                     | 153        | 144          | 9            |
| Other items   | 1          | 4            | (3)          |
| <b>Total</b>  | <b>975</b> | <b>1,089</b> | <b>(114)</b> |

These debt positions mainly relate to salaries and wages for December, to accrued holiday entitlement not yet taken and other deferred remuneration.

**Other payables** relate to:

|  | 2021       | 2020       | Change     |
|--|------------|------------|------------|
| Other payables due to parent companies | 597        | 491        | 106        |
| Other amounts due to third parties     | 180        | 179        | 1          |
| <b>Total</b>                           | <b>777</b> | <b>670</b> | <b>107</b> |

**Other payables to parent companies** relate to the tax consolidation scheme for parent company Wizard S.r.l.

6.2) Short-term financial  
payables

|   | 2021         | 2020         | Change         |
|---|--------------|--------------|----------------|
| Amounts to:                             | <b>3,599</b> | <b>6,087</b> | <b>(2,488)</b> |
| and can be broken down as follows:      |              |              |                |
| Payables due to banks and other lenders | 3,286        | 6,003        | (2,717)        |
| Financial payables for leasing          | 313          | 84           | 229            |
| <b>Total</b>                            | <b>3,599</b> | <b>6,087</b> | <b>(2,488)</b> |

**Payables to banks and other lenders** relate to the use of facilities, short-term loans and the current portion of medium/long-term loans.

The table below gives the breakdown of net borrowing.

## Net financial position

|  | 2021          | 2020          | Change       |
|--|---------------|---------------|--------------|
| Amounts to:  | <b>16,342</b> | <b>15,167</b> | <b>1,175</b> |
| and can be broken down as follows:                         |               |               |              |
| 1.8 Long term financial receivables                        | 65,491        | 51,508        | 13,983       |
| 3.4 Current financial assets,<br>cash and cash equivalents | 26,647        | 27,524        | (877)        |
| 5.4 Long term financial payables                           | (72,197)      | (57,778)      | (14,419)     |
| 6.2 Current financial payables                             | (3,599)       | (6,087)       | 2,488        |
| <b>Total</b>   | <b>16,342</b> | <b>15,167</b> | <b>1,175</b> |

The net financial position at the reporting date was positive for 16,342,000 euros, representing an increase of 1,175,000 euros.

Please see the statement of cash flows for evidence of the individual factors that went towards determining the change during the period.

## Statement of financial position

### Contractual commitments and guarantees

## [Notes to the Company's financial statements]

Comments on the commitments as at 31 December 2021 are provided below:

***"Guarantees to subsidiaries and associates"*** were given:

- to the subsidiary Marzotto Lab S.r.l. for 5,500,000 euros for assignments of receivables without recourse;
- to the subsidiary Marzotto Lab S.r.l. for 38,500,000 euros to guarantee loans granted;
- to the subsidiary Marzotto Lab S.r.l. for 44,850,000 euros for lines of credit;
- to the subsidiary Linificio e Canapificio Nazionale S.r.l. SB for 2,000,000 euros for transfers of receivables without recourse;
- in the interest of Sametex Spol s r. o as a guarantee of credit lines for 4,939,000 euros.

***"Guarantees received from subsidiaries and associates"*** were given:

- by the subsidiary Marzotto Wool Manufacturing S.r.l. for 31,250,000 euros to guarantee loans used by this company;
- by the subsidiary Marzotto Lab S.r.l. for 28,250,000 euros to guarantee loans used by this company.

***"Guarantees received from third parties"*** were given:

- to the Company to guarantee rental income for 135,000 euros and to guarantee medium/long-term loans for 9,000,000 euros.

***Interest rate hedging contracts*** relate to two interest rate swaps on a notional amount of 27,000,000 euros. At 31 December 2021, the fair value of these instruments was 139,000 euros.

For comments on the income performance of the Company during the year in question, reference is also made to the specific paragraph of the Management Report.

## 7. Net revenues

The table below gives the breakdown of Net revenues according to business sector.

|                      | 2021         | 2020         | % change   |
|----------------------|--------------|--------------|------------|
| Holding/coordination | 7,319        | 6,501        | 12.6       |
| Real estate          | =            | 1,096        | n.c.       |
| Logistics            | 2,110        | 1,349        | 56.4       |
| Other                | 171          | 367          | (53.4)     |
| <b>Total</b>         | <b>9,600</b> | <b>9,313</b> | <b>3.1</b> |

Revenues relating to the business holding and coordination mainly include proceeds from the billing of services provided by the Company to Group companies for support and assistance in defining operative guidelines, administrative management, financial management and control, legal advisory and advisory services on corporate law, procurement services and IT services. The revenues included in the Real Estate sector related to proceeds deriving from property management, such as rental income for the lease of the portion of the property situated in Piovene Rocchette (VI).

It also includes revenues from photovoltaic management of 466,000 euros, as well as contributions of 10,000 euros.

## 8. Cost of goods sold

|                                     | 2021           | 2020           | % change     |
|-------------------------------------|----------------|----------------|--------------|
| Amounts to:                         | (1,569)        | (1,667)        | (5.9)        |
| and refers to:                      |                |                |              |
| Other logistic and industrial costs | (1,569)        | (1,667)        | (5.9)        |
| <b>Total</b>                        | <b>(1,569)</b> | <b>(1,667)</b> | <b>(5.9)</b> |

The item in question totals 1,569,000 euros and mainly comprises costs relating to the Logistics business at Piovene (VI) site for 1,240 thousand.

## 11. General and administrative costs

|             | 2021    | 2020    | % change |
|-------------|---------|---------|----------|
| Amounts to: | (7,265) | (7,277) | (0.2)    |

General and administrative costs as at 31 December 2021 mainly include payroll costs of 4,135,000 euros, costs for directors and statutory auditors of 805,000 euros, consultancy costs and fees (legal, administrative and other minor) of 278,000 euros, insurance expenses of 90,000 euros and maintenance, utilities and transport costs of 1,957,000 euros.

## 12. Other income and expenses

|  | 2021        | 2020         | % change      |
|--|-------------|--------------|---------------|
| Amounts to:  | (14)        | (907)        | (98.5)        |
| and refers to:                                       |             |              |               |
| Disposal of tangible and intangible assets           | 97          | 116          |               |
| Loss on disposal of investment                       | =           | (3)          |               |
| Allocation/use to legal risk fund and future charges | =           | (532)        |               |
| Other income/charges                                 | (111)       | (488)        |               |
| <b>Total other income/charges</b>                    | <b>(14)</b> | <b>(907)</b> | <b>(98.5)</b> |

## 13. EBIT

|             | 2021 | 2020  | % change |
|-------------|------|-------|----------|
| Amounts to: | 736  | (540) | n.c.     |

Below are the details of payroll costs and the depreciation and amortisation included in the EBIT calculation.

**Payroll costs**

|                                       | 2021    | 2020    | % change |
|---------------------------------------|---------|---------|----------|
| Amounts to:                           | (5,264) | (5,251) | 0.2      |
| and refers to:                        |         |         |          |
| Wages and salaries                    | (3,801) | (3,784) | 0.4      |
| Social security contributions         | (1,128) | (1,112) | 1.4      |
| Staff termination indemnities         | (317)   | (332)   | (4.5)    |
| Pension funds and similar liabilities | (18)    | (19)    | (5.3)    |
| Other labour costs                    | =       | (4)     | n.c.     |

The table above gives the costs relating to employees. Salaries and wages also include labour costs for temporary staff.

The number of active **employees** had the following trend:

|                      | Year End Staff |            |               | Average   |           |              |
|----------------------|----------------|------------|---------------|-----------|-----------|--------------|
|                      | 31.12.2021     | 31.12.2020 | % change      | 2021      | 2020      | % change     |
| Blue-collar workers  | 8              | 13         | (38.5)        | 10        | 13        | (23.1)       |
| White-collar workers | 55             | 60         | (8.3)         | 57        | 62        | (8.1)        |
| Managers             | 9              | 9          | =             | 9         | 9         | =            |
| <b>Total</b>         | <b>72</b>      | <b>82</b>  | <b>(12.2)</b> | <b>76</b> | <b>84</b> | <b>(9.5)</b> |

**Amortisation and depreciation** were as follows:

| <b>Ammortization</b>                    | 2021    | 2020    | % change |
|---|---------|---------|----------|
| Amounts to:                             | (1,141) | (1,247) | (8.5)    |
| and refers to:                          |         |         |          |
| amortization of intangible fixed assets | (197)   | (253)   |          |
| depreciation of tangible fixed assets   | (944)   | (994)   |          |

14. Net financial  
expenses

|                                     | 2021         | 2020         | % change      |
|-------------------------------------|--------------|--------------|---------------|
| Amounts to:                         | (120)        | (21)         | n.c.          |
| and refer to:                       |              |              |               |
| <b>Financial income</b>             |              |              |               |
| Interest received from subsidiaries | 420          | 101          | >100,0        |
| Interests received from banks       | =            | 2            | n.c.          |
| Other financial income              | 1            | =            | n.c.          |
| <b>Total financial income</b>       | <b>421</b>   | <b>103</b>   | <b>+100,0</b> |
| <b>Financial charges</b>            |              |              |               |
| Interest payable to subsidiaries    | (13)         | (1)          | +100,0        |
| Bank services                       | (58)         | (44)         | 31.8          |
| Other financial charges             | (467)        | (79)         | >100,0        |
| <b>Total financial charges</b>      | <b>(541)</b> | <b>(124)</b> | <b>+100,0</b> |
| <b>Total</b>                        | <b>(120)</b> | <b>(21)</b>  | <b>n.c.</b>   |

Interest received from subsidiaries is detailed as follows:

|                                    | 2021       | 2020       | % change         |
|------------------------------------|------------|------------|------------------|
| Amounts to:                        | 420        | 101        | >100,0           |
| and refers to:                     |            |            |                  |
| Marzotto Wool Manufacturing S.r.l. | 189        | 31         | >100,0           |
| Marzotto Lab S.r.l.                | 169        | 65         | >100,0           |
| Marzotto Textile N.V.              | 1          | 1          | =                |
| Biella Manifatture Tessili S.r.l.  | 61         | 4          | >100,0           |
| <b>Total</b>                       | <b>420</b> | <b>101</b> | <b>&gt;100,0</b> |

17. Other financial  
income and  
expenses

|  | 2021       | 2020        | % change      |
|--|------------|-------------|---------------|
| Amounts to:                                      | (7)        | (57)        | (87.7)        |
| and refers to:                                   |            |             |               |
| Loss on equity investment in Le Cotonerie S.r.l. | (4)        | (52)        |               |
| Adjustement TFR IAS 19                           | (3)        | (5)         |               |
| <b>Total</b>                                     | <b>(7)</b> | <b>(57)</b> | <b>(87.7)</b> |



## 19. Income taxes

|                           | 2021         | 2020     | % change    |
|---------------------------|--------------|----------|-------------|
| Amounts to:               | (429)        | 2        | n.c.        |
| and refers to:            |              |          |             |
| Current taxes             | (698)        | (562)    |             |
| Deferred taxes payable    | 447          | 457      |             |
| Deferred taxes receivable | (73)         | (54)     |             |
| Other variations          | (105)        | 161      |             |
| <b>Total</b>              | <b>(429)</b> | <b>2</b> | <b>n.c.</b> |

The reconciliation of the theoretical tax rate with the effective tax rate on income before taxes is set out in the table below.

|                          | 2021         |               | 2020         |              |
|--------------------------|--------------|---------------|--------------|--------------|
|                          | Amount       | %age          | Amount       | %age         |
| <b>Pre-tax profit</b>    | <b>609</b>   |               | <b>(618)</b> |              |
| Theoretical taxes        | (146)        | (24.0)        | 148          | (24.0)       |
| Other permanent changes  | (116)        | (19.0)        | (152)        | 24.6         |
| IRAP                     | (86)         | (14.1)        | (60)         | 9.7          |
| Other variations         | (51)         | (8.4)         | (95)         | 15.4         |
| Taxes from previous year | (30)         | (4.9)         | 161          | (26.1)       |
| <b>Total taxes</b>       | <b>(429)</b> | <b>(70.5)</b> | <b>2</b>     | <b>(0.4)</b> |

## Other information

## [Notes to the Company's financial statements]

### Related parties

It is in the economic interest of the single participating entities to carry out operations with related parties.

All transactions with subsidiaries, associates and other related parties, whether in relation to the exchange of goods and services or to financial operations, are carried out at arm's length.

Relations with subsidiaries and associates are also shown in the financial schedules and the notes.

The tables below detail the equity and economic values of the transactions performed with parent companies, subsidiaries, associates and affiliates as at 31 December 2021.

#### Receivables and payables existing with Group Companies as at 31 December 2021

| Company                                     | Receivables  |           |               |               | Payables  |            |           |            |
|---|--------------|-----------|---------------|---------------|-----------|------------|-----------|------------|
|   | Trade        | Other     | Financial     | Total         | Trade     | Other      | Financial | Total      |
| Biella Manifatture Tessili S.r.l.           | 763          | =         | 10,000        | 10,763        | 36        | =          | =         | 36         |
| Marzotto Wool Manufacturing S.r.l.          | 896          | 42        | 30,750        | 31,688        | 46        | =          | =         | 46         |
| Marzotto Lab S.r.l.                         | 893          | 45        | 27,750        | 28,688        | 7         | =          | =         | 7          |
| Ambiente Energia S.r.l.                     | 152          | =         | =             | 152           | 2         | =          | =         | 2          |
| Marzotto Textile NV                         | =            | =         | 276           | 276           | =         | =          | =         | =          |
| Novà Mosilana a.s.                          | 67           | =         | =             | 67            | =         | =          | =         | =          |
| AB Liteksas                                 | 19           | =         | =             | 19            | =         | =          | =         | =          |
| Marzotto Textiles U.S.A. Inc.               | 3            | =         | =             | 3             | =         | =          | =         | =          |
| Sametex spol s r. o                         | 75           | =         | =             | 75            | 2         | =          | =         | 2          |
| UAB Lietlinen                               | 9            | =         | =             | 9             | =         | =          | =         | =          |
| Linificio e Canapificio Nazionale S.r.l. SB | 782          | =         | =             | 782           | =         | =          | =         | =          |
| Filature de Lin Filin s.a.                  | 9            | =         | =             | 9             | =         | =          | =         | =          |
| Uab Lietvilna                               | 5            | =         | =             | 5             | =         | =          | =         | =          |
| Tintoria di Verrone S.r.l.                  | 7            | =         | =             | 7             | =         | =          | =         | =          |
| Ratti S.p.A.                                | 110          | =         | =             | 110           | =         | =          | =         | =          |
| Mascioni S.p.A.                             | 1            | 7         | =             | 8             | =         | =          | =         | =          |
| Trenora S.r.l.                              | 19           | =         | =             | 19            | =         | =          | =         | =          |
| Wizard S.r.l.                               | 25           | =         | =             | 25            | =         | 597        | =         | 597        |
| <b>Total</b>                                | <b>3,835</b> | <b>94</b> | <b>68,776</b> | <b>72,705</b> | <b>93</b> | <b>597</b> | <b>=</b>  | <b>690</b> |

#### Revenues, income, costs and charges with the Group Companies for the year 2021

| Società                                     | Revenues and other income |          |            |              | Costs and charges |            |          |            |
|---|---------------------------|----------|------------|--------------|-------------------|------------|----------|------------|
|   | Products                  | Services | Finance    | Total        | Products          | Services   | Finance  | Total      |
| Biella Manifatture Tessili S.r.l.           | 1,612                     | =        | 61         | 1,673        | =                 | =          | =        | =          |
| Marzotto Wool Manufacturing S.r.l.          | 2,466                     | =        | 189        | 2,655        | =                 | 131        | =        | 131        |
| Marzotto Lab S.r.l.                         | 2,064                     | =        | 169        | 2,233        | =                 | =          | =        | =          |
| Ambiente Energia S.r.l.                     | 246                       | =        | =          | 246          | =                 | =          | 3        | 3          |
| Marzotto Textile NV                         | =                         | =        | 1          | 1            | =                 | =          | =        | =          |
| Novà Mosilana a.s.                          | 264                       | =        | =          | 264          | =                 | =          | =        | =          |
| AB Liteksas                                 | 37                        | =        | =          | 37           | =                 | =          | =        | =          |
| Sametex spol s r. o                         | 178                       | =        | =          | 178          | =                 | 2          | =        | 2          |
| Linificio e Canapificio Nazionale S.r.l. SB | 1,312                     | =        | =          | 1,312        | =                 | =          | =        | =          |
| Uab Lietvilna                               | 16                        | =        | =          | 16           | =                 | =          | =        | =          |
| Tintoria di Verrone S.r.l.                  | 14                        | =        | =          | 14           | =                 | =          | =        | =          |
| Ratti S.p.A.                                | 156                       | =        | =          | 156          | =                 | =          | =        | =          |
| Trenora S.r.l.                              | 31                        | =        | =          | 31           | =                 | =          | =        | =          |
| Wizard S.r.l.                               | 27                        | =        | =          | 27           | =                 | =          | =        | =          |
| <b>Total</b>                                | <b>8,423</b>              | <b>=</b> | <b>420</b> | <b>8,843</b> | <b>=</b>          | <b>133</b> | <b>3</b> | <b>136</b> |

## Other information

## [Notes to the Company's financial statements]

### Directors and Statutory Auditors

Remuneration paid to the Directors and Statutory Auditors of Marzotto S.p.A.

| (thousand of euro) | Office    |          | Total |
|--------------------|-----------|----------|-------|
|                    | Directors | Auditors |       |
| Remuneration       | 765       | 39       | 804   |

The remuneration paid to the Statutory Auditors also includes remuneration for the supervisory body.

### Independent Auditors

Remuneration due for the financial year for services provided by the Independent Auditors

| (thousand of euro) | Company         |              | Total |
|--------------------|-----------------|--------------|-------|
|                    | Marzotto S.p.A. | Subsidiaries |       |
| Auditing services  | 9               | 169          | 178   |

### Non-typical/unusual operations

During FY 2021, the Company has implemented no non-typical and/or unusual operations.

### Events after the date of these financial statements

Please see the Management Report for events subsequent to 31 December 2021.

## Equity investments

## [Notes to the Company's financial statements]

Equity investments held directly and indirectly by the Company

Below is the list of equity investments in which Marzotto S.p.A. directly or indirectly holds more than 10% of the voting shares as at 31 December 2021. All equity investments represent ownership.

| Company name                                       | Head office           | Direct investor                      | % direct owned | % Marzotto S.p.A. owned |
|--|-----------------------|--------------------------------------|----------------|-------------------------|
| <b>Marzotto Wool Manufacturing S.r.l.</b>          | Valdagno (VI)         | Marzotto S.p.A.                      | 100.00%        | 100.00%                 |
| Biella Manifatture Tessili S.r.l.                  | Valdagno (I)          | Marzotto Wool Manufacturing S.r.l.   | 100.00%        | 100.00%                 |
| Nová Mosilana a.s.                                 | Brno (CZ)             | Marzotto Wool Manufacturing S.r.l.   | 100.00%        | 100.00%                 |
| <b>Marzotto Textile N.V.</b>                       | Amsterdam (NL)        | Marzotto Wool/Marzotto Lab           | 100.00%        | 100.00%                 |
| Marzotto Textiles USA Inc.                         | New York (USA)        | Marzotto Textile N.V.                | 100.00%        | 100.00%                 |
| Marzotto Inter. Tr. (Shanghai) Co. Ltd.            | Shanghai (RPC)        | Marzotto Textile N.V.                | 100.00%        | 100.00%                 |
| <b>Ambiente Energia S.r.l.</b>                     | Schio (I)             | Marzotto S.p.A.                      | 100.00%        | 100.00%                 |
| <b>Marzotto Lab S.r.l.</b>                         | Valdagno (VI)         | Marzotto S.p.A.                      | 100.00%        | 100.00%                 |
| AB Liteksas  | Kaunas (LT)           | Marzotto Lab S.r.l.                  | 99.97%         | 99.97%                  |
| Sametex spol s r. o                                | Kraslice (CZ)         | Marzotto Lab S.r.l.                  | 100.00%        | 100.00%                 |
| Girmes International G.m.b.h.                      | Tonisevst (DE)        | Marzotto Lab S.r.l.                  | 100.00%        | 100.00%                 |
| Marzotto Textiles Czech Republic s. r.o.           | Praga (CZ)            | Marzotto S.p.A.                      | 100.00%        | 100.00%                 |
| Pettinatura Verrone S.r.l.                         | Verrone (I)           | Marzotto Wool Manufacturing S.r.l.   | 15.00%         | 15.00%                  |
| UAB Lietvilna                                      | Kaunas (LT)           | Marzotto Lab S.r.l.                  | 50.00%         | 50.00%                  |
| Tintoria di Verrone S.r.l.                         | Verrone (BI)          | Marzotto Wool/Marzotto Lab           | 50.00%         | 50.00%                  |
| Aree Urbane S.r.l. in bankruptcy                   | Milano (I)            | Marzotto S.p.A.                      | 32.50%         | 32.50%                  |
| Mascioni S.p.A.                                    | Milano (I)            | Marzotto S.p.A.                      | 13.31%         | 13.31%                  |
| G. Schneider PTY Limited                           | Greenwich (AUS)       | Marzotto Wool Manufacturing S.r.l.   | 25.00%         | 25.00%                  |
| Mediterranean Wool Industries Co. S.A.E.           | Sadat City (ET)       | Marzotto Wool Manufacturing S.r.l.   | 30.00%         | 30.00%                  |
| <b>Linificio e Canapificio Nazionale S.r.l. SB</b> | Valdagno (I)          | Marzotto Lab S.r.l.                  | 100.00%        | 100.00%                 |
| Filature de Lin Filin S.A.                         | Chbedda (TN)          | Linificio e Canapificio N. S.r.l. SB | 100.00%        | 100.00%                 |
| UAB Lietlinen                                      | Kaunas (LT)           | Linificio e Canapificio N. S.r.l. SB | 100.00%        | 100.00%                 |
| <b>Ratti S.p.A.</b>                                | Guanzate (I)          | Marzotto S.p.A.                      | 34.24%         | 34.24%                  |
| Creomoda S.a.r.l.                                  | Sousse (TN)           | Ratti S.p.A.                         | 76.00%         | 26.02%                  |
| La Maison des Accessoires S.r.a.l.                 | Sousse (TN)           | Ratti S.p.A.                         | 68.40%         | 17.80%                  |
| Marielle S.r.l.                                    | Firenze (FI)          | Ratti S.p.A.                         | 30.00%         | 10.27%                  |
| Foto Azzurra S.r.l.                                | Cassina Rizzardi (CO) | Ratti S.p.A.                         | 20.00%         | 6.85%                   |
| Ratti USA Inc.                                     | New York (USA)        | Ratti S.p.A.                         | 100.00%        | 34.24%                  |
| Ratti Int. Trading (Shanghai) Co. Ltd              | Shanghai (RPC)        | Ratti S.p.A.                         | 100.00%        | 34.24%                  |
| Textrom S.r.l.                                     | Cluj - Napoca (RO)    | Ratti S.p.A.                         | 100.00%        | 34.24%                  |

We provide further details on the equity investments held by the Company below.

| Company                                     | Reg. office           | Share Capital | Currency | % Ownership |        |
|---|-----------------------|---------------|----------|-------------|--------|
|   |                       |               |          | 2021        | 2020   |
| Le Cotonerie S.r.l.                         | Valdagno (I)          | 15.00         | K EUR    | =           | 100.00 |
| Ambiente Energia S.r.l.                     | Schio (I)             | 100.00        | K EUR    | 100.00      | 100.00 |
| Marzotto Textiles Czech Republic s. r.o.    | Praga (CZ)            | 200.00        | K CZK    | 100.00      | 100.00 |
| Marzotto Wool Manufacturing S.r.l.          | Valdagno (I)          | 10,000.00     | K EUR    | 100.00      | 100.00 |
| and it's subsidiaries:                      |                       |               |          |             |        |
| Biella Manifatture Tessili S.r.l.           | Valdagno (I)          | 1,000.00      | K EUR    | 100.00      | 100.00 |
| Novà Mosilana a.s.                          | Brno (CZ)             | 1,095,000.00  | K CZK    | 100.00      | 100.00 |
| Marzotto Lab S.r.l.                         | Valdagno (I)          | 10,000.00     | K EUR    | 100.00      | 100.00 |
| and it's subsidiaries:                      |                       |               |          |             |        |
| AB Liteksas                                 | Kaunas (LT)           | 11,890.00     | K EUR    | 99.97       | 99.97  |
| Sametex spol. s r.o                         | Kraslice (CZ)         | 565,863.00    | K CZK    | 100.00      | 100.00 |
| Girmes International G.m.b.h.               | Tonisevst (DE)        | 800.00        | K EUR    | 100.00      | 100.00 |
| Marzotto Textile N.V.                       | Amsterdam (NL)        | 45.00         | K EUR    | 100.00      | 100.00 |
| and it's subsidiaries:                      |                       |               |          |             |        |
| Marzotto Int. Trad. (Shanghai) Ltd.         | Shanghai (RPC)        | 1,001.46      | K CNY    | 100.00      | 100.00 |
| Marzotto Textiles USA Inc.                  | New York (USA)        | 410.00        | K USD    | 100.00      | 100.00 |
| Linificio e Canapificio Nazionale S.r.l. SB | Valdagno (I)          | 27,648.00     | K EUR    | 100.00      | 100.00 |
| and it's subsidiaries:                      |                       |               |          |             |        |
| Filature de Lin Filin S.A.                  | Chbedda (TN)          | 16,155.00     | K TND    | 100.00      | 100.00 |
| UAB Lietlinen                               | Kaunas (LT)           | 8,445.00      | K EUR    | 100.00      | 100.00 |
| Mascioni S.p.A.                             | Milano (I)            | 10,000.00     | K EUR    | 13.31       | 13.31  |
| Mediterranean Wool Industries Co. S.A.E.    | Sadat City (ET)       | 9,208.00      | K EUR    | 30.00       | 30.00  |
| G. Schneider PTY Limited                    | Greenwich (AUS)       | 84.00         | K AUD    | 25.00       | 25.00  |
| Schneider New Zealand Limited               | Christchurch (AUS)    | 318.00        | K NZD    | =           | 25.00  |
| UAB Lietvilna                               | Kaunas (LT)           | 4,550.00      | K EUR    | 50.00       | 50.00  |
| Tintoria di Verrone S.r.l.                  | Verrone (I)           | 100.00        | K EUR    | 50.00       | 50.00  |
| Pettinatura di Verrone S.r.l.               | Verrone (I)           | 3,000.00      | K EUR    | 15.00       | 15.00  |
| Ratti S.p.A.                                | Guanzate (I)          | 11,115.00     | K EUR    | 34.24       | 34.01  |
| and it's subsidiaries:                      |                       |               |          |             |        |
| Creomoda S.a.r.l.                           | Sousse (TN)           | 660.00        | K TND    | 26.02       | 25.84  |
| La Maison des accessories S.a.r.l.          | Sousse (TN)           | 120.00        | K TND    | 23.42       | 23.26  |
| Ratti USA Inc.                              | New York (USA)        | 500.00        | K USD    | 34.24       | 34.01  |
| Ratti Int. Trading (Shanghai) Co. Ltd       | Shanghai (RPC)        | 110.00        | K EUR    | 34.24       | 34.01  |
| Textrom S.r.l.                              | Cluj - Napoca (RO)    | 0.20          | K RON    | 34.24       | 34.01  |
| Foto Azzurra S.r.l.                         | Cassina Rizzardi (CO) | 20.00         | K EUR    | 6.85        | =      |
| Marielle S.r.l.                             | Firenze (FI)          | 17.25         | K EUR    | 10.27       | 10.27  |
| Aree Urbane S.r.l. in bankruptcy            | Milano (I)            | 100.00        | K EUR    | 32.50       | 32.50  |

| (thousand euro)                         |                        | Situation as at 31.12.2020 |                                     |                | Changes during the year 2021 |                  |           |             |
|---|------------------------|----------------------------|-------------------------------------|----------------|------------------------------|------------------|-----------|-------------|
| Description                             | Number of shares owned | % owned                    | Pro-quota net equity <sup>(1)</sup> | Net book value | Number of shares (+/-)       | Gross book value |           | Adjustments |
|   |                        |                            |                                     |                |                              | Increases        | Decreases |             |
| Le Cotonerie S.r.l.                     | 1                      | 100.00                     | =                                   | =              | (1)                          | =                | =         | =           |
| Ambiente Energia S.r.l.                 | 1                      | 100.00                     | 9,749                               | 8,010          | =                            | =                | =         | =           |
| Marzotto Wool Manufacturing S.r.l.      | 1                      | 100.00                     | 61,257                              | 49,371         | =                            | =                | =         | =           |
| Marzotto Lab S.r.l.                     | 1                      | 100.00                     | 26,500                              | 43,401         | =                            | =                | =         | =           |
| Marzotto Textiles Czech Rep. s r.o      | 1                      | 100.00                     | 160                                 | 7              | =                            | =                | =         | =           |
| <b>Shareholdings in subsidiaries</b>    |                        |                            | <b>97,666</b>                       | <b>100,789</b> | <b>(1)</b>                   | <b>=</b>         | <b>=</b>  | <b>=</b>    |
| Mascioni S.p.A.                         | 283,500                | 13.31                      | 868                                 | =              | =                            | =                | =         | =           |
| Aree Urbane S.r.l. in bankrutcy         | 1                      | 32.50                      | (35,888)                            | =              | =                            | =                | =         | =           |
| Ratti S.p.A.                            | 9,300,400              | 34.01                      | 20,415                              | 10,825         | 63,600                       | 248              | =         | =           |
| <b>Shareholding in affiliates</b>       |                        |                            | <b>(14,605)</b>                     | <b>10,825</b>  | <b>63,600</b>                | <b>248</b>       | <b>=</b>  | <b>=</b>    |
| Società Editrice Il Mulino S.p.A.       | 224,989                | 4.79                       | 211                                 | 143            | =                            | =                | =         | =           |
| Next Technology Tecnotessile S.r.l.     | 19,968                 | 1.58                       | 9                                   | 10             | =                            | =                | =         | =           |
| Tollegno Holding S.p.A.                 | 2,270                  | 0.01                       | 3                                   | 1              | =                            | =                | =         | =           |
| Consorzio Ivrea Energia (in liquid.)    | 1                      | 11.11                      | 1                                   | 1              | =                            | =                | =         | =           |
| <b>Shareholdings in other companies</b> |                        |                            | <b>224</b>                          | <b>155</b>     | <b>=</b>                     | <b>=</b>         | <b>=</b>  | <b>=</b>    |
| <b>Total equity investments</b>         |                        |                            | <b>83,285</b>                       | <b>111,769</b> | <b>63,599</b>                | <b>248</b>       | <b>=</b>  | <b>=</b>    |

- For subsidiary and affiliated companies, the net equity attributable to Marzotto is shown in the Parent Company's Financial Statements, or in the consolidated Financial Statements if prepared.

| Situation as at 31.12.2021 |                        |         |                      |                                     |                |  |
|----------------------------|------------------------|---------|----------------------|-------------------------------------|----------------|--|
| Net equity as of           | Number of shares owned | % owned | Pro-quota Net Income | Pro-quota net equity <sup>(1)</sup> | Net book value | Description                              |
| Dec. 2021                  | =                      | =       | =                    | =                                   | =              | Le Cotonerie S.r.l.                      |
| Dec. 2021                  | 1                      | 100.00  | 981                  | 10,730                              | 8,010          | Ambiente Energia S.r.l.                  |
| Dec. 2021                  | 1                      | 100.00  | (6,492)              | 54,762                              | 49,371         | Marzotto Wool Manufacturing S.r.l.       |
| Dec. 2021                  | 1                      | 100.00  | (1,417)              | 25,084                              | 43,401         | Marzotto Lab S.r.l.                      |
| Dec. 2021                  | 1                      | 100.00  | 21                   | 186                                 | 7              | Marzotto Textiles Czech Rep. s.r.o       |
|                            |                        |         | <b>(6,907)</b>       | <b>90,762</b>                       | <b>100,789</b> | <b>Shareholdings in subsidiaries</b>     |
| Dec. 2019                  | 283,500                | 13.31   | (365)                | 868                                 | =              | Mascioni S.p.A.                          |
| Dec. 2019                  | 1                      | 32.50   | (5,383)              | (35,888)                            | =              | Aree Urbane S.r.l. in bankruptcy         |
| Dec. 2021                  | 9,364,000              | 34.24   | 1,001                | 21,421                              | 11,073         | Ratti S.p.A.                             |
|                            |                        |         | <b>(4,747)</b>       | <b>(13,599)</b>                     | <b>11,073</b>  | <b>Shareholding in affiliates</b>        |
| Dec. 2020                  | 224,989                | 4.79    | 7                    | 211                                 | 143            | Società Editrice Il Mulino S.p.A.        |
| Dec. 2018                  | 19,968                 | 1.58    | =                    | 9                                   | 10             | Next Technology Tecnotessile S.r.l.      |
| Dec. 2020                  | 2,270                  | 0.01    | =                    | 3                                   | 1              | Tollegno Holding S.p.A.                  |
| Dec. 2012                  | 1                      | 11.11   | n.d.                 | 1                                   | 1              | Consorzio Ivrea Energia (in liquidation) |
|                            |                        |         | <b>7</b>             | <b>224</b>                          | <b>155</b>     | <b>Shareholdings in other companies</b>  |
|                            |                        |         | <b>(11,647)</b>      | <b>77,387</b>                       | <b>112,017</b> | <b>Total equity investments</b>          |

Allocation of earnings  
for the year

## [Proposals to the Shareholders' Meeting]

Dear Shareholders,

We invite you to approve the presented financial statements and propose to allocate the profits for the period of 179,737.08 euros as follows:

- retained: 179,737.08 euros.

After this allocation, retained earnings net of losses will amount to 22,773,836.99 euros.

Valdagno (VI), 29 March 2022

FOR THE BOARD OF DIRECTORS  
THE CHIEF EXECUTIVE OFFICER  
DAVIDE FAVRIN





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## Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 (Translation from the original Italian text)

To the Shareholders of  
Manifattura Lane Gaetano Marzotto & Figli S.p.A.

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Manifattura Lane Gaetano Marzotto & Figli S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2021, and the statement of profit/(loss) and items of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms provided by the 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 Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

EY S.p.A.  
Sede Legale: Via Meravigli, 12 - 20123 Milano  
Sede Secondaria: Via Lombardia, 31 - 00187 Roma  
Capitale Sociale Euro 2.525.000,00 i.v.  
Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi  
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. di Milano 606158 - P.IVA 00891231003  
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998  
Iscritta all'Albo Speciale delle società di revisione  
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 International Standards on Auditing (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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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;
- we have obtained 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 Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



## Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010

The Directors of Manifattura Lane Gaetano Marzotto & Figli S.p.A. are responsible for the preparation of the Report on Operations of Manifattura Lane Gaetano Marzotto & Figli S.p.A. as at December 31, 2021, including its consistency with the related financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the financial statements of Manifattura Lane Gaetano Marzotto & Figli S.p.A. as at December 31, 2021 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the financial statements of Manifattura Lane Gaetano Marzotto & Figli S.p.A. as at December 31, 2021 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milan, April 13, 2022

EY S.p.A.

Signed by: Gabriele Grignaffini, Auditor

*This report has been translated into the English language solely for the convenience of international readers.*

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING AT THE TIME OF APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 PREPARED PURSUANT TO ARTICLE 2429, PARAGRAPH 2 OF THE ITALIAN CIVIL CODE

*To the Shareholder of Marzotto S.p.A. a Socio Unico*

During the year ended 31 December 2021, our work was based on the provisions of law and the code of conduct for statutory auditors of unlisted companies issued by the National Council of Chartered Accountants and Accounting Experts, published in December 2020 and in effect as of 1 January 2021.

This work and its results are brought to your attention in this report.

We have submitted for your review the annual financial statements of Marzotto S.p.A. as at 31 December 2021, prepared in accordance with the Italian regulations governing their preparation. The managers prepared the annual financial statements in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union, as well as with the orders issued in implementation of Italian Legislative Decree 38/2005.

The financial statements show net income for the year of 180,000 euros and comprehensive income of 395,000 euros.

The financial statements were provided to us in accordance with the law.

The entity responsible for the statutory audit of the financial statements, EY S.p.A., provided us with its report dated 13 April 2022, which contains an opinion without changes.

According to the report of the entity responsible for the statutory audit, the annual financial statements as at 31 December 2021 provide a true and fair view of the financial position, profit and loss and cash flows of your Company in accordance with the International Financial Reporting Standards adopted by the European Union.

As it is not responsible for the statutory audit, the Board of Statutory Auditors has performed the supervisory activities on the financial statements provided for in Regulation 3.8. of the code of conduct for statutory auditors of unlisted companies, which consist of a summary overall control to ascertain whether the financial statements have been drafted correctly. Verification of consistency with the accounting data is, in fact, the responsibility of the entity responsible for the statutory audit. The management body of Marzotto S.p.A. also prepared the consolidated financial statements as at 31 December 2021: as provided for and permitted by Regulation 3.9. of the code of conduct for statutory auditors of unlisted companies, we have summarised the conclusions of the supervisory activity carried out, relating to the consolidated financial statements, in a specific section of this report.

### **1) Supervisory activity pursuant to Articles 2403 *et seq.* of the Italian Civil Code**

We monitored compliance with the law and the articles of association, respect for the principles of proper administration and, in particular, the adequacy of the organisational structures and the administrative and accounting system and how these actually function.

We attended shareholders' meetings and meetings of the Board of Directors and, based on the information available, we have no particular findings to report.

We obtained information from the directors sufficiently in advance of, and during, meetings regarding the general business performance and business outlook, as well as on the most significant transactions, due to their size or characteristics, carried out by the company and its subsidiaries and, based on the information obtained, we have no particular observations to make.

We exchanged data and information that is relevant for our supervisory activity with the entity responsible for the statutory audit in a timely manner.

We acted as a supervisory body and, in performing this function, the controls carried out did not reveal any significant risks or hazardous situations, and no actions have emerged that constitute breaches of the Organisational Model adopted, as also indicated in the report issued on 24 March 2022.

We obtained information and verified the adequacy of the organisational, administrative and accounting structure and its actual functioning, including through the collection of information from the department managers, and in this regard we have no particular observations to report.

We have acquired knowledge of, and supervised, to the extent of our competence, the adequacy and functioning of the administrative and accounting system, as well as the reliability of the latter in correctly representing operating events, by obtaining information from the department managers and the examination of company documents, and we have no particular observations to report in this regard.

No complaints were received from shareholders pursuant to Article 2408 of the Italian Civil Code.

The Board of Statutory Auditors did not issue any opinions or observations required by law during the year.

In the course of the supervisory activity described above, no other material facts emerged requiring mention in this report.



**2) Observations concerning the annual financial statements**

According to the report of the entity responsible for the statutory audit, "the annual financial statements as at 31 December 2021 provide a true and fair view of the financial position, profit and loss and cash flows of the Company in accordance with the International Financial Reporting Standards adopted by the European Union".

As far as we are aware, the directors did not derogate from the provisions of law pursuant to Article 2423, paragraph 5, of the Italian Civil Code.

Pursuant to Article 2426, paragraph 6, of the Italian Civil Code, we have given our consent to the recognition of goodwill of 167,000 euros on the assets side of the statement of financial position.

**3) Observations concerning the consolidated financial statements**

We have reviewed the consolidated financial statements as at 31 December 2021, prepared by your Company in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, as well as with the orders issued in implementation of Italian Legislative Decree 38/2005.

Also as regards the consolidated financial statements, the entity responsible for the statutory audit of the financial statements, EY S.p.A., provided us with its report dated 13 April 2022, which contains an opinion without changes.

According to the report of the entity responsible for the statutory audit, the consolidated financial statements as at 31 December 2021 provide a true and fair view of the financial position, profit and loss and cash flows of the Group in accordance with the International Financial Reporting Standards adopted by the European Union.

The consolidated financial statements show a Group net loss of 8,042,000 euros and a comprehensive Group net loss of 4,266,000 euros.

We have verified the general layout of the consolidated financial statements and their compliance with the law in terms of preparation and structure.

We also verified that the consolidated financial statements correspond to the facts and information of which we have become aware, and we have no observations to make in this regard.

**4) Observations and proposals regarding the approval of the financial statements**

In view of the results of our work and the opinion expressed in the audit report of the person responsible for the statutory audit of the financial statements, we invite the shareholder to approve the financial statements for the year ended 31 December 2021, as prepared by the directors.

The Board of Statutory Auditors agrees with the proposal for allocation of the profit for the year formulated by the directors in the notes.

Valdagno (VI), 13 April 2022

Sandro Miotto, Chairman

Marco Della Putta, Standing Auditor

Federico Giorgione, standing Auditor

|   | Marzotto Wool<br>Manufacturing S.r.l.<br>(thousand euro) |                 | Marzotto Lab S.r.l.<br>(thousand euro) |                 | Ambiente Energia<br>S.r.l.<br>(thousand euro) |               |
|---|--|-----------------|--|-----------------|---|---------------|
|   | 2021   | 2020            | 2021                                   | 2020            | 2021  | 2020          |
| <b>1. Non-current assets</b>                            |  |                 |  |                 |   |               |
| 1.1 Property, plant and equipment                       | 11,409   | 13,440          | 9,312                                  | 4,278           | 6,317   | 6,588         |
| 1.2 Civil buildings                                     | 50   | 56              | 419                                    | 434             | 15  | 15            |
| 1.3 Goodwill, trademarks and other intangible assets    | 185  | 234             | 3,974                                  | 3,717           | 666   | 755           |
| 1.4 Equity Investments                                  | =  | =               | =                                      | =               | 1   | 1             |
| 1.5 Other investments                                   | 97,163   | 97,469          | 57,102                                 | 53,373          | =   | =             |
| 1.6 Long-term receivables                               | 111  | 30              | 269                                    | 10              | 50  | =             |
| 1.7 Deferred tax assets                                 | 6,349  | 4,825           | 3,253                                  | 2,978           | 15  | 15            |
| 1.8 Long-term financial receivables                     | =  | =               | 10                                     | 2,360           | 12  | 12            |
| <b>Total non-current assets</b>                         | <b>115,267</b>   | <b>116,054</b>  | <b>74,339</b>                          | <b>67,150</b>   | <b>7,076</b>                                  | <b>7,386</b>  |
| <b>2. Non-current assets held for sale</b>              | <b>=</b>   | <b>=</b>        | <b>10</b>                              | <b>=</b>        | <b>=</b>                                      | <b>=</b>      |
| <b>3. Current assets</b>                                |  |                 |  |                 |   |               |
| 3.1 Inventories   | 27,616   | 31,960          | 13,935                                 | 12,557          | =   | =             |
| 3.2 Trade receivables                                   | 35,015   | 15,670          | 13,389                                 | 9,707           | 2,372   | 2,565         |
| 3.3 Other receivables                                   | 3,237  | 2,869           | 1,555                                  | 621             | 110   | 81            |
| 3.4 Current financial assets, cash and cash equivalents | 16,722   | 31,007          | 19,831                                 | 27,181          | 7,331   | 5,067         |
| <b>Total current assets</b>                             | <b>82,590</b>  | <b>81,506</b>   | <b>48,710</b>                          | <b>50,066</b>   | <b>9,813</b>                                  | <b>7,713</b>  |
| <b>Total assets</b>                                     | <b>197,857</b>   | <b>197,560</b>  | <b>123,059</b>                         | <b>117,216</b>  | <b>16,889</b>                                 | <b>15,099</b> |
| <b>4. Shareholders' equity</b>                          |  |                 |  |                 |   |               |
| 4.1 Share capital and reserves                          | 61,254   | 66,288          | 26,501                                 | 38,055          | 9,749   | 8,922         |
| 4.2 Income/(Loss) for the year                          | (6,492)  | (5,031)         | (1,417)                                | (11,555)        | 981   | 827           |
| 4.3 Non controlling interests                           | =  | =               | =                                      | =               | =   | =             |
| <b>Total shareholders' equity</b>                       | <b>54,762</b>  | <b>61,257</b>   | <b>25,084</b>                          | <b>26,500</b>   | <b>10,730</b>                                 | <b>9,749</b>  |
| <b>5. Non-current liabilities</b>                       |  |                 |  |                 |   |               |
| 5.1 Long-term provisions                                | 5,261  | 5,934           | 3,064                                  | 2,749           | 103   | 80            |
| 5.2 Other long-term payables                            | =  | =               | =                                      | =               | =   | =             |
| 5.3 Deferred tax liabilities                            | 767  | 817             | 487                                    | 402             | 995   | 1,068         |
| 5.4 Long-term financial payables                        | 59,004   | 58,575          | 45,106                                 | 41,703          | 2,274   | 1,253         |
| <b>Total non-current liabilities</b>                    | <b>65,032</b>  | <b>65,326</b>   | <b>48,657</b>                          | <b>44,854</b>   | <b>3,372</b>                                  | <b>2,401</b>  |
| <b>6. Non-current liabilities held for sale</b>         | <b>=</b>   | <b>=</b>        | <b>=</b>                               | <b>=</b>        | <b>=</b>                                      | <b>=</b>      |
| <b>7. Current liabilities</b>                           |  |                 |  |                 |   |               |
| 7.1 Trade payables and other payables                   | 57,750   | 31,109          | 25,302                                 | 17,134          | 2,308   | 2,702         |
| 7.2 Current financial payables                          | 20,313   | 39,868          | 24,016                                 | 28,728          | 479   | 247           |
| <b>Total current liabilities</b>                        | <b>78,063</b>  | <b>70,977</b>   | <b>49,318</b>                          | <b>45,862</b>   | <b>2,787</b>                                  | <b>2,949</b>  |
| <b>Total shareholders' equity and liabilities</b>       | <b>197,857</b>   | <b>197,560</b>  | <b>123,059</b>                         | <b>117,216</b>  | <b>16,889</b>                                 | <b>15,099</b> |
| <b>Net financial debt</b>                               | <b>(62,595)</b>  | <b>(67,436)</b> | <b>(49,281)</b>                        | <b>(40,890)</b> | <b>4,590</b>                                  | <b>3,579</b>  |

## Income statements

## [Reclassified financial statements of subsidiaries]

|   | Marzotto Wool<br>Manufacturing S.r.l.<br>(thousand euro) |                | Marzotto Lab S.r.l.<br>(thousand euro) |                 | Ambiente Energia<br>S.r.l.<br>(thousand euro) |              |
|---|--|----------------|--|-----------------|---|--------------|
|   | 2021   | 2020           | 2021                                   | 2020            | 2021  | 2020         |
| <b>8. Net revenues</b>  | <b>69,626</b>  | <b>67,505</b>  | <b>58,770</b>                          | <b>44,683</b>   | <b>6,681</b>                                  | <b>5,845</b> |
| 9. Cost of sales  | (64,288)   | (64,085)       | (45,588)                               | (38,679)        | (4,855)                                       | (4,289)      |
| <b>10. Gross income</b>   | <b>5,338</b>   | <b>3,420</b>   | <b>13,182</b>                          | <b>6,004</b>    | <b>1,826</b>                                  | <b>1,556</b> |
| 11. Product development and marketing costs                                     | (8,728)  | (9,441)        | (9,580)                                | (7,617)         | (4)   | (7)          |
| 12. General and administrative costs  | (3,792)  | (3,627)        | (4,138)                                | (3,348)         | (297)   | (287)        |
| 13. Other income and charges  | (352)  | (199)          | (384)                                  | (464)           | (239)   | (179)        |
| <b>14. Operating income</b>   | <b>(7,534)</b>   | <b>(9,847)</b> | <b>(920)</b>                           | <b>(5,425)</b>  | <b>1,286</b>                                  | <b>1,083</b> |
| 15. Net financial charges   | (817)  | (575)          | (620)                                  | (363)           | (26)  | (16)         |
| 16. Dividends from non-consolidated equity investments and valuations to equity | =  | 2,917          | =                                      | 770             | =   | =            |
| 17. Other financial income and charges  | (148)  | (35)           | (190)                                  | (7,932)         | =   | =            |
| <b>18. Income before taxes</b>  | <b>(8,499)</b>   | <b>(7,540)</b> | <b>(1,730)</b>                         | <b>(12,950)</b> | <b>1,260</b>                                  | <b>1,067</b> |
| 19. Taxes   | 2,007  | 2,509          | 313                                    | 1,395           | (279)   | (240)        |
| <b>20. Net income from continuing operations</b>                                | <b>(6,492)</b>   | <b>(5,031)</b> | <b>(1,417)</b>                         | <b>(11,555)</b> | <b>981</b>                                    | <b>827</b>   |
| 21. Net income from discontinued operations                                     | =  | =              | =                                      | =               | =   | =            |
| <b>22. Net income</b>   | <b>(6,492)</b>   | <b>(5,031)</b> | <b>(1,417)</b>                         | <b>(11,555)</b> | <b>981</b>                                    | <b>827</b>   |

|   | Le Cotonerie S.r.l.<br>(thousand euro) |      | Marzotto Textile<br>Czech Rep.<br>(thousand czk) |       |      |      |
|---|--|------|--|-------|------|------|
|   | 2021                                   | 2020 | 2021   | 2020  | 2021 | 2020 |
| <b>1. Non-current assets</b>                            |  |      |  |       |      |      |
| 1.1 Property, plant and equipment                       | =                                      | =    | =  | =     |      |      |
| 1.2 Civil buildings                                     | =                                      | =    | =  | =     |      |      |
| 1.3 Goodwill, trademarks and other intangible assets    | =                                      | =    | =  | =     |      |      |
| 1.4 Equity Investments                                  | =                                      | =    | =  | =     |      |      |
| 1.5 Other investments                                   | =                                      | =    | =  | =     |      |      |
| 1.6 Long-term receivables                               | =                                      | =    | =  | =     |      |      |
| 1.7 Deferred tax assets                                 | =                                      | =    | =  | =     |      |      |
| 1.8 Long-term financial receivables                     | =                                      | =    | =  | =     |      |      |
| <b>Total non-current assets</b>                         | =                                      | =    | =  | =     | =    | =    |
| <b>2. Non-current assets held for sale</b>              | =                                      | =    | =  | =     | =    | =    |
| <b>3. Current assets</b>                                |  |      |  |       |      |      |
| 3.1 Inventories   | =                                      | =    | =  | =     |      |      |
| 3.2 Trade receivables                                   | =                                      | =    | 1,815  | 1,694 |      |      |
| 3.3 Other receivables                                   | =                                      | =    | 114  | 116   |      |      |
| 3.4 Current financial assets, cash and cash equivalents | =                                      | 6    | 4,320  | 3,963 |      |      |
| <b>Total current assets</b>                             | =                                      | 6    | 6,249  | 5,773 | =    | =    |
| <b>Total assets</b>                                     | =                                      | 6    | 6,249  | 5,773 | =    | =    |
| <b>4. Shareholders' equity</b>                          |  |      |  |       |      |      |
| 4.1 Share capital and reserves                          | =                                      | 10   | 4,081  | 3,634 |      |      |
| 4.2 Income/(Loss) for the year                          | =                                      | (11) | 606  | 602   |      |      |
| 4.3 Non controlling interests                           | =                                      | =    | =  | =     |      |      |
| <b>Total shareholders' equity</b>                       | =                                      | (1)  | 4,687  | 4,236 | =    | =    |
| <b>5. Non-current liabilities</b>                       |  |      |  |       |      |      |
| 5.1 Long-term provisions                                | =                                      | =    | =  | =     |      |      |
| 5.2 Other long-term payables                            | =                                      | =    | =  | =     |      |      |
| 5.3 Deferred tax liabilities                            | =                                      | =    | =  | =     |      |      |
| 5.4 Long-term financial payables                        | =                                      | =    | =  | =     |      |      |
| <b>Total non-current liabilities</b>                    | =                                      | =    | =  | =     | =    | =    |
| <b>6. Non-current liabilities held for sale</b>         | =                                      | =    | =  | =     | =    | =    |
| <b>7. Current liabilities</b>                           |  |      |  |       |      |      |
| 7.1 Trade payables and other payables                   | =                                      | 7    | 1,562  | 1,537 |      |      |
| 7.2 Current financial payables                          | =                                      | =    | =  | =     |      |      |
| <b>Total current liabilities</b>                        | =                                      | 7    | 1,562  | 1,537 | =    | =    |
| <b>Total shareholders' equity and liabilities</b>       | =                                      | 6    | 6,249  | 5,773 | =    | =    |
| <b>Net financial debt</b>                               | =                                      | 6    | 4,320  | 3,963 | =    | =    |



## Income statements

## [Reclassified financial statements of subsidiaries]

|   | Le Cotonerie S.r.l.<br>(thousand euro) |             | Marzotto Textile<br>Czech Rep.<br>(thousand czk) |               |      |      |
|---|--|-------------|--|---------------|------|------|
|   | 2021                                   | 2020        | 2021   | 2020          | 2021 | 2020 |
| <b>8. Net revenues</b>  | =                                      | =           | <b>18,037</b>                                    | <b>17,600</b> |      |      |
| 9. Cost of sales  | =                                      | =           | (15,266)   | (15,049)      |      |      |
| <b>10. Gross income</b>   | =                                      | =           | <b>2,771</b>                                     | <b>2,551</b>  | =    | =    |
| 11. Product development and marketing costs                                     | =                                      | =           | =  | =             |      |      |
| 12. General and administrative costs  | =                                      | (10)        | (2,015)  | (1,797)       |      |      |
| 13. Other income and charges  | =                                      | =           | =  | =             |      |      |
| <b>14. Operating income</b>   | =                                      | <b>(10)</b> | <b>756</b>                                       | <b>754</b>    | =    | =    |
| 15. Net financial charges   | =                                      | =           | (8)  | (10)          |      |      |
| 16. Dividends from non-consolidated equity investments and valuations to equity | =                                      | =           | =  | =             |      |      |
| 17. Other financial income and charges  | =                                      | =           | =  | =             |      |      |
| <b>18. Income before taxes</b>  | =                                      | <b>(10)</b> | <b>748</b>                                       | <b>744</b>    | =    | =    |
| 19. Taxes   | =                                      | (1)         | (142)  | (142)         |      |      |
| <b>20. Net income from continuing operations</b>                                | =                                      | <b>(11)</b> | <b>606</b>                                       | <b>602</b>    | =    | =    |
| 21. Net income from discontinued operations                                     | =                                      | =           | =  | =             |      |      |
| <b>22. Net income</b>   | =                                      | <b>(11)</b> | <b>606</b>                                       | <b>602</b>    | =    | =    |



## [Summary of the main resolutions of the Shareholders' Meeting]

With regard to the financial statements for the year ended 31 December 2021, the Marzotto S.p.A. Shareholders' Meeting of 29 April 2022 resolved:

- to approve the Company's financial statements and Management Report at 31 December 2021;
- to allocate the profits for the period of 179,737.08 euros as follows:
  - retained: 179,737.08 euros.

After this allocation, retained earnings net of losses will amount to 22,773,836.99 euros.

- to approve the coverage of losses carried forward from previous years of 615,630.49 euros through the use, for a corresponding amount, of retained earnings.



**MARZOTTO S.p.A.**

Company with Sole Shareholder - subject to management and coordination by Trenora S.r.l.

Tax ID and V.A.T. registration number 00166580241

REA Vicenza nr. 801

PEC: Marzotto@legalmail.it

Registered and Administrative office:

Largo S. Margherita, 1

36078 Valdagno (VI)

Tel. 0445 429411

Secondary offices:

Piovene Rocchette (VI), Via A. Rossi 50