Consolidated Financial Statements and Financial Statements as at 31 December 2020

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

1836

MARZOTTO

GROUP

[Summary]

Marzotto
CONSOLIDATED FINANCIAL STATEMENTS and FINANCIAL STATEMENTS

Marzotto group
CONSOLIDATED FINANCIAL STATEMENTS

Report on group operations	
Structure of the Group	4
Group activities	7
Main events of the year	10
Consolidated income statement	12
Consolidated balance sheet and financial position	14
Equity investments	16
Other information	24
Performance news and outlook for the current year	33

Group consolidated financial statements	
Consolidated balance sheet and financial position	36
Consolidated statement of income and comprehensive income	37
Consolidated cash flow statement	38
Consolidated statement of changes in shareholders' equity	39
Notes to the consolidated financial statements	40
Report of independent auditors	84

Marzotto S.p.A.
FINANCIAL STATEMENTS

General information	
Corporate management and Shareholders	5

Report on Parent Company operations	
Income statement	13
Balance sheet and financial position	15
Equity investments	16
Other information	25

Financial statements of the Parent Company	
Balance sheet and financial position of the Company	30
Company statement of income and comprehensive income	31
Cash flow statement of the Company	32
Company statement of changes in shareholders' equity	33
Notes to the Company's financial statements	34
Proposals to the shareholders' meeting	70
Report of independent auditors	71
Report of the board of statutory auditors	74
Reclassified financial statements of Subsidiaries	78
Summary of the main resolutions of the shareolder's meeting	83

Consolidated Financial Statements as at 31 December 2020

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
Tax ID,V.A.T. registration number 00166580241 - REA Vicenza nr. 801 - PEC: Marzotto@legalmail.it

1836

MARZOTTO

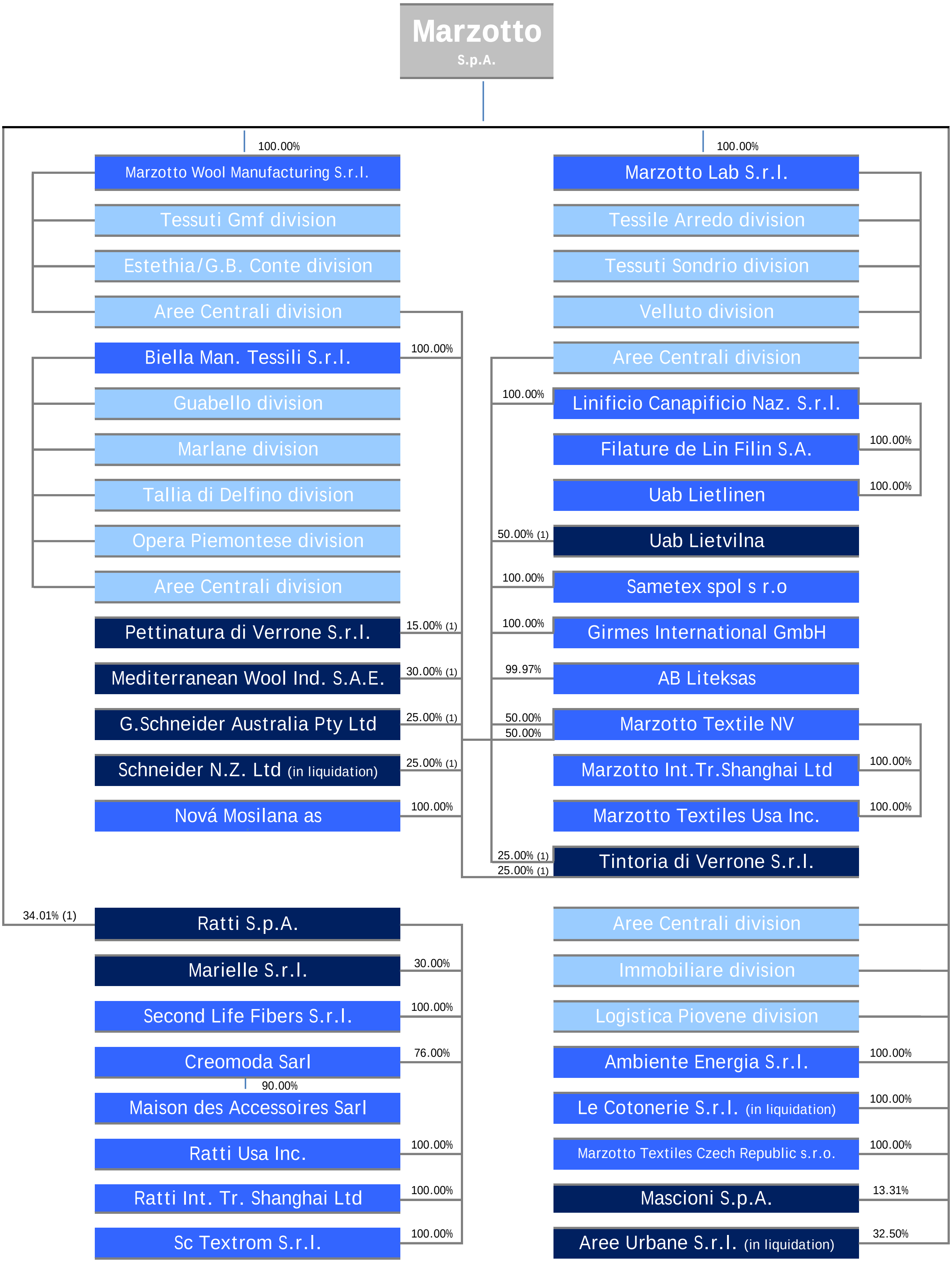
GROUP

Marzotto group
- Report on operations
- Consolidated financial statements

Report on operations

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
Tax ID,V.A.T. registration number 00166580241 - REA Vicenza nr. 801 - PEC: Marzotto@legalmail.it

Group structure dated 31 december 2020



[1] Consolidated using the equity method

Subsidiaries companies

Affiliated companies

[Management Report]

Introduction

Dear Shareholders,

The consolidated financial statements for the Marzotto Group for the year ended 2020 recorded net revenues of €204.8 million and a net loss of €26.6 million.

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.

Please see the explanatory notes for comments on the financial statements. Below, please find the information and comparisons regarding the Group's position and future outlook, as well as the information required by current regulations.

Impacts of the Covid-19 pandemic

In early January 2020, the World Health Organization (WHO) announced the spread of Covid-19 in China, particularly in the Wuhan district, and declared an international state of health emergency on January 30. In February, the virus spread across Europe and the US, resulting in a progressive and generalised lockdown of all economic activities during the months of March and April.

Marzotto monitored the developments in the spread of the virus from the outset, promptly adopting all necessary measures to prevent, control and contain the pandemic, at all its offices in Italy and abroad.
To restart the production sites, the company and the Group have prepared all necessary measures to combat the virus and protect the health of their employees and contractors.
To address this situation, internal safety protocols were defined, the use of smart working was extended, and working environments were provided with hygiene kits and sanitised daily. Employees were provided with suitable personal protective equipment and equipped with proximity devices for tracking contacts within the workplace.

The closure of our main customers' stores, the suspension of manufacturing activities in Italy and partly abroad, and reduced travel resulted in a drastic reduction in consumption and consequently in turnover compared with the pre-crisis period.
The operating losses are therefore all attributable to the contraction of revenues caused by the streamlining of plants and the impossibility of rapidly and fully rebalancing production capacity and the number of employees to adapt to the extraordinarily negative requirements of 2020.

This phenomenon was partially offset by a significant rationalisation of all fixed costs, with measures taken on advertising and marketing expenses, collection creation, and commercial and general expenses. In order to limit the cost of non-active staff, social protection measures and other forms of public support for workers in each country were activated, in addition to the use of unused leave, a freeze on staff turnover at all the plants and early retirement incentives.

In this context, investment plans were revised to adjust them to production volumes. The investments made mainly related to plant safety measures and the innovation of production processes.

With regard to financial aspects, accepting the prudential approach proposed by the Board of Directors of Marzotto S.p.A., the Shareholders' Meeting resolved not to distribute dividends on 2019 profits, carrying forward a total of €10.3 million.

In October 2020, the Board of Directors of the sole shareholder Wizard S.r.l. fully repaid an amount to Marzotto S.p.A. corresponding to the payment of the latter's debt arising from the distribution of dividends on profits in 2018, allocating it to the Company's available reserve, totalling €8.0 million.

Lastly, in December 2020, the Board of Directors of the sole shareholder Wizard S.r.l. paid Marzotto S.p.A. an amount corresponding to the payment of the latter's debt arising from the transfer to the Company and to its Italian subsidiaries of a tax surplus paid as the consolidating entity, allocating it to the Company's available reserve, totalling €2.1 million.

In both cases, the decision was made in order to sustain the solidity of the Group's financial position and contain the future economic and financial impacts of the specific economic situation.

In 2020 and the first few months of 2021, the Group's financial structure was further strengthened through the contracting of new medium/long-term loan agreements totalling €79.5 million. The new loans enabled the average life of debt to be extended at a cost broadly in line with the previous period.

Impacts of the Covid-19 pandemic

The Board of Statutory Auditors and the Supervisory Body have always been promptly informed about the management of the health crisis 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 supporting the communities where the company operates throughout the long history of the Marzotto Group, during the first part of the health crisis around 130,000 reusable masks were produced in specially designed fabric. Approximately 110,000 were distributed free of charge at local authorities in the regions where the Group's main plants are located, and around 20,000 were given out to the close families of employees. Marzotto also supported the San Bortolo di Vicenza Foundation by purchasing and donating four pulmonary ventilators.

The Covid-19 pandemic will continue to affect economies worldwide in 2021, and uncertainty remains as to when vaccination campaigns will be completed and restrictions lifted.

The forecasts for 2021 remain uncertain: the first signs of recovery are expected to appear in the second half of the year. However, a longer time frame is expected for a return to pre-pandemic levels of demand: in the meantime, the group will continue to work to ensure that its production structures are even more flexible and will pursue its current cost rationalisation strategy.

A *2021-2024 Business Plan* was recently approved, which sets out a detailed series of measures to reconfigure the product offering based on market demand and the use of sales channels that are closer to customers.
The plan provides for actions to increase efficiency in various areas, ranging from changing the supply mix and reconfiguring production capacity to make it consistent with new volumes at full capacity, to easing the general cost structure, rationalising and remodelling it to return to a pre-crisis percentage, as well as adapting the investment plan to the new full-capacity production volumes.

The net financial position is initially also expected to improve slightly in 2021, and to improve in subsequent years, as a result of the considerations and actions set out above.

Management is confident and believes that, as a result of the planned actions, once the pandemic has been overcome, the Group companies can return to sustainable growth and profitability: it has therefore agreed on the possibility that the company and the Group can operate as a going concern, realising its assets and honouring its liabilities as part of the ordinary business process.

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 in both the menswear and womenswear sectors and in the 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 the world of knitwear reinterpreted in a more modern way and easier to handle during the packing phase. The collections are made using select Merino wools and exclusive quality fibres, combining tradition, style and research. The Guabello collection is also divided into multiple capsules and labels ranging from more traditional formal clothing with a heritage flair 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 “Gentleman 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 enhanced in 2020 with informal and sport fabrics, always made with fine and luxurious raw materials.
- **Opera Piemontese**: a new collection that creates womenswear for the worldwide luxury clothing market using fine fibres such as cashmere, alpaca, camel hair, silk, linen and fine wools. This collection is created using BMT’s production facilities and in collaboration with external partners for finishing and specific artisanal processes.
- **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 jerseys. In 2020, 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 it operates through the Marzotto Lab group) includes the manufacturing and distribution of cotton and velvet fabrics, yarns and linen fabrics, wool yarns and furnishings:

- 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 acquired in 2008, which is known for its elegant, sophisticated sportswear in wool and cotton-wool, which complements the Sondrio "life-style" project; and **NTB Nuova Tessilbrenta**, a brand acquired in 2009, which completes the product range with cotton and cotton blend fabrics for men's and women's sportswear;
- The **Velvet** business was acquired from the shareholder Marzotto S.p.A. in 2012 to broaden the offering by entering the velvet segment through the acquisition of the ***Redaelli Velluti***, ***Redaelli 1893, Niedieck, Christoph Andreae and Girmes*** brands. The Redaelli 1893 brand, intended for the formal and elegant clothing market, also operates in the home furnishings sector, distributing fabrics in particular to textile designers and padding producers. The Niedieck brand, meanwhile, belongs in the sportswear clothing segment;
- The **Furnishings** segment includes the manufacture and distribution of blankets, throws, duvets and wool furnishing accessories bearing 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 affiliates 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 results of management of 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 34.01% 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

Turnover volume contracted to an extraordinary extent in 2020, due to the Covid-19 pandemic and the consequent closure of businesses which started in March 2020 and continued on an alternating basis throughout the year, and the suspension of manufacturing activity.

In 2020, the Marzotto group recognised consolidated revenues of €204.8 million (compared with €336.5 million in 2019), and a gross margin of €18.4 million (9% of net revenues), compared with a gross margin of €59.9 million (18% of revenues) in the previous year,and a net profit of 26.6 million (compared with a net profit of 5.0 million in 2019).

The results described include an extraordinary write-down of the velvet division, whose main tangible assets (buildings, plant and machinery, inventory) were adjusted to the lowest value in use due to impairment. This write-down totalled €7.2 million.

EBIT was negative at -€30.6 million (-15% of net revenues), compared with €2.7 million (0.9% of net revenues) in 2019.

The financial result was a loss of €2.4 million (compared with a positive balance of €3.2 million in 2019) and mainly included net financial expenses of €2.2 million (-€1.6 million in 2019), a loss from the valuation of associates using the equity method of €0.1 million (€4.9 million in 2019) and other financial income/expenses of -€0.1 million (-€0.1 million in 2019).

The analyses described thus far result in a net loss for the Group of €26.6 million (compared with a net profit of €5.0 million as at 31 December 2019).

Main events during the year

Before addressing the subject of the Group's operations in 2020, 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 ceased operating in 2004, the following proceedings are pending:

1) A special evidentiary hearing requested by the Public Prosecutor at the Court of Paola on behalf of the heirs of persons who worked at the Praia a Mare plant before 1988 (the year of purchase by the Company), as well as of former employees of the Company or their heirs, who are claiming that there were functional omissions in relation to the safety conditions of the work carried out at that plant. The expert investigations are still ongoing and it is not possible to predict their progress.

2) Several civil claims filed before the Court of Paola by the same persons who requested the special evidentiary hearing (meaning the heirs of persons who worked at the Praia a Mare facility before 1988 and former company workers or their heirs) complaining that the alleged absence of safety conditions for the work carried out there had caused death and serious injury. These proceedings were handled together and an attempt at conciliation was made. The discussion hearing of 46 positions took place on 25 February 2021 and concluded with the rejection of all appeals lodged by the counterparties. The discussion of the above cases by a second group was deferred until the hearing in November 2021.

3) On 25 September 2019 the operative part of the final decision was filed in the proceedings before the Italian Court of Cassation against the appeals decision of the Catanzaro Public Prosecutor's Office. The Italian Court of Cassation has, among others, (i) declared the appeal filed by the Chief Prosecutor to be unacceptable, thereby upholding the decision of the Court of Paola and the decision of the Court of Appeal of Catanzaro which both fully acquitted, because the fact did not occur, all defendants (the managers of this establishment and the members of the board of directors from the 1960s to 2004) of the charges of crimes against individuals and the environment, (ii) overturned the appeals court decision herewith appealed by the Municipality of Tortora, for civil law purposes, and handed the case back down to the competent civil court to rule on its value on appeal. At present, no predictions can be made regarding the adjournment, as the grounds for this decision handed down by the Court of Cassation have not yet been filed. The first hearing will be held in July 2021 and no forecasts can be made on the outcome.

Highlights of the income statement and the statement of financial position

The table below summarises the Group's main income and financial position indicators for the year ended 31 December 2020.

(in millions of euro)	2020	2019	change	change %
Consolidated net revenues	**204.8**	**336.5**	**(131.7)**	**- 39.1%**
Operating income	(30.6)	2.7	(33.3)	n.c.
% of net revenues	*(15.0%)*	*0.9%*		
EBITDA (1)	**(13.6)**	**20.7**	**(34.3)**	**n.c.**
% of net revenues	***(6.6%)***	***6.1%***		
Income before taxes	(33.0)	5.9	(38.9)	n.c.
% of net revenues	*(16.1%)*	*1.9%*		
Group net income	**(26.6)**	**5.0**	**(31.6)**	**n.c.**
% of net revenues	***(13.0%)***	***1.6%***		
Net working capital	**112.3**	**94.6**	**17.7**	**+ 18.7%**
Net employed capital	**234.4**	**227.4**	**7.0**	**+ 3.1%**
Net financial position	**114.9**	**88.5**	**26.4**	**+ 29.8%**
Investments for the period	5.1	10.3	(5.2)	**- 50.5%**
Active staff: persons	2,751	3,155	(404)	**- 12.8%**

	2020	2019	change
ROI	-13.1%	1.2%	-14.2%
ROE	-22.3%	3.6%	-25.9%
ROS	-15.0%	0.9%	-15.9%
Debt/Equity	96.2%	63.7%	32.4%
Capitalisation ratio	51.0%	61.1%	-10.1%
Financial coverage rate of assets	42.1%	49.7%	-7.6%
Inventory rotation index	241	188	53
Number of days of credit to clients	72	67	4

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 debt
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.

Consolidated income statement

As at 31 December 2020, the Group recorded a net loss of €26.6 million, compared with a net profit of €5.0 million in 2019. This result principally reflects the decrease in sales volumes, mainly due to the dramatic contraction in global demand as a result of the Sars Covid-19 pandemic phenomenon, which affected both the European and non-European markets of the group's main sectors, as described below.

The summary consolidated income statement data for the period, compared with those for 2019, are as follows(1):

(in millions of euro)	2020		2019	
Net revenues	**204.8**	***100.0%***	**336.5**	***100.0%***
Cost of sales	(186.4)	*(91.0%)*	(276.6)	*(82.2%)*
Gross income	**18.4**	***9.0%***	**59.9**	***17.8%***
R&D and marketing costs	(28.0)	*(13.7%)*	(38.8)	*(11.5%)*
General and administrative costs	(14.7)	*(7.2%)*	(18.3)	*(5.4%)*
Profit from core businesses	**(24.3)**	***(11.9%)***	**2.8**	***0.9%***
Non-recurring income/(charges)	(6.3)	*(3.1%)*	(0.1)	=
Operating income	**(30.6)**	***(15.0%)***	**2.7**	***0.9%***
Net financial charges	(2.2)	*(1.1%)*	(1.6)	*(0.5%)*
Dividends and valutation at equity	(0.1)	=	4.9	*1.5%*
Other financial income/charges	(0.1)	=	(0.1)	=
Income before taxes	**(33.0)**	***(16.1%)***	**5.9**	***1.9%***
Taxes	6.4	*3.1%*	(0.9)	*(0.3%)*
Group net income	**(26.6)**	***(13.0%)***	**5.0**	***1.6%***

Net revenues(2)

A total income of €204.8 million was recognised for the year just ended, lower than for with 2019.

With regard to product type, the Wool Fabrics business (Marzotto Wool group) closed the year with a decrease in business volumes of 47%, or €101.9 million, while the Sundry Textiles sector (Marzotto Lab group) booked an increase of -27%, or -€29.9 million.

As regards the end market, the Group recognised a decrease in business performance in both the domestic market and other European countries, totalling €171.4 million (-34% compared with the final figure for 2019), while on the international market, sales totalled €33.4 million (-56% compared with the final figure for 2019).

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

by sector

(in millions of euro)	2020		2019	
Textile Sector	**198.7**	***97.0%***	**330.5**	***98.2%***
Wool fabrics	116.6	*56.9%*	218.5	*64.9%*
Sundry textiles	82.1	40.1%	112.0	33.3%
Other Operations	**15.9**	***7.8%***	**18.9**	***5.6%***
Aggregate total	**214.6**	***104.8%***	**349.4**	***103.8%***
Inter-company sales/other	*(9.8)*	*(4.8%)*	*(12.9)*	*(3.8%)*
Consolidated total	**204.8**	***100.0%***	**336.5**	***100.0%***
of which: Italy	78.0	*38.1%*	103.6	*30.8%*
of which: Other markets	126.8	*61.9%*	232.9	*69.2%*

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

(2). Compared with 2019, the main foreign currencies of interest to the Group showed the following trends against the euro:
GBP – Pound sterling: 0.889 (2020 average); 0.877 (2019 average);
JPY – Japanese Yen 121.775 (2020 average); 122.056 (2019 average);
USD – US Dollar 1.141 (2020 average); 1.120 (2019 average);
CZK – Czech Crown 26.455 (2020 average); 25.670 (2019 average).

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)	2020		2019	
Italy	78.0	*38.1%*	103.6	*30.8%*
Other European countries	93.4	*45.6%*	157.8	*46.9%*
North America	5.1	*2.5%*	14.0	*4.2%*
Asia	24.3	*11.9%*	50.2	*14.9%*
Other countries	4.0	*1.9%*	10.9	*3.2%*
Total	**204.8**	***100.0%***	**336.5**	***100.0%***

Result from ordinary operations

The result from ordinary operations was a loss of €24.3 million (-€27.1 million compared with 2019), representing -11.9% of net sales revenues.

The decrease in turnover of €131.7 million (-39%) significantly influenced the decrease in the gross margin linked to sales of €41.5 million; lower variable sales expenses and the containment of overheads due to the actions taken reduced the decline in the result from ordinary operations to €27.1 million.

Below is a breakdown by business segment:

by business segment

	2020		2019	
(in millions of euro)	Amount	% on rev.	Amount	% on rev.
Textile Sector	**(26.2)**	***(13.2%)***	**0.8**	***0.2%***
Wool fabrics	(17.9)	*(15.4%)*	2.5	*1.1%*
Sundry textiles	(8.3)	*(10.1%)*	(1.7)	*(1.5%)*
Other Operations	**1.8**	***11.3%***	**2.1**	***11.1%***
Adjustments/other	*0.1*	=	*(0.1)*	=
Total	**(24.3)**	***(11.9%)***	**2.8**	***0.9%***

Non-recurring income and expenses

In the year in question, the result from non-recurring operations was a loss of €6.3 million (compared with a loss of €0.1 million in 2019). Of this amount, €4.0 million related to the write-down of tangible assets of the subsidiary Sametex spol s r.o. following the recognition of impairment, €0.5 million to expenses relating to the process of rationalising the business units due to the drop in demand seen during the year, €0.5 million to expenses relating to the Praia a Mare dispute and €0.9 million to extraordinary costs for the Covid-19 emergency (as detailed in point 13 of the notes to the financial statements).

Financial expenses

At the reporting date, net financial expenses amounted to €2.2 million, increasing compared to the figure for 2019 (€1.6 million).

Dividends and valuations at equity

The item dividends from non-consolidated equity investments and equity valuations, which totalled -€0.1 million (compared with €4.9 million in 2019), includes the economic impact of valuing investments in associate companies using the equity method.

Income taxes

From 2008, Marzotto S.p.A. and Linificio e Canapificio Nazionale S.r.l., and from 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 from 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 2020.

The impact of the tax burden on the result for the period was a negative €6.4 million (compared with a negative €0.9 million in 2019), including current tax of -€0.6 million and deferred tax assets of +€6.8 million, as well as taxes relating to previous years of +€0.2 million.

Net result

The analyses performed thus far show a net loss of €26.6 million for the year compared with a net profit of €5.0 million for 2019.

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 2019:

(in millions of euro)	31.12.20	31.12.19
Net trade receivable	34.9	56.9
Other receivables	12.4	11.9
Inventory	124.8	144.1
Commercial suppliers	(45.4)	(89.9)
Other payables	(14.4)	(28.4)
A) Net working capital	**112.3**	**94.6**
B) Assets/liabilities held for sale	**=**	**=**
Receivables beyond 12 months	17.1	10.8
Equity investments	30.6	31.3
Tangible fixed assets	94.6	111.9
Intangible fixed assets	9.4	9.6
C) Net fixed assets	**151.7**	**163.6**
D) Employee severance fund, reserves, and other non-financial M/L term payables	**(24.3)**	**(24.7)**
E) Deferred taxes reserve	**(5.3)**	**(6.1)**
F) Invested capital net of current liabilities (A+B-C-D-E)	**234.4**	**227.4**
Covered by:		
Short-term financial payables	68.3	51.0
Cash and short-term financial receivables	(123.8)	(90.8)
Medium/long term financial payables	170.4	128.4
Medium/long term financial receivables	=	(0.1)
G) Net borrowing	**114.9**	**88.5**
H) Group shareholders' net equity	**119.5**	**138.9**
I) Total (G+H) as in F	**234.4**	**227.4**

Net capital employed

At the reporting date, capital employed net of operating liabilities totalled €234.4 million, compared with €227.4 million as at 31 December 2019.

The increase of €7.0 million mainly reflects the increase in working capital (€17.7 million) as well as the decrease in medium/long-term provisions (€1.2 million) and the increase in net fixed assets (€11.9 million).

Total net working capital increased by 17.7 million due to the combined effect of the discharge of the balance of trade receivables, mainly due to the contraction in turnover, and a significant reduction in inventories, which only partly offset the reduction in trade payables, which decreased due to the contraction in supplies and investments and the reduction in other payables, mainly attributable to the payment of the debt for dividends paid to the shareholder and subsequently fully returned to the capital reserve.

The decrease of €11.9 million in net fixed assets was due to the investments made in the period (net of the normal amortisation/depreciation process in the period) totalling €17.5 million, the increase in medium/long-term receivables (essentially prepaid tax) of €6.3 million and the €0.7 million decrease 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)	2020		2019	
Textile Sector	**3.7**	***72.5%***	**9.1**	***88.3%***
Wool fabrics	1.9	*37.2%*	6.1	*59.2%*
Sundry textiles	1.8	*35.3%*	3.0	*29.1%*
Other Operations/other	1.4	***27.5%***	**1.2**	***11.7%***
Total	**5.1**	***100.0%***	**10.3**	***100.0%***

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.

Net financial debt

Net financial debt was €114.9 million, with an indebtedness ratio(1) of 49.0% of net capital employed (compared with 38.9% as at 31 December 2019).

(in millions of euro)	2020	2019
Net income	(26.6)	5.0
Adjustments to income line items	0.3	(2.8)
Depreciation, amortization and write-downs	21.1	18.0
Provision and use of reserve	(1.2)	(2.4)
Cash Flow	**(6.4)**	**17.8**
Change in trade receivables	15.3	3.3
Change in inventory	19.3	16.0
Change in payables	(59.3)	(22.7)
Cash Flow from current assets	**(31.1)**	**14.4**
Investment in tangible and intangible fixed assets	(5.1)	(10.3)
Disposals of tangible and intangible fixed assets	0.2	0.1
IFRS16 effect 01.01.2019 and subsequent increases	(0.5)	(4.0)
Acquisitions/change in shareholdings	=	(0.1)
Cash Flow from investments	**(5.4)**	**(14.3)**
Free Cash Flow	**(36.5)**	**0.1**
Conversion differences from net borrowing and minority interests	=	=
Free Cash Flow before dividends	**(36.5)**	**0.1**
Shareholders' dividends	=	(8.0)
Capital increase in Parent company	10.1	=
Change in net financial position for the year	**(26.4)**	**(7.9)**
Initial net borrowing	(88.5)	(80.6)
Final net borrowing	(114.9)	(88.5)

Cash flow generated by current assets was negative for €31.1 million (compared with €14.4 million as at 31 December 2019), €4.9 million of which were used to make investments (compared with €10.2 million as at 31 December 2019).
The final net financial debt includes €2.5 million of higher financial debt due to IFRS 16.

Shareholders' equity

Group shareholders' equity as at 31 December 2020 was €119.5 million, down €19.4 million compared with the previous year. The change was mainly due to the comprehensive result for the period, which was a loss of €26.6 million, partly offset by a capital account payment of €10.1 million by the Shareholder. The residual amount of -€2.9 million consists of the comprehensive income statement items recognised using the equity method (fair value reserve, IAS 19 and translation reserve).

The capitalisation index(2), calculated as the ratio of the shareholders' equity to the net invested capital, is 51.0% (compared with 61.1% in 2019).

(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

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

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 (Vicenza), 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 the subsidiaries Nová Mosilana a.s. (wholly owned) and Biella Manifatture Tessili S.r.l. (wholly owned), and the 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 and Schneider New Zealand (25%).

Total turnover, particularly due to the extraordinary Covid-19 event, contracted substantially in 2020 to €116.6 million, with EBIT of -€18.5 million and a net loss of €15.1 million.

As regards the breakdown of turnover by operating business unit, the Lanificio Gmf segment recognised turnover of €62.0 million (53.2% of the total) and Biella Manifatture Tessili recognised €41.8 million (35.8%), while Estethia/G.B. Conte closed the year with €12.4 million (10.6%).

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

Net revenues by business

(in millions of euro)	2020		2019	
Lanificio Gmf	62.0	*53.2%*	110.5	*50.6%*
Biella Manifatture Tessili	41.8	*35.8%*	89.6	*41.0%*
Estethia/G.B. Conte	12.4	*10.6%*	18.0	*8.2%*
Other	0.4	*0.4%*	0.4	*0.2%*
Total	**116.6**	***100.0%***	**218.5**	***100.0%***

[Equity investments]

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

MARZOTTO WOOL MANUFACTURING

Turnover volume contracted by an extraordinary extent in 2020, mainly due to the Covid-19 pandemic and the consequent closure of retail businesses which started in March 2020 and continued on an alternating basis throughout the year.
This very significant contraction was seen in all the business units that mainly operate in menswear; meanwhile, there was a decrease in revenues for the Estethia G.B. Conte division, which mainly operates in womenswear.

It should also be noted that the sales growth registered by some of our customers through the internet channel in 2020 did not relate to the sale of formal clothing in any significant way, as marketing through this channel is more complex and less effective.

Marzotto Wool's core sales markets contracted substantially from March 2020, in some cases by as much as 90%; the US, UK and more generally the European markets were hit particularly hard. Well-known brands and major Marzotto Wool customers went into extraordinary administration and in some cases closed their businesses as a result of the pandemic, particularly in the US, German and Italian markets.

The operating losses are therefore all attributable to the contraction of revenues caused by the streamlining of plants and the impossibility of rapidly rebalancing production capacity and the number of employees to adapt to the extraordinarily negative requirements of 2020.

However, all the lines improved their sales mix, with an improvement in the unit margin of products on the market.

In order to cope with the negative trends in 2020, we also saw a very significant reduction in fixed costs in advertising and marketing, collection production, and commercial and general expenses.

In this context, investment plans were revised to adjust them to production volumes. The investments made mainly related to plant safety measures and the innovation of production processes.

LANIFICIO GMF

The decline in sales affected all end-markets in 2020, with the exception of China, which after a very negative start was already recovering in the second half of the year.

To cope with the steep drop in volumes, production capacities were rebalanced with measures such as social shock absorbers, fewer short-term contracts, particularly for staff in the Czech Republic, and, in the second half of the year, early retirement incentives. These measures substantially reduced not only variable costs but also fixed manufacturing costs.

Thanks to a flexible production structure and well-integrated production systems, a market-appropriate level of service was provided.

In this dramatic situation, Lanificio GMF maintained those elements that have always constituted its offering, implementing a mix of style solutions that are even more oriented towards informal clothing and providing comfort, wearability and ease of maintenance.

Sustainability: In 2020, we continued to invest in sustainability with environmental certification and protection projects, starting with wool supplies from selected farms that pay close attention to animal welfare and protecting the ecosystem, investing in training for our employees and implementing production processes with less environmental impact, including through the careful control of energy, gas and water consumption.

Sustainability is becoming a pre-requisite for engaging in dialogue with the successful brands that will grow over the next few years; Lanificio GMF, like the entire Marzotto Wool group, embraced this philosophy years ago, which represents a significant competitive advantage.

[Equity investments]

BIELLA MANIFATTURE TESSILI

The results of Biella Manifatture Tessili declined sharply due to the pandemic and the consequent closure for most of the year of multi-brand, retail and tailoring stores.

The results achieved by the business units summarise the various performances of the corporate brands, which include turnover of €15.1 million for the Guabello division (down 56% compared with the previous year), €13.8 million for the Marlane division (down 56% compared with 2019), €12.3 million for the Tallia di Delfino division (down 48% compared with 31 December 2019) and €0.2 million for the new Opera Piemontese division.

The various business units performed slightly differently due to differences in their presence on world markets and the types of products and services they offer.

Below are comments on the performance of the individual brands:

Guabello closed 2020 with a sharp decrease in turnover compared with the previous year, due to the dramatic reduction in volumes, particularly in fine formal clothing, worldwide and particularly in the German, Italian and US markets where Guabello has the biggest presence. The policy of expansion in the Far East markets continued, despite the travel restrictions, with the addition of a new sales structure in the Shanghai area of China. The redesign of the Guabello collection continued with the development of the new *K-Easy* line (knitwear-based but with a more modern performance and look) and the Studio line, which involve the use of more technical and performance-oriented fibres and finishes.

The **Marlane** division was hit hardest in 2020 due to the crisis in apparel caused by Covid-19, which resulted in a sharp slowdown in the sale of more formal/business clothes in the northern European, Italian and US markets. During the year, Marlane tried to intensify its distinctive "service" aspects, expanding its range of fabric offerings from ready-made sources by including fabrics that can be dyed the colours chosen by the customer with a four-week lead time; the offering of fabrics in synthetic mixed fibres was also further extended in order to penetrate the younger market, which cares about technical performance, elasticity and stain-resistant fabrics. Marlane also expanded its commercial presence in the Far East in 2020, where it already had a significant presence in Japan and Korea, with new sales structures in China.

Tallia di Delfino, like all the other lines, registered a sharp contraction in revenues in 2020, but in the second half of the year sales in the sartorial and made to measure channels started to recover. The *Gentlemen's Wardrobe* range was implemented with luxury but more informal products, and the range of coats and outerwear in fine fibres such as cashmere and alpaca will be further extended.

Opera Piemontese is the luxury womenswear line, including fine fibres such as cashmere, alpaca and silk but with a modern performance and look, which was launched in 2020. The first collection was unveiled in September 2020 and was well-received in Italy and the Far East, despite the fact that being unable to attend the trade fair in Paris limited its distribution. The line represents an opportunity both for the Marzotto Wool Group to enter markets where it was previously only marginally present, and for its stylistic influences and particular finishes and yarns to extend into the men's collections in the other divisions. In the same way, Opera Piemontese is working on its next collections in synergy with both Marzotto and Tallia di Delfino, making use of their historical archives.

[Equity investments]

ESTETHIA/G.B. CONTE

In the year under review, the division recorded net revenues of €12.4 million, down compared with the previous year (-31%).

Estethia G.B. Conte declined less than the other lines, as it is present in the women's clothing fabric market, and particularly in the Italian and French markets, and with a good introduction to the Chinese market. The product range expanded during the year with a new 4W project of stretch fabrics made with sustainable RWS-certified wools, for which a very rapid service is provided.

In 2020, an agreement was reached with Harris Tweed Hebrides to continue the distribution of Harris Tweed branded fabrics.

The table below shows revenue contributions and trends by geographical area.

Net revenues by geographical area

(in millions of euro)	2020		2019	
Italy	38.2	*32.8%*	52.8	*24.2%*
Other European countries	52.7	*45.2%*	104.2	*47.7%*
North America	2.9	*2.5%*	11.0	*5.0%*
Asia	20.9	*17.9%*	42.6	*19.5%*
Other countries	1.9	*1.6%*	7.9	*3.6%*
Total	**116.6**	***100.0%***	**218.5**	***100.0%***

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

Key indicators

(in millions of euro)	2020	2019	change	change %
Consolidated net revenues	**116.6**	**218.5**	**(101.9)**	**- 46.6%**
Profit from core businesses	**(17.9)**	**2.5**	**(20.4)**	**n.c.**
% of net revenues	*(15.4%)*	*1.1%*	*(16.5%)*	
Operating income	**(18.5)**	**3.1**	**(21.6)**	**n.c.**
% of net revenues	*(15.9%)*	*1.4%*	*(17.3%)*	
Net income	**(15.1)**	**1.0**	**(16.1)**	**n.c.**
Consolidated net invested capital	**137.0**	**129.9**	**7.1**	**+ 5.5%**
Investments for the period	**1.9**	**6.1**	**(4.2)**	**- 68.9%**
Active staff at 31 December: persons	**1,445**	**1,695**	**-250**	**- 14.7%**

The decrease in turnover of €101.9 million (-46.6%) significantly influenced the decrease in the gross margin linked to sales of €29.8 million; lower variable sales expenses and the containment of overheads due to the actions taken reduced the decline in the result from ordinary operations to €20.4 million.

Net capital employed was more than €7.1 million in 2020, mainly due to the increase in working capital, despite the decrease in inventory, offset by lower investments of €4.2 million.

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 (Vicenza), 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).

Turnover volume for the year just ended was €82.1 million, down 26.7% on the previous year (2019: €112.0 million).

Below is the opening according to product type:

Net revenues by product

(in millions of euro)	2020		2019	
Linen	35.0	*42.6%*	51.7	*46.2%*
Cotton	23.8	*29.0%*	33.0	*29.5%*
Velvet	12.1	*14.7%*	14.5	*12.9%*
Furnishing	9.1	*11.1%*	10.3	*9.2%*
Other	2.1	*2.6%*	2.5	*2.2%*
Total	**82.1**	***100.0%***	**112.0**	***100.0%***

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

LINEN

In 2020, the path of growth of the Linificio e Canapificio Nazionale Group, which began in the previous three years and was expected to continue in the two-year period 20-21, abruptly ceased, with turnover falling by 34% compared with 2019 and a consequent reduction in its results.

This phenomenon is mainly due to:

- a sharp decrease in sales volumes, mainly due to a dramatic contraction in global demand for linen yarns due to the Sars-Covid-19 pandemic and the relevant policies to contain its spread implemented by governments worldwide.
  Due to an international economic scenario severely affected by the pandemic, the clothing, shirts and *hotellerie* sectors, which represent three of the Company's six core markets, were most seriously affected. Meanwhile, furnishings, home decor and the "technical" sector registered a smaller contraction in demand, which, however, was characterised by great uncertainty, unpredictability and impossibility of forecasting, with impacts on the planning and streamlining of the production facilities of the Linificio e Canapificio Nazionale Group;
- sales prices fell due to the sudden and unexpected slowdown in demand;
- the sales mix shifted towards yarns with less added value, when high added value yarns are one of the Company's main strengths.

Most turnover was lost in the second quarter when, following the start of the pandemic, most customers blocked shipments of orders already placed due to global economic uncertainty.

In the third and fourth quarters, thanks to a series of initiatives undertaken to innovate processes, products and the market approach, orders recovered, followed by turnover, enabling the Company to close the year with an order book more than 10% bigger than in the same period a year earlier and to look more optimistically towards the future.

[Equity investments]

COTTON

The Tessuti di Sondrio division closed the year with a 28% decline in turnover compared with the previous year.
The loss of volume and turnover was due to the Sars Covid-19 pandemic. In line with Italian regulations, the plant remained closed from 26 March to 30 April. This closure blocked shipments as well as production. This resulted in a drop in turnover and purchasing with extensive use of the Covid guarantee fund and unused leave combined with a reduction in all expenses that were not strictly necessary. Thanks to these measures, the plant's productivity was in line with the previous year. The costs associated with the collections contracted, although the product offering remained attractive to the target customers of the business unit's two brands, Tessuti di Sondrio and NTB. Action continued to obtain environmentally sustainable products, which customers are increasingly demanding. There was also a shift towards products that meet the changing needs of consumers, who want to follow the athletic leisure trend. The restarting of production in May and the reopening of stores in many European countries meant that the loss of turnover was limited. Unfortunately, the second wave of the pandemic limited sales from November onwards.

VELVET

Textiles for the fashion world: 2020 saw a decline in volumes, particularly in the clothing area. The drop in sales affected both large customers and small brands.
During the year, sustainable products with recycled material began to be developed, although the number of items offered in the collection decreased. Volumes were sustained in the world of accessories (handbags and shoes).

Fabrics for the world of furnishings: more new products were created and marketed despite the commercial difficulties related to the pandemic. This allowed for a smaller contraction of 5.2% in volumes compared with the fashion area.
More contract products meeting specific technical specifications (Trevira, FR) were created. On 23 December 2020, a lease agreement was signed for a business unit with the owner of Prosetex S.p.A. This transaction, which must be completed in 2021 along with the final acquisition of the business unit, is intended to further strengthen the furnishing offering.

The decrease in volumes demanded a strong focus on all of the business unit's costs.
In particular, action was taken on the following fronts:

- the closure of the plants (weaving and finishing) in Kraslice, Czech Republic through the use of a guarantee fund introduced by the government;
- a reduction of employees and contractors through a total headcount freeze;
- a reduction in plant-related investments not relating to safety or legal obligations.

The measures taken - some before the arrival in Europe of Sars-Covid-19 - resulted in an improvement in the main economic indicators of the business unit compared with 2019.

FURNISHINGS

This division operates in the home furnishing textiles 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 increasingly focused on the e-commerce channel, through its website and the sector's main marketplaces, in order to boost online sales. Social media activity was intensified with a particular focus on Instagram, and a customer newsletter was implemented. Development also continued among large "private label" customers in Northern Europe, Central Europe, the US and the Far East. In early 2020, before the pandemic broke out, the business unit presented a new collection at the major trade shows that was highly innovative and appreciated by customers in terms of design. The "Green Label" line of environmentally sustainable items was also strengthened. All of this enabled the decrease in turnover to be limited to 12%.

Equity investments

With regard to the end-markets, the domestic market constitutes 41.0% of the total (compared with 40.6% in the previous year), while the rest of Europe, representing approximately 49.5% of the total, was slightly up (47.6% in 2019).

Net revenues by geographical area

(in millions of euro)	2020		2019	
Italy	33.7	*41.0%*	45.5	*40.6%*
Other European countries	40.6	*49.5%*	53.3	*47.6%*
North America	2.3	*2.8%*	3.0	*2.7%*
Asia	3.4	*4.1%*	7.2	*6.4%*
Other countries	2.1	*2.6%*	3.0	*2.7%*
Total	**82.1**	***100.0%***	**112.0**	***100.0%***

Below are the key indicators of the Marzotto Lab Group.

Key indicators

(in millions of euro)	2020	2019	change	change %
Consolidated net revenues	**82.1**	**112.0**	**(29.9)**	**- 26.7%**
Profit from core businesses	**(8.3)**	**(1.7)**	**(6.6)**	**>100%**
% of net revenues	*(10.1%)*	*(1.5%)*	*(8.6%)*	
Operating income	**(13.0)**	**(2.2)**	**(10.8)**	**>100%**
% of net revenues	*(15.8%)*	*(1.9%)*	*(13.9%)*	
Net income	**(12.1)**	**(1.2)**	**(10.9)**	**>100%**
Consolidated net invested capital	**66.0**	**76.7**	**(10.7)**	**- 14.0%**
Investments for the period	**1.8**	**3.0**	**(1.2)**	**- 40.0%**
Active staff at 31 December: persons	**1,202**	**1,351**	**-149**	**- 11.0%**

The decrease in turnover of €29.9 million (-26.7%) significantly influenced the decrease in the gross margin linked to sales of €11.4 million; lower variable sales expenses and the containment of overheads due to the actions taken reduced the decline in the result from ordinary operations to €6.6 million.

Net capital employed was €10.7 million lower, mainly due to a €1.2 million decrease in investments and the containment of working capital, particularly inventory.

[Equity investments]

(in millions of euro)	2020	2019	change	change %
Net revenues	**15.9**	**18.9**	**(3.0)**	**- 15.9%**
Profit from core businesses	**1.8**	**2.1**	**(0.3)**	**- 14.3%**
Operating income	**0.8**	**1.9**	**(1.1)**	**- 57.9%**
Investments for the period	**1.4**	**1.2**	**0.2**	**+ 16.7%**
Active staff at 31 December: persons	**104**	**109**	**(5)**	**- 4.6%**

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 affiliate companies 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 or yarn-dyed fabrics for clothing and furnishings. It also develops and distributes finished products, mainly men’s and women’s accessories.

The Ratti Group achieved revenues of €71.9 million (€117.0 million in 2019) and net profit of €0.4 million (€12.9 million in 2019).

Other information

Industrial relations

The health emergency caused by the Sars-CoV-2 virus also affected relations with the trade unions at the Marzotto Group in 2020: from the first lockdown period in March (from 9 March for Linificio e Canapificio Nazionale, 23 March for Marzotto Wool Manufacturing and Biella Manifatture Tessili and 1 April for the other companies, Marzotto S.p.A., Marzotto Lab S.r.l. and Ambiente Energia S.r.l.) and subsequently throughout 2020, in application of the specific rules put in place during the year, Ordinary Wage Guarantee Fund (CIGO) procedures were launched and agreements entered into with trade unions in response to Covid-19.

The use of CIGO concerned nearly all activities and staff in April. In the subsequent months, it was mainly focused on a few week days and did not affect all of the production facilities and offices.

Smart working was standardised, organised and adopted for staff with compatible duties and lists of the workers involved were sent to the corporate bodies; mandatory holidays and other contractual measures outside the usual collective closure periods were defined at all Group locations and plants.

A freeze was put on hires of staff on fixed-term contracts, including temporary contracts, interns were no longer taken on and existing internships were discontinued.

The Human Resources Department also signed, with the Marzotto National Trade Union Coordinating Body, two agreements with general significance for the Group’s Italian companies (Marzotto S.p.A., Marzotto Wool Manufacturing S.r.l., Marzotto Lab S.r.l., Linificio e Canapificio Nazionale S.r.l. and Ambiente Energia S.r.l.):

- The first agreement, signed on 22 April 2020 and updated on 4 May, 30 June and 1 December 2020, concerns the Business Protocol for Regulating Measures to Combat and Contain the Spread of the Sars-CoV-2 Virus. The first agreement signed in the sector, it incorporates both the recommendations of the subsequent Prime Ministerial Decree, the recommendations of the subsequent amendments and additions, the recommendations of the regions in which the Group is present and the latest Covid prevention solutions. Other prevention rules were also implemented, “CARA” committees (*Comitati per l’applicazione e la verifica delle regole del protocollo* - committees for the application and control of protocol rules) were established, and access and contact control tools were adopted (temperature control at entrances, adoption of proximity tracking devices, measures to protect vulnerable workers and other measures for other categories subject to special protection conditions). These include additional permits under Law 104, parental permits and quarantines.
- The second agreement, signed on 28 October 2020 and updated on 1 December 2020 (and again on 11 February 2021), concerns the application of the provisions of Article 14 of Decree-Law 104/2020. The first agreement signed in the Vicenza region and in the fashion sector enables the number of employees of the various Group companies to be reduced through the consensual termination of the employment relationship with benefits guaranteed as provided for by law, facilitating early retirement.

The limits and precautions imposed by the pandemic also affected the negotiations launched in January for the renewal of the Company Supplementary Agreement (both the section on general group rules and the specific economic section for the various companies and offices). The unitary union representative body (*Rappresentanza Sindacale Unitaria aziendale* - RSU) and the regional trade unions (*Organizzazioni Sindacali territoriali* - O.O.S.S.) corporate sections therefore defined the extension of the existing agreements. The Marzotto National Trade Union Coordinating Body asked to convene to discuss with the Company (i) the business situation and business plan, and (ii) the second-level negotiations.

Marzotto S.p.A.

In addition to the above, which applied to all Group companies in 2020, the following applied to Marzotto S.p.A.: the trade union agreement signed on 12 June 2020 between the R.U. directorate and the regional industry O.O.S.S., which cancelled the performance bonus for 2019 to be paid in June 2020 for the staff of the offices at the registered office in Valdagno (Vicenza) and the logistics/warehouses staff with their office in Piovene Rocchette (Vicenza), and 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 T.U.I.R. (Italian Consolidated Law on Income Tax).

[Other information]

Marzotto Wool Manufacturing Group

The above applied to Marzotto Wool Manufacturing S.r.l. and to the other group companies in 2020 and, in addition to the Wage Guarantee Fund (CIG) procedures in response to Covid-19, in order to cover the period 20 January 2020 to 18 April 2020 (subsequently shortened to 21 March 2020) and subsequently the week of 28.12.2020 to 01.01.2021, procedures were launched on 28.12.2020 and the relevant CIGO agreements signed with the unitary union representative body and with the regional trade unions, as these periods preceded the onset of the Covid-19 emergency or the CIG - Covid weeks granted for MWM in the year 2020 had run out.
On 29 August, an agreement was signed between the R.U. directorate and the regional industry O.O.S.S. and the unitary union representative bodies and the Operations Department to shut down the 4-shift system (4 daily shifts*6 hours each*6 days) and replace it with a 3-shift system (3 daily shifts*8 hours*5 days), which resulted in around 45 structural redundancies in the Weaving Department.

At Marzotto Wool Manufacturing S.r.l. (headquartered at Valdagno - GMF and Estethia G.B Conte divisions), as with Marzotto S.p.A., it was also agreed to cancel the 2019 performance bonus and to give out welfare vouchers to staff.

Nová Mosilana

At the subsidiary Nová Mosilana a.s. in the Czech Republic, on 17/12/2020, the company's trade union agreement was signed, valid for one year as of 01/01/2021.

Biella Manifatture Tessili S.r.l.

The same applied to Biella Manifatture Tessili S.r.l. for the application of the Group agreements and, as for the other Group companies in 2020, the other prevention and protection measures, as well as in relation to the agreements on redundancy incentives and Wage Guarantee Fund (CIG) procedures in response to Covid-19.

Marzotto Lab Group

As of 1 April, Marzotto Lab S.r.l., with offices in the provinces of Vicenza, Sondrio and Como, applied the introductory paragraph for both the Covid-19 CIGO and the other health and safety measures and in relation to redundancy incentive agreements.
On 29 December 2020, the Human Resources Department agreed on an extension of the Company Supplementary Agreement (second-level agreement) with the regional trade unions and the unitary union representative body, which will remain in force until 31.12.2021.

With regard to the Company Supplementary Agreement (2nd-level agreement) for the production unit of the Furnishings Division and the Blanket Warehouse at the Piovene Rocchette site, the above agreement to distribute welfare vouchers was also applied to Marzotto S.p.A. and Marzotto Wool Manufacturing S.r.l.; meanwhile, the Furnishings Division retained the agreement related to the Parent Company, for historical and regional reasons.

Liteksas - Lietlinen - Lietvilna - Filin

At the Lithuanian companies AB Liteksas and UAB Lietvilna, on 11 December 2019, company collective bargaining agreements were established by the Human Resources Department for the two-year period 2020-2021, introducing healthcare provisions at the two companies (a specific policy to cover employees that supplements the services provided by the Lithuanian public health service) and amending the variable bonus system. These agreements were confirmed by a trade union agreement in December 2020.
UAB Lietlinen entered into the company's collective labour agreement for 2020 and 2021, which amended the variable reward system.

There is nothing material to report regarding the Tunisian subsidiary Filin.

[Other information]

Training and development of human resources

In 2020, due to the Sars-CoV-2 health emergency, the Human Resources Department of the Marzotto Group (Marzotto S.p.A., Marzotto Wool Manufacturing S.r.l., Marzotto Lab S.r.l., Linificio e Canapificio Nazionale S.r.l. and Ambiente Energia S.r.l.) reorganised the Marzotto Academy training offering for all employees, deferring some in-person training activities until after the pandemic and/or transforming them, where possible, into online or “mixed” training. The total investment in training, including the use of the Fondimpresa and Fondirigenti inter-professional funds, excluding safety training, came to approximately €40,000.00.
The aim of the staff training and development activities was both to strengthen managerial/behavioural skills in order to increase the competitiveness of the Marzotto Group in complex scenarios and to strengthen specialised technical and language skills.

The Marzotto Young Project, the aim of which is to recruit and select young graduates throughout the country, train them via a pathway partly dedicated to them and partly open to other staff, and, lastly, take them on at the Group under apprenticeship employment contracts, was suspended in both 2020 and 2021.

Marzotto S.p.A.

Marzotto S.p.A. delivered 260 hours of training on soft skills and 164 hours of safety training in 2020.

Marzotto Wool Manufacturing Group

Marzotto S.p.A. organised and managed 1,155 hours of training for Marzotto Wool Manufacturing S.r.l. involving managers in production areas to strengthen their leadership skills and staff management ability in uncertain scenarios; topics such as project management, communication, smart working management, agile techniques and digital transformation were also addressed.
In addition, 1,208 hours of training on safety issues were organised and delivered.

Biella Manifatture Tessili

Biella Manifatture Tessili S.r.l. invested in 56 hours of language and technical training; 193 hours of safety training were completed at the Strona (Biella) plant and 519 hours at the Mongrando (Biella) plant.

Nová Mosilana

Nová Mosilana a.s., a subsidiary in Brno in the Czech Republic, delivered two training courses to all staff during the year on safety, health protection and fire prevention, in accordance with local legislation (total 782 people/total 800 hours). Around 195 hours of training in health and safety and fire prevention were delivered to 26 new employees, and 447 people received a total of 1,015 hours of legal training.
A "fire safety" training course totalling 50 hours was delivered to 50 people and a "first aid course" totalling 190 hours was delivered to 95 people. In addition, 183 employees took part in foreign language courses (Italian, Czech, English and Russian) in 2020 totalling 520 hours (courses were suspended in March due to the pandemic). Other HR, accounting and payroll courses totalling 165 hours were attended online by 22 people.

Marzotto Lab

Marzotto Lab S.r.l. delivered 426 hours of safety training.

Linificio e Canapificio Nazionale S.r.l. delivered 233 hours of language training and 224 hours of safety training.

Meanwhile, 4,040 hours of training were delivered at the foreign plants.

Liteksas - Lietlinen - Lietvilna - Filin

The Lithuanian companies AB Liteksas, UAB Lietlinen and UAB Lietvilna delivered 3,366 hours of training, broken down as follows: AB Liteksas provided 144 hours, UAB Lietlinen provided 3,047 hours and UAB Lietvilna provided 175 hours.

Filin, a Tunisian company, organised and delivered training to improve the communication and relational skills of managers and safety courses totalling 674 hours.

Other information

Employees by sector

In 2020, the Group reduced its operational workforce both nationally (-87 units compared with 2019) and internationally (-317 units compared with 2019).

The number of active operational staff decreased from 3,155 at the end of 2019 to 2,751 at 31 December 2020.

	Year-end staff				Average			
	at 31.12.2020		at 31.12.2019		2020		2019	
Wool fabrics	1,445	*52.5%*	1,695	*53.7%*	1,578	*54.1%*	1,756	*54.6%*
Sundry textiles	1,202	*43.7%*	1,351	*42.8%*	1,233	*42.2%*	1,350	*42.0%*
Textile Sector	**2,647**	***96.2%***	**3,046**	***96.5%***	**2,811**	***96.3%***	**3,106**	***96.6%***
Other Operations	104	*3.8%*	109	*3.5%*	107	*3.7%*	111	*3.4%*
Total	**2,751**	***100.0%***	**3,155**	***100.0%***	**2,918**	***100.0%***	**3,217**	***100.0%***
Laid off/dismissed	2		2		2		1	
Total staff year end	**2,753**		**3,157**		**2,920**		**3,218**	

Operational staff by country

	Year-end staff				Average			
	at 31.12.2020		at 31.12.2019		2020		2019	
Italy	1,039	*37.8%*	1,126	*35.7%*	1,099	*37.7%*	1,146	*35.6%*
Czech Republic	823	*29.9%*	1,032	*32.7%*	915	*31.3%*	1,082	*33.6%*
Lithuania	308	*11.2%*	325	*10.3%*	314	*10.8%*	341	*10.6%*
Tunisia	576	*20.9%*	667	*21.1%*	585	*20.0%*	643	*20.0%*
Other countries	5	*0.2%*	5	*0.2%*	5	*0.2%*	5	*0.2%*
Total	**2,751**	***100.0%***	**3,155**	***100.0%***	**2,918**	***100.0%***	**3,217**	***100.0%***

Research and development

Marzotto Lab S.r.l.

The company carried out innovative pre-competitive activities in 2020, focusing its efforts on the following projects:

Activity 1: industrial research and experimental development for the purpose of creating the new collections for the following division of the Marzotto Group: - Textile Furnishings division 1.1- Conception, design and graphics of new collections and packaging - 6%

Activity 2: Industrial research and experimental development activities as part of the project to digitalise the collection (Valdagno - Marzotto Home) - Innovation 4.0 10%

Activity 3: Research and development of more innovative linen/cotton fabrics than those currently on the market - Tessuti di Sondrio - 3.1 The *viralò* linen and cotton project (antiviral products) - *R&D* 12% - 3.2 Research into a natural stretch yarn, a 100% organic cotton high-performance yarn without lycra - *R&D* 12% - 3.3 Research and experimental development for the production of a washable wool with a sportswear look = the acquawool project - *R&D* 12% 3.4 Research and experimental development for the innovative dyeing of cotton yarns using vegetable dyes (- R&D 12% green assessment 10%) 3.5 *i Catalog* project (digital app) - *R&D* 12% 3.6 New fabric testing app - *R&D* 12%

Activity 4: Collection digitisation project (Tessuti di Sondrio) - Innovation 4.0 10%

Activity 5: Research and development activities to recover thermal boiler smoke to heat water and reuse it in the boiler, thus reducing methane consumption/green 10% d.d.) - Tessuti di Sondrio

Activity 6: Research and experimental development activities to create innovative products for the core market, with particular reference to: - 5 terre project - Fur project - *R&D* 12% Redaelli Velluti

Activity 7: Conception, design, research and development to create new collections of velvet items - Design 6% Redaelli Velluti

The projects were carried out at the following plants:

- VIA MADONNA, 30 - 22070 GUANZATE (Como)
- VIA TONALE, 4 - 23100 SONDRIO (Sondrio)
- LARGO S. MARGHERITA 1 - 36078 VALDAGNO (VICENZA)

Research and development

In order to develop the above projects, the company incurred eligible costs of €1,123,453.93, on which it intends to access the benefits of the tax credit for research, development, technological innovation, design and aesthetic creation activities pursuant to Article 1, paragraphs 198-209 of Law 160 of 27 December 2019.

Marzotto Wool Manufacturing S.r.l.

The company carried out innovative pre-competitive activities in 2020, focusing its efforts on the following projects:

Activity 1: Industrial research and experimental development activities to create innovative fabrics for apparel made mainly in wool and wool blends - *R&D* 12%

Activity 2: *R&D* activity to implement an innovative tool to digitise the collections (HUGO BOSS project) - Innovation 4.0 10%

Activity 3: Research and development to implement innovative machinery to make a comfortable stretch (both weft and warp) fabric without elastomers – Technological innovation 6%

Activity 4: Conception, study, industrial research, design and experimental development activities to create innovative fabrics for apparel made mainly in wool and wool blends - Design 6%

The projects were carried out at the following plant:
- LARGO S. MARGHERITA 1 - 36078 Valdagno (Vicenza)

In order to develop the above projects, the company incurred eligible costs of €671,769.13, on which it intends to access the benefits of the tax credit for research, development, technological innovation, design and aesthetic creation activities pursuant to Article 1, paragraphs 198-209 of Law 160 of 27 December 2019.

Biella Manifatture Tessili S.r.l.

The company carried out innovative pre-competitive activities in 2020, focusing its efforts on the following projects:

Activity 1: Industrial research and experimental development activities to create innovative fabrics for the wool and other natural fibres sector for clothing under the brand names "Guabello", "Marlane" and "Fratelli Tallia di Delfino" - - 1.1 K-Easy project, like jersey (Guabello) - 1.2 Elastane polyamide 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 Natural comfort product but with bi-elasticity in the weft of 18% without use of elastomer, therefore only naturally in pure wool - *R&D* 12%.

Activity 2: Creation, research, design and development of new collections and innovative packaging.

Activity 3: Product digitisation project.

The projects were carried out at the following plant:

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

In order to develop the above projects, the company incurred eligible costs of €940,391.29, on which it intends to access the benefits of the tax credit for research, development, technological innovation, design and aesthetic creation activities pursuant to Article 1, paragraphs 198-209 of Law 160 of 27 December 2019.

Research and development

Linificio e Canapificio Nazionale S.r.l.

The company carried out innovative pre-competitive activities in 2020, focusing its efforts on the following projects:

Activity 1: Continuation of experimental development activities as part of the *SSUCHY* project - *R&D* 12%.

Activity 2: Research and experimental development with patent of an innovative coloured biocomposite - *R&D* 12%.

Activity 3: Continuation of experimental development in the following textile projects with particular reference to the development of innovative linen-derived yarns - *R&D* 12%.

Activity 4: Continuation of experimental development in the following textile projects with particular reference to the development of innovative linen-derived yarns: - Linen systems: mechanical automation digital technological innovation 4.0 - 10%.

Activity 5: Continuation of research and experimental development of new products with related process experimentation through research and testing of very innovative technologies for the target market - *R&D* 12%.

Activity 6: Research and experimental development with validation of technology in the relevant environment of an innovative machine for packaging rock samples electronically to substantially improve efficiency - Technological innovation 6%.

Activity 7: Industrial research and experimental development activities with prototyping as part of product innovation projects at a radical level compared with the sector, with a particular focus on the creation of new collections - *R&D 12%*

Activity 8: Research and development activity to produce an innovative linen sheet with a completely natural yarn and production process - *Green* Transition 10%.

The projects were carried out at the following plant:

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

In order to develop the above projects, the company incurred eligible costs of €670,200.16, on which it intends to access the benefits of the tax credit for research, development, technological innovation, design and aesthetic creation activities pursuant to Article 1, paragraphs 198-209 of Law 160 of 27 December 2019.

Ambiente Energia S.r.l.

The company carried out innovative pre-competitive activities in 2020, focusing its efforts on the following projects:

Activity 1: Continuation of the study, analysis, research and design of innovative methods and specific technologies for waste water purification and treatment of liquid and muddy waste, hazardous and non-hazardous, generated by industrial production, with particular reference to laboratory analysis, study and research, creation of pilot systems for the abatement and treatment of additional pollutants present in waste as part of a project for the reuse of waste water generated by the facilities. This is innovative in the reference sector - *R&D* 12%.

Activity 2: Research and experimental development activity for an innovative sludge drying plant in the industrial field 4.0 - Digital Innovation 10%.

Activity 3: Research, design and development to create an innovative airflow filtration system - Digital Innovation 4.0 10%.

The projects were carried out at the following plant:

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

In order to develop the above projects, the company incurred eligible costs of €208,396.09, on which it intends to access the benefits of the tax credit for research, development, technological innovation, design and aesthetic creation activities pursuant to Article 1, paragraphs 198-209 of Law 160 of 27 December 2019.

[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.

As well as the above, the Group, in order to minimise its exposure to any damaging event and the consequent financial impact, has prepared the transfer of residual risks to the insurance market, where they are insurable.

Over the years, the specific requirements of the Marzotto Group companies have resulted in a significant and specific personalisation of insurance cover in order to adapt it to their specific operational features and the associated 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. The analysis, management and insurance transfer of risks borne by the Group is carried out in collaboration with an insurance broker of prime standing, which also supports this activity through an 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 adopted a flexible structure, outsourcing part of production and spreading sales over a portfolio of clients diversified according to product/brand and market. To ensure that it has enough flexibility for the volumes, the Group has also begun rebalancing its production capacity. In addition, the Group is streamlining its 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 profit and loss, financial position and cash flows.

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 on these investments due to any 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.

Credit risk

Credit risk is the risk that a customer or one of the counterparties in a financial instrument may cause a financial loss by not honouring an obligation; it arises from the Group's trade receivables and financial investments.

- Trade receivables

  The credit risk is partly intrinsically reduced, also given the type of customer base, 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 carrying amount of its financial assets represents the Group's maximum exposure to credit risk. At the end of the year the exposure was as follows:

(thousands of euro)	2020	2019
Financing and cash equivalents	123,816	90,849
Trade and other receivables	47,588	69,061
Total	**171,404**	**159,910**

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

	2020		2019	
(thousands of euro)	gross	fund	gross	fund
Current	28,034	(1,056)	44,892	(1,967)
Overdue from 0 to 90 days	5,889	(1,666)	12,216	(1,669)
Overdue over 90 days	6,519	(3,261)	4,830	(2,152)
Total	**40,442**	**(5,983)**	**61,938**	**(5,788)**

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 may change due to fluctuations in market prices caused by exchange rates, interest rates or quotations of capital instruments.

- *Exchange rate risk*

  In view of the Group's exposure to exchange rate fluctuations in foreign exchange transactions, we carry out hedging transactions to determine the exchange rate based on estimates of net sales and net purchases for each Group company and the exchange rate taken into account 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 are agreed upon with primary banks with a high credit rating. The Group does 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' equity capital is recorded under a separate item in 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)	2020 Usd	2020 Jpy	2019 Usd	2019 Jpy
Trade receivables	3,310	12,335	7,818	45,442
Short term financial assets and cash and cash equivalents	1,823	39,342	2,440	81,276
Trade payables	(1,224)	(4,142)	(3,111)	(20,076)
Total	**3,909**	**47,535**	**7,147**	**106,642**

- *Interest rate risk*

  The Group is exposed to the risk of interest rate volatility associated with both available cash 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 recognised by lending banks require the above risk to be constantly monitored. However, this risk is not believed to be significant in terms of impact, given the current level of net debt.

  Interest rate hedge agreements are in place on medium/long-term variable-rate loans, through financial derivatives, to avoid market fluctuations.

Environmental and safety risk

The Group manages the environmental safety risk with appropriate staff training on new regulations and by introducing systems for prevention and the improvement of 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, including in view of their environmental impact, the potential savings in terms of reduced consumption of resources and energy during operations and fewer total waste materials produced.

Price risk

The Company is exposed to the risk of fluctuations 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 related 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. It also tries to maintain adequate stocks that can be fed continuously into 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.

Significant events after year-end

On 23 December 2020, the subsidiary Marzotto Lab s.r.l. signed a business unit lease agreement with the owner of Prosetex S.p.A. (Bulciago - Lecco). This transaction, which will be completed with the final purchase of the unit in 2021, is intended to further strengthen the fabrics offering for the furnishings world, in both the residential and contract markets.

[Performance news and outlook for the current year]

As regards the profit performance during the first two quarter of this year, consolidated net revenues totalled €38.8 million, down by approximately 36% from the €61.0 million recorded in the same period in 2020.

(in millions of euro)	03.2021		03.2020	
Textile Sector	**37.1**	***95.6%***	**59.6**	***97.7%***
Wool fabrics	15.8	40.7%	36.8	60.3%
Sundry textiles	21.3	54.9%	22.8	37.4%
Other Operations	**4.2**	***10.8%***	**4.3**	***7.0%***
Aggregate total	**41.3**	***106.4%***	**63.9**	***104.8%***
Inter-company sales	*(2.5)*	*(6.4%)*	*(2.9)*	*(4.8%)*
Consolidated total	**38.8**	***100.0%***	**61.0**	***100.0%***

Business outlook

The ongoing global vaccination campaign, which has accelerated strongly in recent weeks, suggests a gradual return to normal as early as the second half of the year, and this will contribute to the recovery of consumption, including in sectors hit hard by the pandemic and currently still in distress, such as the textile clothing sector.

As already mentioned, the effect of the loss in 2020 is almost exclusively due to the fall in volumes: the pandemic and the political management resulted in both store closures, with the consequent elimination of opportunities to purchase finished garments, and a very pronounced change in behaviour, resulting in a sharp contraction in opportunities to wear certain types of clothing, particularly formal clothing.

The efforts made in 2020 – which intensified in the first few months of 2021 - to both cut costs to make the system more efficient and redefine supply to make it leaner but more diverse (strengthening the furnishings sector), innovative, sustainable, and in line with the demands of a market that is undergoing radical changes, have prepared the Group to transition effectively into the post-Covid recovery, regain lost volumes and consequently strengthen its position in the market, as set out in the 2021-2024 Business Plan.

Valdagno (Vicenza), 28 May 2021

FOR THE BOARD OF DIRECTORS
THE MANAGING DIRECTOR
DAVIDE FAVRIN

Consolidated financial statements

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
Tax ID,V.A.T. registration number 00166580241 - REA Vicenza nr. 801 - PEC: Marzotto@legalmail.it

Consolidated statement of financial position

(thousands of euro)	31.12.2020 Partial	31.12.2020 Total	31.12.2019 Partial	31.12.2019 Total
1. Non-current assets				
1.1 Property, plant and equipment		92,692		109,447
1.2 Civil buildings		1,930		2,431
1.3 Goodwill, trademarks and other intangible assets		9,431		9,644
1.4 Equity Investments		30,396		31,074
1.5 Other investments		178		178
1.6 Long-term receivables		278		288
1.7 Deferred tax assets		16,819		10,567
1.8 Long-term financial receivables third parties	42		85	
Long-term financial receivables affiliates	=	42	=	85
Total non-current assets		**151,766**		**163,714**
2. Non-current assets held for sale		**=**		**=**
3. Current assets				
3.1 Inventories		124,783		144,080
3.2 Trade receivables third parties	34,459		56,150	
Trade receivables affiliates	418	34,877	767	56,917
3.3 Other receivables	11,614		10,866	
Other receivables affiliates	819	12,433	990	11,856
3.4 Current financial assets, cash and cash equivalents third parties	122,672		89,662	
Current financial assets, cash and cash equivalents affiliates	1,102	123,774	1,102	90,764
Total current assets		**295,867**		**303,617**
Total assets		**447,633**		**467,331**
4. Shareholders' equity				
4.1 Share capital and reserves		146,120		133,907
4.2 Income/(Loss) for the year		(26,590)		4,992
Group shareholders' equity		**119,530**		**138,899**
4.3 Non controlling interests		=		=
Total shareholders' equity		**119,530**		**138,899**
5. Non-current liabilities				
5.1 Long-term provisions		24,352		24,718
5.2 Other long-term payables		50		34
5.3 Deferred tax liabilities		5,249		6,078
5.4 Long-term financial payables		170,446		128,394
Total non-current liabilities		**200,097**		**159,224**
6. Non-current liabilities held for sale		**=**		**=**
7. Current liabilities				
7.1 Trade payables and other payables third parties	57,204		108,787	
Trade payables and other payables affiliates	2,534	59,738	9,480	118,267
7.2 Current financial payables		68,268		50,941
Total current liabilities		**128,006**		**169,208**
Total shareholders' equity and liabilities		**447,633**		**467,331**
Net financial debt		**(114,898)**		**(88,486)**

Consolidated statement of profit/(loss) and other comprehensive income

	(thousands of euro)	Year 2020 Amounts	%	Year 2019 Amounts	%
8.	Net revenues third parties	199,693	97.5	328,542	97.6
	Net revenues affiliates	5,129	2.5	7,923	2.4
	Totale net revenues	**204,822**	**100.0**	**336,465**	**100.0**
	9. Cost of sales third parties	(177,793)	(86.8)	(265,650)	(79.0)
	Cost of sales affiliates	(8,672)	(4.2)	(10,888)	(3.2)
10.	**Gross income**	**18,357**	**9.0**	**59,927**	**17.8**
	11. R&D and marketing costs	(28,018)	(13.7)	(38,804)	(11.5)
	12. General and administrative costs	(14,660)	(7.2)	(18,301)	(5.4)
	13. Other income and charges	(6,333)	(3.1)	(104)	=
14.	**Operating income**	**(30,654)**	**(15.0)**	**2,718**	**0.9**
	15. Net financial charges third parties	(2,217)	(1.1)	(1,602)	(0.5)
	Net financial charges affiliates	20	=	21	=
	16. Dividends from non consol. equity investments and valuations to equity	(109)	(0.1)	4,833	1.4
	17. Valuation of equity investments held for sale	=	=	=	=
	18. Other financial income and charges	(64)	=	(81)	=
19.	**Income before taxes**	**(33,024)**	**(16.1)**	**5,889**	**1.8**
	20. Taxes	6,434	3.1	(897)	(0.3)
21.	**Net income from continuing operations**	**(26,590)**	**(13.0)**	**4,992**	**1.5**
	22. Net profit/(loss) from discontinued operations	=	=	=	=
23.	**Net income (before non controlling interests)**	**(26,590)**	**(13.0)**	**4,992**	**1.5**
	24. Income attributable to non-controlling interests	=	=	=	=
25.	**Group net income**	**(26,590)**	**(13.0)**	**4,992**	**1.5**
	26. Fair Value adjustments [(1)]	(324)	(0.2)	1,617	0.5
	27. Other adjustments [(1)]	(2,642)	(1.3)	1,713	0.5
	Items that will be reclassified subsequently to profit and loss	**(2,966)**	**(1.4)**	**3,330**	**1.0**
	28. IAS 19 adjustments [(1)]	(58)	=	(321)	(0.1)
	Items that will not be reclassified subsequently to profit and loss	**(58)**	**=**	**(321)**	**(0.1)**
29.	**Total comprehensive income for the period**	**(29,614)**	**(14.5)**	**8,001**	**2.4**

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.

[Consolidated statement of cash flows]

(thousands of euro)	2020	2019
Net income (including non controlling interests)	**(26,590)**	**4,992**
Amortisation and depreciation	21,089	17,971
Change in provisions	(6,778)	(1,886)
(Gains)/losses on disposal of fixed assets	(71)	(630)
Investments valued at equity	727	(2,730)
Change in inventories	19,297	16,053
Change in trade receivables and other receivables third parties	20,065	3,862
Change in trade receivables and other receivables affiliates/parent	520	(951)
Change in trade payables and other payables third parties	(51,583)	(20,282)
Change in trade payables and other payables affiliates/parent	(6,946)	(2,808)
Change in other long term receivables and payables	26	(309)
Operating cash flow (A)	**(30,244)**	**13,282**
Investments in intangible and tangible fixed assets	(5,148)	(10,302)
Disposals in intangible and tangible fixed assets	891	664
(Investments in) /disposals of other equity investments	=	(82)
Cash flow from investments (B)	**(4,257)**	**(9,720)**
Translation exchange differences and other equity changes (C)	(797)	669
Extraordinary operations (D)	=	=
Cash flow before dividends (A+B+C+D)	**(35,298)**	**4,231**
Dividends paid	=	(8,000)
Increase in capital share of Parent Company	10,100	=
Change in net financial position	**(25,198)**	**(3,769)**
Change in long-term financial payables	40,838	8,769
Change in current financial payables third parties	18,334	(11,155)
Change in current financial payables for leasing	(1,007)	(999)
Change in current financial payables affiliates/parent	=	=
Change in long-term financial receivables third parties	43	1
Change in long-term financial receivables affiliates/parent	=	=
Total change in current financial assets, cash and cash equivalent	**33,010**	**(7,153)**
Cash and current financial assets - beginning of the period	**90,764**	**97,917**
Cash and current financial assets - end of the period	**123,774**	**90,764**

Statement of changes in shareholders' equity

(thousand euro)	Share capital	Legal reserve	Share capital 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 31.12.2018	**40,000**	**8,000**	**=**	**4,136**	**76**	**(1,049)**	**(468)**	**27,944**	**44,411**	**15,764**	**138,814**
Allocation of net income: 2018											
a dividends										(8,000)	(8,000)
carried forward									7,764	(7,764)	=
Net income for the year 2019										4,992	4,992
Other total profit/ (losses) (1)				1,713	=	1,617	(321)				3,009
Total other income/charges	**=**	**=**	**=**	**1,713**	**=**	**1,617**	**(321)**	**=**	**=**	**4,992**	**8,001**
Other movements								84			84
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) (1)				(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**

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 34.005% 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 (Vicenza). 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 (thousands of euro)	31.12.2019		31.12.2019
B) Fixed assets	100,134	A) Shareholders' equity	101,045
C) Current assets	1,052	B) Accounts payable	=
D) Accruals and deferrals	2	D) Accruals and deferrals	143
Total assets	**101,188**	**Total liabilities**	**101,188**

Income statements (thousands of euro)	Year 2019
A) Value of production	=
B) Cost of goods sold	(183)
Difference between value and cost of goods sold (A+B)	**(183)**
C) Financial income and charges	3,810
D) Adjustment to value of financial assets	(29)
Income before taxes (A+B+C+D+E)	**3,598**
Income taxes	(11)
Profit (loss) for the year	**3,587**

The consolidated financial statements of the Marzotto Group were approved by the Marzotto S.p.A. Board of Directors on 28 May 2021. Publication will take place 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 of 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 other comprehensive income, 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 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 euro.

Identification of the segments

Information by business segment and geographic area is provided pursuant to 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. The Group also operates in the textile machinery sector in the linen area (through Linificio e Canapificio Nazionale S.r.l.).

Information by geographical area is subject to secondary reporting.

Going concern

Analysis of the adoption of the going concern assumption

The Marzotto Group closed 2020 with a loss of €26.6 million, shareholders' equity of €119.5 million and net financial debt of €114.9 million.

In 2020, the Wool Fabrics and Sundry Textiles sectors were among the markets hit hardest by the economic effects of the Covid-19 pandemic. This resulted in a dramatic drop in turnover for the Group compared with the pre-crisis period, partially offset by the streamlining of all costs, including through the use of social shock absorbers and staff retirement incentives.

The forecasts for 2021 remain uncertain. The first signs of recovery are expected to appear in the second half of the year: however, a longer time frame is expected for a return to pre-pandemic levels of demand.

These uncertainties mainly include external elements, and particularly how the pandemic will evolve, in terms of both the limitations on the possibility of carrying out retail activities due to the periods of lockdown, and the impacts on the options and consumption habits of the end-users targeted by the Group's customers. This could affect the management's ability to achieve the actions set out in the Group's plan within the time frame and in the manner envisaged.

Notes to the consolidated financial statements

The *2021-2024 Business Plan* approved by the Board of Directors on 31 March 2021 provides for a gradual return to economic and financial equilibrium over the time horizon of the Plan: the exceeding of the break-even point in operating profit from 2022, the return to cash generation from 2021 and a pathway that from 2021 to 2024 provides for positive cash flow with the achievement of operating profit of more than 5% of turnover in the last year of the Plan. The evolution of the business and the progress of the measures envisaged in the Plan are, as of the current date, broadly in line with the provisions of the Plan.

In 2020 and the first few months of 2021, the Group's financial structure was further strengthened through the contracting of new medium/long-term loan agreements totalling €79.5 million. The new loans enabled the average life of debt to be extended at a cost broadly in line with the current cost.

Cash and cash equivalents amounted to €122.7 million in 2020. These resources are considered more than adequate with respect to the commitments for the portions of medium/long-term debt due within the next 12 months. In view of the above, the Group is continuing to operate in the first few months of 2021 with the aim of further consolidating its financial structure by increasing its committed lines with diversified counterparties. These transactions provide adequate support for its medium-term activities over the time frame of the Plan.

After analysing the main elements of uncertainty, Management is confident and believes that, as a result of the actions set out in the Business Plan and because the cash is available to implement them, once the pandemic has been overcome, the Group companies can return to sustainable growth and profitability. It has therefore been agreed that the Group can operate as a going concern, realising its assets and honouring its liabilities as it conducts its business operations. The consolidated financial statements have been prepared on a going concern basis.

Notes to the consolidated financial statements

Change to accounting standards

Accounting standards, amendments and interpretations applied by the Group as of 1 January 2020.

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 2019, except for the new standards, amendments and interpretations in force as of 1 January 2020. 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 2020

On 31 October 2018, the IASB published a document amending IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors,* approved by the EU with Reg. 2019/2075 of 29 November 2019. The aim is to clarify the definition of "material" in order to help companies assess whether information is "material" and therefore whether or not it should be included in the financial statements. The adoption of this amendment has had no effect on the Group's financial statements.

On 29 March 2018, the IASB issued an amendment to *"References to the Conceptual Framework in IFRS Standards"*, endorsed by the EU with Reg. 2019/2075 of 29 November 2019. This document presents amendments to the references to the conceptual framework in IFRS, which update the existing references to the previous frameworks in various accounting standards and interpretations, replacing them with references to the revised conceptual framework, helping companies to understand and interpret the standards. The adoption of this amendment has had no effect on the Group's financial statements.

On 26 September 2019, the IASB published the amendment *"Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform"*, approved by the EU with Reg. 2020/34 of 15 January 2020, which includes temporary concessions that permit the continued use of hedge accounting during the period of uncertainty preceding the reform regarding the replacement of the current benchmark interest rate, with an alternative, risk-free interest rate. The adoption of this amendment has had no effect on the Group's financial statements.

On 22 October 2018, the IASB published the document *"Definition of a Business (Amendments to IFRS 3)"*, approved by the EU with Reg. 2020/551 of 21 April 2020, designed to clarify the definition of business activities in order to facilitate their practical implementation. The amendment introduced an optional concentration test that makes it possible to ascertain whether the set of activities and assets acquired is a business and not an individual asset or group of assets. This amendment has had no relevance for the Group.

On 28 May 2020, the IASB published the amendment "*Amendments to IFRS 16 Leases Covid-19 Related Rent Concessions*", approved by the EU with Reg. 2020/1434 of 9 October 2020, which allows lessees benefiting from lease payment holidays not to account for them as if they were lease modifications, without compromising the relevance and usefulness of the financial information. This amendment has not been applied by the Group.

Change to accounting standards

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

On 18 May 2017, the IASB published the standard *IFRS 17 – Insurance Contracts* which will replace the standard *IFRS 4 – Insurance Contracts*, designed to eliminate inconsistencies in existing accounting policies, providing a relevant method of information relating to the rights and obligations arising from all insurance contracts written. This standard will become effective on 1 January 2023.

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"* aimed at clarifying the classification of payables as short-term or long-term liabilities. This amendment, initially effective as of 1 January 2022, was subsequently amended on 15 July 2020 in order to postpone the effective date to 1 January 2023.

On 14 May 2020, the IASB published various clarification amendments: *"Amendments to IFRS 3 Business Combinations"*, *"Amendments to IAS 16 Property, Plant and Equipment"*, *Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets"* and *"Annual Improvements 2018-2020"*. These changes will become effective on 1 January 2022.

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"*, which defines the specific accounting treatment in the time distribution of the effect on financial instruments and leases of the replacement of benchmarks for the determination of existing interest rates with alternative benchmark rates. These changes will become effective on 1 January 2021.

Notes to the consolidated financial statements

Method of consolidation

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 carrying amount 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 carrying amount 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;
- the purchase method is used to account for acquisitions of subsidiaries, 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 in respect of 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.

Notes to the consolidated financial statements

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 carrying amount 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, while the portion of changes to reserves subsequent to acquisition is recognised in 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 in the scope of consolidation as at 31 December 2020.

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

Company	Reg. office	Share Capital	Currency	% Ownership 2020	% Ownership 2019
Le Cotonerie S.r.l.	Valdagno (I)	15.00	K EUR	100.00	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 subisidiaries:					
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 subisidiaries:					
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.	Tonisvorst (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 subisidiaries:					
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.	Valdagno (I)	27,648.00	K EUR	100.00	100.00
and it's subisidiaries:					
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

Operating Companies consolidated at equity:

Company	Reg. office	Share Capital	Currency	% Ownership 2020	% Ownership 2019
Mascioni S.p.A.	Milan (I)	5,560.00	K EUR	13.31	14.18
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	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	34.01	34.01
and it's subisidiaries:					
Creomoda S.a.r.l.	Sousse (TN)	660.00	K TND	25.84	25.84
La Maison des Accessoires S.a.r.l.	Sousse (TN)	120.00	K TND	23.26	23.26
Second Life Fibers S.r.l.	Guanzate (I)	10.00	K EUR	34.01	=
Ratti USA Inc.	New York (USA)	500.00	K USD	34.01	34.01
Ratti Int. Trading (Shanghai) Co. Ltd	Shanghai (RPC)	110.00	K EUR	34.01	34.01
Textrom S.r.l.	Cluj - Napoca (RO)	0.20	K RON	34.01	34.01
Marielle S.r.l.	Firenze (FI)	17.25	K EUR	10.20	=

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

Company	Reg. office	Share Capital	Currency	% Ownership 2020	% Ownership 2019
Aree Urbane S.r.l. in liquidation	Milan (I)	100.00	K EUR	32.50	32.50

Notes to the consolidated financial statements

Conversion of accounts carried in foreign currencies

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)		2020	2019	% change
	- for the profit and loss account (average prevailing exchange rates for the year)			
AUD	Australian Dollar	1.655	1.611	2.8
CZK	Czech Crown	26.455	25.670	3.1
CNY	China Renmimbi	7.871	7.734	1.8
TND	Tunisian Dinar	3.199	3.282	(2.5)
RON	New Leu	4.838	4.746	1.9
NZD	New Zeland Dollar	1.756	1.699	3.4
USD	USA Dollar	1.141	1.120	1.9
	- for the balance sheet (year-end prevailing exchange rates)			
AUD	Australian Dollar	1.590	1.600	(0.6)
CZK	Czech Crown	26.242	25.408	3.3
CNY	China Renmimbi	8.023	7.821	2.6
TND	Tunisian Dinar	3.294	3.139	4.9
RON	New Leu	4.868	4.783	1.8
NZD	New Zeland Dollar	1.698	1.665	2.0
USD	USA Dollar	1.227	1.123	9.2

[Notes to the consolidated financial statements]

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

1.1 Real estate, plant and machinery
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 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 recognised at fair value defined provisionally at the acquisition date and adjusted, if necessary, within the following 12 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	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

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 a given asset for a period of time, excluding agreements relating to low-value assets and leases 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 on or before the commencement date, net of depreciation and impairment and adjusted for any change in the lease liability. Depreciation is calculated over the life of the agreement; if the lease provides for the transfer of ownership of the asset or the lessee exercises the purchase option, the depreciation period is equal to the useful life of the asset.

Lease liabilities are measured on the basis of the present value of the instalments still due, applying an interest rate equal to the company’s medium/long-term loan rate. After the commencement 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 carrying amount of lease payables is recalculated in the case of any changes to the lease or the revision of the contractual terms to alter the payments.

Lease liabilities also include the exercise price of an option, if this is certain or probable, in addition to any penalties for termination of the lease.

1.3 Goodwill, trademarks and other intangible 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 impairment.

Intangible assets with an “indefinite useful life” are not amortised.

Intangible assets acquired through business combination operations are recognised at fair value defined provisionally at the acquisition date and adjusted, if necessary, within the following 12 months.

[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 selling costs and value in use. In determining value in use, estimated future cash flows are discounted to present value, using a rate gross of tax that reflects current market valuations of the value of money and the specific risks of the asset.
Impairment is recognised in the income statement when the carrying amount of the asset, or of the relevant cash generating unit to which it is allocated, is greater than its recoverable 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 ascertains whether there are any indicators of impairment of 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 recognised at the lower of the carrying amount and the estimated 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 of the carrying amount and the fair value net of selling costs.

3.1 Inventories

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 estimated net realisable value.

Inventory of consumables is measured at the lower of cost (determined using the weighted average cost method) and the estimated 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 specific adjustment provisions.

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 into a specific treasury fund opened with the INPS (National Institute for Social Protection) or, on the employee's instruction, 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.

[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

Groups of assets and liabilities whose value will be recovered mostly through sale rather than 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 carrying amount 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 derivatives hedge the risk of a change in the fair value of the underlying instruments (fair value hedge), they are recorded at fair value and the difference is recognised in the income statement; accordingly, 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 hedge the risk of changes in the cash flows of the underlying instruments (cash flow hedge), the changes in fair value are initially recognised in shareholders' equity and later in the income statement, according to 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.

Grants

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

Grants 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 relevant costs accrue.

Grants received for specific assets the value of which is recognised in tangible and intangible assets are included in liabilities and credited in the income statement in relation to the depreciation period for the assets to which they refer.

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

[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 for the transfer of goods/services to a customer; 2- approval of the contract; 3- determination of the price of the transaction; and 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 significant risks and benefits of ownership are actually 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 when the service is completed.

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 recoverability of deferred tax assets 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 reporting and 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 ascertains whether there are any indicators of 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.

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.

The main economic relationships 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 compensation from Wizard S.r.l. 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 scheme;
- In the event that the consolidated companies have surpluses of ACE (Support for Economic Growth pursuant to Article 1 of Decree-Law 201/2011) to be transferred to the Group, within the limits of the Group's overall 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 scheme option, or if the requirements 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 per the declaration are allocated proportionally to the companies that produced them.

Deferred and prepaid IRES 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 comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in shareholders' equity and the explanatory notes are expressed in thousands of euro.

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 Report on Operations for further information regarding:

- main events of the 2020 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.

Notes to the consolidated financial statements

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 €347,000, including €314,000 in electricity production grants (TPA) and €33,000 in payments for energy produced and sold (TFO). During the year, €300,000 was 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 €269,000 in grants (TPA) and €31,000 for energy produced and sold (TFO);
- Income of €9,000 received from FONDIMPRESA and recognised at €5,000 (aid published in the National Register of State Aid);
- Income of €2,000 from FONDIRIGENTI and recognised at €3,000 (aid published in the National Register of State Aid).

Marzotto Wool Manufacturing S.r.l.

- Income of €29,000 recognised during the period for grants for investments in new capital goods (pursuant to Article 18 of Decree-Law 91 of 24 June 2014);
- Income of €41,000 recognised during the period for research and development tax credits;
- Income of €14,000 recognised during the period for tax credits for the sanitation and purchase of protective equipment (Article 125 of Decree-Law 34/2020);
- Income of €27,000 recognised relating to financial support (financing and non-repayable grants) for participation in trade fairs and shows (Milano UNICA 2020) granted by SIMEST S.p.A. (aid published in the National Register of State Aid);
- Income received from FONDIMPRESA of €26,000 and recognised at €3,000 (aid published in the National Register of State Aid);
- Income of €14,000 recognised from FONDIRIGENTI (aid published in the National Register of State Aid);
- The company also took part in two FSE projects in the Veneto Region for the training activities “Improving workflow from the Sales Area to the Operations Area” and “L2-@NEW START: INNOVATION AND CORPORATE SOCIAL RESPONSIBILITY 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 €93,000, including €50,000 in electricity production grants (TPA) and €43,000 in payments for energy produced and sold (TFO). During the year, €87,000 was collected by the Energy Services Operator (net of withholding tax and compensation paid by the Operator) relating to the production of electricity by photovoltaic plants, including €47,000 in grants (TPA) and €40,000 for energy produced and sold (TFO);
- Income of €82,000 recognised during the period for grants for investments in new capital goods (pursuant to Article 18 of Decree-Law 91 of 24 June 2014);
- Income recognised during the period for research and development grants of €61,000;
- Income of €12,000 recognised during the period for tax credits for the sanitation and purchase of protective equipment (Article 125 of Decree-Law 34/2020);
- Income of €27,000 recognised relating to financial support (financing and non-repayable grants) for participation in trade fairs and shows (Milano UNICA 2020) granted by SIMEST S.p.A.; as at 6/11/2020, €13,000 in non-repayable grants had been received and 50% of the loan granted (€20,000) had been disbursed (aid published in the National Register of State Aid);
- Income of €8,000 received from FONDIMPRESA;
- A loan of €5.5 million granted on 29/10/2020 by the Banca del Mezzogiorno Medio Credito Centrale - Covid-19 SME Guarantee Fund State Aid – Direct guarantee SACE S.p.A. (aid published in the National Register of State Aid).

Marzotto Lab S.r.l.

- Income recognised during the period for the production of electricity from photovoltaic facilities totalling €74,000, including €72,000 for electricity production grants (TPA) and €2,000 in payments for energy produced and sold (TFO). During the year, €73,000 was 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 €72,000 in grants (TPA) and €1,000 for energy produced and sold (TFO);
- Income of €5,000 recognised during the period for grants for investment in new capital goods (pursuant to Article 18 of Decree-Law 91 of 24 June 2014);
- Income of €109,000 recognised during the period for research and development tax credits; €154,000 relating to research and development tax credits in 2018 and €147,000 relating to research and development tax credits in 2019 were used for offsetting during the year;
- Income of €5,000 recognised during the period for tax credits for the sanitation and purchase of protective equipment (Article 125 of Decree-Law 34/2020);
- Income recognised of €17,000 relating to facilities (financing and non-repayable grants) for participation in trade fairs and exhibitions (Milano UNICA 2020) granted by SIMEST S.p.A. (aid published in the National Register of State Aid);
- Income received from FONDIMPRESA of €8,000 and recognised at €1,000 (aid published in the National Register of State Aid).

Linificio e Canapificio Nazionale S.r.l.

- Income of €76,000 recognised in the period for research and development tax credits; €128,000 relating to research and development tax credits in 2018 was used for offsetting during the year;
- Income of €3,000 recognised during the period for tax credits for the sanitation and purchase of protective equipment (Article 125 of Decree-Law 34/2020);
- Income received from the Lombardy region disbursed in tranches in 2019 and 2020 to complete the ECO TEXTILE FOR FASHION project, published in the National Register of State Aid;
- Income of €8,000 received from FONDIMPRESA relating to continuing professional development projects, recognised at €5,000;
- Loan of €5.5 million granted on 30/11/2020 by the Banca del Mezzogiorno Medio Credito Centrale - Covid-19 SME Guarantee Fund State Aid – Direct guarantee SACE S.p.A. (aid published in the National Register of State Aid).

Ambiente Energia S.r.l.

- Income of €23,000 recognised during the period for research and development tax credits; €95,000 relating to research and development tax credits in 2018 and €52,000 relating to research and development tax credits in 2019 were used for offsetting during the year;
- Income of €6,000 recognised during the period for tax credits for the sanitation and purchase of protective equipment (Article 125 of Decree-Law 34/2020);
- Income of €22,000 recognised during the period for tax credits relating to the first unpaid IRAP payment on account for 2020 (Decree-Law 34/2020 Article 24).

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

- Income of €2,000 recognised during the period for tax credits for the sanitation and purchase of protective equipment (Article 125 of Decree-Law 34/2020);
- A non-repayable grant of €9,000, recognised but not yet collected, from Finpiemonte S.p.A. for the planned installation of a photovoltaic plant under the “Energy efficiency and renewable energy in companies” programme (already included in the Register of State Aid);
- Income of €3,000 for training aid recognised and collected from FONDIMPRESA.

Notes to the consolidated financial statements

The amounts shown in the tables below are in **thousands of euro**.

	2020	2019	Change
Amounts to:	**94,622**	**111,878**	**(17,256)**
broken down as follows:			

Description	A) Civil land and buildings	B) Industrial land and buildings	C) Plant and machinery	D) Industrial and comm. equipment	E) Other tangible fixed assets	F) Tangible fixed assets under cons./ advances	Total
Original cost (at exchange rate of 31/12)	3,152	128,951	283,492	12,550	15,974	1,836	445,955
Depreciation funds	(721)	(77,468)	(231,819)	(11,385)	(12,684)	=	(334,077)
Balances as at 31.12.2019	**2,431**	**51,483**	**51,673**	**1,165**	**3,289**	**1,836**	**111,878**
Movements during the year:							
Original cost:							
acquisitions	=	753	4,072	156	434	(684)	4,731
acquisitions IFRS16	19	70	234	=	758	=	1,081
exchange rate differences	(68)	(1,951)	(3,702)	(61)	(248)	(19)	(6,049)
reclassifications	=	20	(5)	=	(15)	=	=
disposals	(243)	(355)	(12,051)	(1,461)	(1,036)	=	(15,146)
Depreciation funds:							
depreciation for the year	(37)	(2,600)	(11,430)	(535)	(837)	=	(15,439)
depreciation IFRS16	(418)	(147)	(17)	=	(429)	=	(1,011)
exchange rate differences	23	995	3,003	56	197	=	4,274
reclassifications	=	(4)	=	=	4	=	=
write-downs	=	(1,394)	(2,629)	=	=	=	(4,023)
disposals	223	1	11,763	1,461	878	=	14,326
Total movements for the year	**(501)**	**(4,613)**	**(10,762)**	**(384)**	**(293)**	**(703)**	**(17,256)**
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**

The changes that took place pertained to the acquisitions carried out by Marzotto S.p.A. (€49,000), Marzotto Wool Manufacturing S.r.l. (€611,000), Marzotto Lab S.r.l. (€384,000), Ambiente Energia S.r.l. (€1,321,000), Novà Mosilana a.s. (€715,000), Sametex spol s r. o (€286,000), AB Liteksas (€231,000), Biella Manifatture Tessili S.r.l. (€293,000) and the Linificio Group (€841,000).

The sale of assets during the year involved the recognition of €71,000 of net capital gains before tax (comprising gains of €222,000 and losses of €151,000).

The write-down of €4,023,000 relates to the subsidiary Sametex spol s r.o.: this adjustment became necessary due to impairment and was determined using an estimate of the recoverable amount of the individual assets.

As at 31 December 2020, 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.

Notes to the consolidated financial statements

1.3) Goodwill, trademarks and other intangible assets

	2020	2019	Change
Amounts to:	9,431	9,644	(213)

made up as follows:

Description	A) Costs of development	B) Ind. patent and intellectual property rights	C) Concessions, licenses, trade-marks and similar rights	D) Goodwill	E) Other intangible fixed assets	F) Intangible fixed assets being developed and advances	Total
Original cost	=	7,718	7,770	167	237	130	16,022
Depreciation funds	=	(5,987)	(271)	=	(120)	=	(6,378)
Balances as at 31.12.2019	**=**	**1,731**	**7,499**	**167**	**117**	**130**	**9,644**
Movements during the year:							
Original cost:							
acquisitions	257	177	=	=	=	(17)	417
exchange rate differences	=	(60)	=	=	=	(1)	(61)
reversal due to amort. being completed	=	=	=	=	=	=	=
Amortisation:							
for the year	(51)	(538)	(15)	=	(12)	=	(616)
exchange rate differences	=	47	=	=	=	=	47
reversal due to amort. being completed	=	=	=	=	=	=	=
Total movements for the year	**206**	**(374)**	**(15)**	**=**	**(12)**	**(18)**	**(213)**
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**

Concessions, licences, trademarks and similar rights comprise €2,300,000 for the Guabello trademark, €1,170,000 for the Tallia di Delfino trademark, €2,900,000 for the Lanerossi trademark and the value of the velvet trademarks “Redaelli Velluti”, “Redaelli 1893”, “Niedieck” and “Christoph Andreae” of the Marzotto Group.
The increase of €417,000 in the period mainly relates to €171,000 of software purchases and €257,000 of development costs incurred by subsidiary Biella Manifatture Tessili S.r.l. relating to the production of completely new items, for the companies in the new Opera Piemontese business line, achieved through the use of innovative technologies.

The trademarks, which are considered intangible assets with an indefinite useful life, are not amortised, but are instead tested periodically for impairment in accordance 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 for the purchase of the “Logistics Services” business unit of Piovene.

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 carrying amount of goodwill with the greater of the value in use and the fair value.
In the early months of 2021 there were no significant events to suggest that the values in the financial statements were permanently 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 costs incurred during the year pertaining to product innovation and applications for the streamlining of production and logistics have been charged to the income statement.

1.4) Equity investments

	2020	2019	Change
Amounts to:	30,396	31,074	(678)

made up as follows:

Description	A) Gruppo Ratti	B) Mediterranean Wool Ind.	C) Pettinatura di Verrone	D) Tintoria di Verrone S.r.l.	Sub total
Original cost	10,825	2,027	1,667	108	14,627
Adjustment to equity	10,857	51	341	285	11,534
Balances as at 31.12.2019	**21,682**	**2,078**	**2,008**	**393**	**26,161**
Movements during the year:					
Original cost:					
acquisitions	=	=	=	=	=
devaluations	=	=	=	=	=
Adjustment to equity:					
accrued pro-quota profit/(loss)	135	(368)	(149)	(317)	(699)
pro-quota dividends paid in 2020	=	=	=	=	=
effect of change in shareholders' equity	63	=	=	=	63
Total movements for the year	**198**	**(368)**	**(149)**	**(317)**	**(636)**
Original cost	10,825	2,027	1,667	108	14,627
Adjustment to equity	11,055	(317)	192	(32)	10,898
Balances as at 31.12.2020	**21,880**	**1,710**	**1,859**	**76**	**25,525**

Description	E) Schneider Australia	F) Schneider New Zealand	G) Uab Lietvilna	Total
Original cost	52	189	2,848	17,716
Adeguamento ad equity	12	2	1,810	13,358
Balances as at 31.12.2019	**64**	**191**	**4,658**	**31,074**
Movements during the year:				
Original cost:				
acquisitions	=	=	=	=
devaluations	=	=	=	=
Adjustment to equity:				
accrued pro-quota profit/(loss)	31	9	182	(477)
pro-quota dividends paid in 2020	=	=	(250)	(250)
effect of change in shareholders' equity	(16)	2	=	49
Total movements for the year	**15**	**11**	**(68)**	**(678)**
Original cost	52	189	2,848	17,716
Adjustment to equity	27	13	1,742	12,680
Balances as at 31.12.2020	**79**	**202**	**4,590**	**30,396**

The above table shows the equity investments 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. (34.005% 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), Schneider Australia PTY Limited (25% owned) and Schneider New Zealand Limited (25% owned), they too, assessed using the equity method.

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

Notes to the consolidated financial statements

1.5) Other investments

	2020	2019	Change
Amounts to:	**178**	**178**	**=**

1.6) Other medium/long-term receivables

	2020	2019	Change
Amounts to:	**278**	**288**	**(10)**
made up as follows:			
Other receivables	278	288	(10)
Total	**278**	**288**	**(10)**

The item **Other medium/long-term receivables** (€278,000) mainly comprises security deposits paid by the Group companies.

1.7) Deferred tax assets

	2020	2019	Change
Amounts to:	**16,819**	**10,567**	**6,252**
made up as follows:			
Depreciation of inventory	4,565	3,284	1,281
Depreciation of receivables	1,387	1,360	27
Accrual for risks and charges	4,182	3,941	241
Forex	76	50	26
Tax losses	5,501	621	4,880
Other temporary differences	1,108	1,311	(203)
Total	**16,819**	**10,567**	**6,252**

The table above gives details of the items involved by temporary differences on which prepaid tax assets have been calculated.
As at the reporting date, prepaid tax receivables totalled €16,819,000, making for an increase of €6,252,000 in the final figures, mainly due to the recognition of receivables relating to tax losses.

These receivables mainly relate to the parent company (€3,024,000), Marzotto Wool Manufacturing S.r.l. (€4,825,000), Biella Manifatture Tessili S.r.l. (€3,613,000), Marzotto Lab S.r.l. (€2,978,000), the Linificio e Canapificio Nazionale group (€1,716,000), Novà Mosilana a.s. (€347,000) 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.

Notes to the consolidated financial statements

1.8) Medium/long-term financial receivables

	2020	2019	Change
Amounts to:	**42**	**85**	**(43)**
made up as follows:			
Guarantee deposits (financial)	32	66	(34)
Other receivables	10	19	(9)
Total	**42**	**85**	**(43)**

2. Assets held for sale/discontinued operations

The item includes the equity investment in the associate Aree Urbane S.r.l. in liquidation, fully written down in previous years.

3.1) Inventory

	2020	2019	Change
Amounts to:	**124,783**	**144,080**	**(19,297)**
and can be broken down as follows:			
Raw, ancillary and consumable materials	43,248	46,742	(3,494)
Unfinished, semi-finished goods and work in progress	30,436	45,728	(15,292)
Finished products and goods for resale	51,099	51,610	(511)
Total	**124,783**	**144,080**	**(19,297)**

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

In particular, for the velvet business, which is concentrated on the winter season, the collection prepared remained unsold due to the Covid-19 pandemic; given that the situation continued, it was decided to further depreciate the inventories in view of the difficulty of putting them on the market also in the next financial year.

Inventories show a net decrease of €19,297,000 compared with the previous year. The breakdown and change in the item is as follows:

- inventories of €86,591,000 in the Wool Fabrics sector (€97,855,000 as at 31 December 2019);
- inventories of €38,177,000 in the Sundry Textiles sector (€46,206,000 as at 31 December 2019);
- inventories of €15,000 in the Sundry/Other sector (€19,000 as at 31 December 2019).

Notes to the consolidated financial statements

3.2) Trade receivables

	2020	2019	Change
Amounts to:	**34,877**	**56,917**	**(22,040)**

and refers to:

	2020		2019	
	Amount	%age	Amount	%age
Active customers receivables	37,143	*100.0*	59,368	*100.0*
- Bad debt provision	(4,034)	*(10.9)*	(4,035)	*(6.8)*
= Net active customers receivables	**33,109**	***89.1***	**55,333**	***93.2***
Bad debt	3,299	*100.0*	2,570	*100.0*
- Bad debt provision	(1,949)	*(59.1)*	(1,753)	*(68.2)*
= Net bad debt	**1,350**	***40.9***	**817**	***31.8***
Receivables from parent companies	**63**	***100.0***	**26**	**=**
Receivables from affiliates	**355**	***100.0***	**741**	***100.0***
Total face value of receivables	40,860	*100.0*	62,705	*100.0*
- Bad debt provision	(5,983)	*(14.6)*	(5,788)	*(9.2)*
Net receivables from customers	**34,877**	***85.4***	**56,917**	***90.8***

Trade receivables totalled €34,877,000, net of the provision for doubtful debt of €5,983,000 (provision of €5,788,000 as at 31 December 2019).

The carrying amount of the provision is considered appropriate to bring the par value of the receivables into line with their estimated realisable value, and is consistent with the reference accounting standard.

For completeness of information, it should be noted that the impact of the assignment of receivables without recourse was €23,357,000 at the reporting date.

It is believed that the carrying amount 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	25,454	8,031	746	1,666	4,545	40,442
Towards parent companies	63	=	=	=	=	63
Towards affiliates	105	61	=	=	189	355
Gross receivables	**25,622**	**8,092**	**746**	**1,666**	**4,734**	**40,860**

Trade receivables from associates relate to:

	2020	2019	Change
G. Schneider Australia Pty Ltd	=	6	(6)
Tintoria di Verrone S.r.l.	6	17	(11)
Uab Lievilna	61	188	(127)
Mediterranean Wool Industries CO. S.A.E.	189	385	(196)
Ratti S.p.A.	98	144	(46)
Mascioni S.p.A.	1	1	=
Total	**355**	**741**	**(386)**

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

Notes to the consolidated financial statements

	2020	2019	Change
Amounts to:	**12,433**	**11,856**	**577**
made up as follows:			
Due from Tax Authorities	6,825	6,285	540
Other receivables	3,972	2,928	1,044
Other receivables from parent companies	812	983	(171)
Other receivables from affiliates	7	7	=
Accrued income and prepaid expenses	817	1,653	(836)
Total	**12,433**	**11,856**	**577**

The **Other receivables** item amounted to €12,433,000; the main components of this item are set out below.

Receivables from tax authorities relate to:

	2020	2019	Change
Added value tax	1,118	2,556	(1,438)
Other taxes and interest	5,707	3,729	1,978
Total	**6,825**	**6,285**	**540**

The breakdown of *receivables from the tax authorities for VAT* of €1,118,000 is as follows: €117,000 for the Linificio Group, €245,000 for Novà Mosilana a.s., €74,000 for Sametex spol s r. o, €591,000 for Biella Manifatture Tessili S.r.l., €70,000 for AB Liteksas and €21,000 for Ambiente Energia S.r.l.

Other tax and interest of €5,707,000 includes receivables for IRAP, IRES and other receivables from the tax authorities.

Other receivables from the parent company mainly include €812,000 in receivables from parent company Wizard S.r.l. as a result of the adherence to the tax consolidation scheme of some Group companies.

Accrued income and deferred expenses amounted to €817,000 and mainly relate to the deferral of insurance costs.

Notes to the consolidated financial statements

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

	2020	2019	Change
Amounts to:	**123,774**	**90,764**	**33,010**
and refers to:			
Financial assets			
Due from affiliates	1,102	1,102	=
Other financial receivables	15	6	9
Cash			
Bank and post-office accounts	122,576	89,585	32,991
Cash and cash equivalent on hand	81	71	10
Total	**123,774**	**90,764**	**33,010**

The total amount of the Group’s **short-term financial assets and cash and cash equivalents** was €123,774,000, compared with €90,764,000 in the previous year.

More specifically, short-term financial assets include €1,102,000 in financial receivables of associates in respect of Mediterranean Wool Industries Co. S.A.E.

Cash and cash equivalents amounted to €122,657,000 (€89,656,000 in 2019) and included temporary available funds in bank accounts and amounts held as cash for future use.

It is believed that the carrying amount of the cash and cash equivalents and short-term financial assets is in line with their fair value as at the reporting date.

Notes to the consolidated financial statements

Shareholders' equity amounted to €119,530,000 as at 31 December 2020, decreasing by €19,369,000 compared with the previous year. The change mainly reflects the comprehensive result, which was a loss of €26,590,000, offset by the increase in reserves due to a capital contribution of €10,100,000 by shareholders.

Share capital

Number of Shares	Share capital at 31.12.2019	Share capital change	Share capital at 31.12.2020
Ordinary shares	40,000,000	=	40,000,000
Total	**40,000,000**	**=**	**40,000,000**

As at 31 December 2020, the fully subscribed and paid-up share capital amounted to €40,000,000.

Legal reserve	
Balances equity as at 31 December 2019	8,000
+/- change	=
Total	**8,000**

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

Share capital payment reserve	
Balances equity as at 31 December 2019	=
+/- change	10,100
Total	**10,100**

The **capital contributions reserve**, amounting to €10,100,000, was created as follows: during 2020, the sole shareholder fully reversed the payment of the receivable arising from the distribution of dividends on 2018 profits, totalling €8,000,000, and reversed the payment of the receivable deriving from the transfer to the Company and its Italian subsidiaries of surplus tax paid as the consolidating entity totalling €2,100,000.

Conversion reserve	
Balances equity as at 31 December 2019	5,849
+/- change	(2,642)
Total	**3,207**

The conversion reserve was €3,207,000, down by €2,642,000 due to exchange rate differences arising from the conversion into euro of the financial statements of the consolidated companies denominated in currencies other than the euro.

Extraordinary reserve	
Balances equity as at 31 December 2019	76
+/- change	=
Total	**76**

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

Notes to the consolidated financial statements

IAS Reserve	2020	2019	Change
IAS 19 Reserve	(847)	(789)	(58)
Fair value Reserve	488	710	(222)
Fair value IRS Reserve	(244)	(142)	(102)
Total	**(603)**	**(221)**	**(382)**

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 after tax, which at the reporting date came to €488,000 relating to "cash flow hedging transactions" (*currency*) and -€244,000 relating to interest rate hedges (IRS).

The gain or loss recorded in shareholders' equity is recognised in the income statement as soon as the hedged transaction affects the income statement.

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

	2020		2019	
	Income	**Net equity**	**Income**	**Net equity**
Marzotto S.p.A.	(616)	132,650	10,325	123,266
Elimination of shareholdings consolidated line-by-line	(21,582)	(21,099)	6,607	6,695
Valuations at equity	(109)	12,668	4,836	13,031
Intercompany dividends	(3,687)	=	(17,708)	=
Consolidation adjustments	(597)	(4,689)	932	(4,092)
Total	**(26,590)**	**119,530**	**4,992**	**138,899**

[Notes to the consolidated financial statements]

5.1) Long-term provisions

	2020	2019	Change
Amounts to:	**24,352**	**24,718**	**(366)**

and refers to:

	2020	2019	Change	due to		
Provision for staff term.indemnities				Accruals	Utilisation	Exch. Diff.
Amounts to:	**8,340**	**9,258**	**(918)**	2,352	(3,270)	=

and refer to:

Marzotto S.p.A.	589	676	(87)	332	(419)	=
Marzotto Wool S.r.l.	4,298	4,875	(577)	977	(1,554)	=
Marzotto Lab S.r.l.	923	970	(47)	460	(507)	=
B.M.T. S.r.l.	1,887	1,952	(65)	428	(493)	=
Ambiente Energia S.r.l.	75	94	(19)	39	(58)	=
AB Liteksas	82	105	(23)	=	(23)	=
Linificio S.r.l.	486	586	(100)	116	(216)	=

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 0.61% and an annual inflation index of 0.80%.
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 296/06, effective as of 30 June 2007, employee termination indemnities accrued after 1 January 2007 must be paid into a specific treasury fund opened with the INPS (National Institute for Social Protection) or, on the employee’s instruction, into 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	2020	2019	Change
and refer to:	**452**	**499**	**(47)**

The provision refers to a partially reversible supplementary pension fund set up in favour of a former director of the parent company.

Notes to the consolidated financial statements

	2020	2019	Change	due to		
Other provisions				Accruals	Utilisation	Exch. Diff.
Amounts to:	**15,560**	**14,961**	**599**	1,363	(763)	=
and refer to:						
Agents' severance pay provision	4,668	4,761	(93)	=	(93)	=
Legal risk fund	1,259	1,297	(38)	=	(38)	=
Restructuring and relocation provisions	2,861	2,861	=	=	=	=
Tax provisions	82	53	29	29	=	=
Other provisions for risk/charges	6,690	5,989	701	1,334	(632)	=

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 ongoing decline in demand observed during the year, as well as the foreseeable risks of transactions 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

	2020	2019	Change
Amounts to:	**50**	**34**	**16**
and refers to:			
Payables due to social security institutions	50	34	16
Total	**50**	**34**	**16**

5.3) Deferred taxes payables

	2020	2019	Change
Amounts to:	**5,249**	**6,078**	**(829)**
and can be broken down as follows:			
Tangible and intangible assets differences	3,465	3,813	(348)
Capitalized installment	864	1,428	(564)
Forex	175	=	175
Other temporary differences	745	837	(92)
Total	**5,249**	**6,078**	**(829)**

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

Notes to the consolidated financial statements

	2020	2019	Change
Amounts to:	**170,446**	**128,394**	**42,052**
and can be broken down as follows:			
Funding with state guarantee	68,500	=	68,500
Non-secured financing received	100,136	126,081	(25,945)
Financial payables for leasing	1,488	2,066	(578)
Other medium/long-term debt	322	247	75
Total	**170,446**	**128,394**	**42,052**

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 €68,500,000 were taken out with the above banks during the year, to provide the liquidity needed for the operations of the Italian Group companies affected by the Covid-19 epidemic (Legislative Decree 23 of 8 April 2020).

Funding with state guarantee **Bank**	nominal value	residual debt	overdue beyond one year
Banca Popolare di Sondrio	15,000	15,000	15,000
Friuladria Credit Agricole	10,000	10,000	10,000
Cassa depositi e prestiti	20,000	20,000	20,000
Banco BPM	12,500	12,500	12,500
Cassa di Risparmio di Bolzano Sparkasse	11,000	11,000	11,000
Total	**68,500**	**68,500**	**68,500**

More specifically, the medium/long-term loans item, which amounted to €100,136,000 as at 31 December, consists of the non-current portion of loans; it is broken down as follows:

Non-secured financing received **Bank**	nominal value	residual debt	overdue beyond one year
Banco BPM	45,000	36,750	27,250
Banca Nazionale del Lavoro	19,000	13,700	9,650
Unicredit	10,000	5,000	5,000
Friuladria Credit Agricole	14,000	9,700	7,100
Banca Popolare dell'Emilia	9,000	7,231	5,445
Mediocredito Italiano	10,000	4,167	835
Banca Popolare di Sondrio	20,500	17,747	14,964
UBI Banca S.p.A.	15,000	15,000	=
Banca Intesa	19,000	19,000	=
Cassa di Risparmio di Bolzano Sparkasse	7,500	7,500	5,625
Banca Montepaschi di Siena	15,000	13,750	10,635
Banca Sella	6,000	5,504	4,507
Biver Banca	5,000	5,000	4,454
Simest S.p.A.	20	20	20
UniCredit Bank Czech Republic and Slovakia, a.s.	7,963	5,951	4,456
Všeobecná úvěrová banka, a.s. (Intesa Group)	1,562	586	195
Total	**204,545**	**166,606**	**100,136**

Notes to the consolidated financial statements

There are no debts backed by collateral over company assets.

Other medium/long-term financial payables of €322,000 include €320,000 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 2018 and 2020, 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, fixed rate 0.69%;
- Marzotto Wool Manufacturing S.r.l.: Banca Montepaschi di Siena, notional €5,000,000, fixed rate 0.70% and Banca Nazionale del Lavoro, notional €10,000,000, fixed rate 0.89%;
- Biella Manifatture Tessili S.r.l.: Banca Montepaschi di Siena, notional €5,000,000, fixed rate 0.70% and Banca Nazionale del Lavoro, notional €4,000,000, fixed rate 0.89%;
- Linificio e Canapificio Nazionale S.r.l.: Banca Montepaschi di Siena, notional €5,000,000, fixed rate 1.05%.

Notes to the consolidated financial statements

	2020	2019	Change
Amounts to:	**59,738**	**118,267**	**(58,529)**
and can be broken down as follows:			
Trade payables	42,936	88,422	(45,486)
Trade payables due to affiliates	1,746	538	1,208
Advance payments received	681	914	(233)
Payables due to Inland Revenue	3,261	4,740	(1,479)
Payables due to social security institutions	2,446	3,556	(1,110)
Payables due to employees	6,942	9,788	(2,846)
Other payables	233	408	(175)
Other payables to parent companies	788	8,942	(8,154)
Accrued liabilities and deferred income	705	959	(254)
Total	**59,738**	**118,267**	**(58,529)**

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:

	2020	2019	Change
Mediterranean Wool Industries Co. S.A.E.	84	266	(182)
Pettinatura di Verrone S.r.l.	154	261	(107)
Ratti S.p.A.	183	=	183
Tintoria di Verrone S.r.l.	541	11	530
UAB Lietvilna	784	=	784
Total	**1,746**	**538**	**1,208**

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

Payables to tax authorities can be broken down as follows:

	2020	2019	Change
Taxes withheld	2,070	2,609	(539)
Income taxes	369	1,034	(665)
Regional manufacturing tax	89	273	(184)
Value added tax	70	94	(24)
Other amounts due to Inland Revenue	663	730	(67)
Total	**3,261**	**4,740**	**(1,479)**

Other payables to tax authorities, amounting to €3,261,000, decreased by €1,479,000.

Payables to social security institutions regard:

	2020	2019	Change
INPS	1,194	2,166	(972)
Other Italian institutions	610	622	(12)
Foreign social security agencies	642	768	(126)
Total	**2,446**	**3,556**	**(1,110)**

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.

Notes to the consolidated financial statements

Payables to employees can be broken down as follows:

	2020	2019	Change
December salaries paid in January	2,282	2,552	(270)
Staff termination indemnities paid after year-end	619	232	387
Deferred salaries	3,828	6,622	(2,794)
Miscellaneous amounts due	213	382	(169)
Total	**6,942**	**9,788**	**(2,846)**

The change in **Other payables to parent companies** is almost entirely due to the payment of dividends to parent company Wizard S.r.l., approved in 2019 and fully reimbursed by way of the capital contributions reserve.

Accrued expenses and deferred income in the previous year included €507,000 of capital grants from local public entities in favour of the subsidiary Filature de Lin Filin S.A.

7.2) Short-term financial payables

	2020	2019	Change
Amounts to:	**68,268**	**50,941**	**17,327**
and can be broken down as follows:			
Payables due to bank and other lenders	67,168	45,994	21,174
Payables for leasing	1,048	1,015	33
Secured financing received	=	3,852	(3,852)
Other amounts due to third parties	52	80	(28)
Total	**68,268**	**50,941**	**17,327**

Short-term financial payables, equal to €68,268,000 as at the reporting date, include amounts payable to banks and other lenders of €67,168,000 for the use of facilities and the current portion of medium/long-term loans.

Below is a breakdown of the net financial position as at 31 December 2020, showing changes occurring during the year in question.

Net financial position

	2020	2019	Change
Amounts to:	**(114,898)**	**(88,486)**	**(26,412)**
and can be broken down as follows:			
1.8 Long term financial receivables	42	85	(43)
3.4 Current financial assets	123,774	90,764	33,010
5.4 Long term financial payables	(170,446)	(128,394)	(42,052)
7.2 Current financial payables	(68,268)	(50,941)	(17,327)
Total	**(114,898)**	**(88,486)**	**(26,412)**

Net financial debt was €114,898 million.
Please see the statement of cash flows for the individual factors that determined the change during the period.

Notes to the consolidated financial statements

Comments on the commitments as at 31 December 2020 are provided below:

"***Guarantees to subsidiaries and associates***" were given:

- by the parent company to the subsidiary Marzotto Lab S.r.l. for €16,000,000 for the assignment of receivables without recourse;
- by the parent company to the subsidiary Marzotto Lab S.r.l. for €45,500,000 to guarantee loans;
- by the parent company to the subsidiary Marzotto Lab S.r.l. for €34,350,000 for lines of credit;
- by the parent company to the subsidiary Linificio e Canapificio Nazionale S.r.l. for €2,000,000 for the assignment of receivables without recourse;
- to other subsidiaries/affiliates to guarantee loans granted for €8,895,000 and to guarantee miscellaneous securities for €336,000.

"***Guarantees received from third parties***" were given:

- to subsidiaries/associates for €402,000 to guarantee miscellaneous securities;
- to the parent company to guarantee miscellaneous securities for €114,000 and to guarantee medium/long-term loans for €9,000,000.

"Foreign currency hedging contracts" for the group's Italian companies regard forward purchase agreements of €28,010,000 and forward sale agreements of €5,998,000.

As of 31 December 2020, currency forward purchase agreements totalled 6,250,000 USD with an equivalent value of €5,503,000, and 60,000,000 JPY, with an equivalent value of €495,000. Currency forward purchase agreements totalled 640,000,000 CZK with an equivalent value of €24,153,000, and 6,500,000 AUD with an equivalent value of €3,857,000.

Currency forward purchase agreements for the foreign companies amounted to €3,700,000, equivalent to 97,638,000 CZK.

The fair value of the currency forward sale and purchase agreements at the reporting date, which was positive for €807,000, was determined on the basis of quotes provided by the banks.

"***Interest rate hedge agreements"*** relate to:

- Marzotto S.p.A. has one interest rate swap in place on a notional amount of €10,000,000. As of 31 December 2020, the fair value of this instrument is a loss of €127 thousand;
- Marzotto Wool Manufacturing S.r.l. has two interest rate swaps on a notional amount of €15,000,000. As of 31 December 2020, the fair value of these instruments is a loss of €96,000;
- Biella Manifatture Tessili S.r.l. has two interest rate swaps on a notional amount of €9,000,000. As of 31 December 2020, the fair value of these instruments is a loss of €58,000;
- Linificio e Canapificio Nazionale S.r.l. has one interest rate swap in place on a notional amount of €5,000,000. As of 31 December 2020, the fair value of this instrument is a loss of €39,000.

Notes to the consolidated financial statements

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

8. Net revenues

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

	2020	2019	% change
Marzotto Wool M.	116,592	218,546	(46.7)
Marzotto Lab	82,116	112,003	(26.7)
Other operations	15,898	18,865	(15.7)
Eliminations/adjustments	(9,784)	(12,949)	(24.4)
Total	**204,822**	**336,465**	**(39.1)**

Net revenues earned by the Group during the year amounted to €204,822,000, down by 39.1% compared with the previous year.

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

	2020	2019	% change
Amounts to:	**14,789**	**18,511**	**(20.1)**
and refers to:			
Real estate income	1,136	1,145	(0.8)
Other revenues and miscellaneous income	13,653	17,366	(21.4)
Total	**14,789**	**18,511**	**(20.1)**

Other sundry revenues and income mainly refers to the sale of semi-finished products, manufacturing, and the provision of other services relating to ordinary operations, as well as income deriving from photovoltaic management (€514,000), tax credits (€469,000) and grants (€154,000).

9. Cost of goods sold

	2020	2019	% change
Amounts to:	**(186,465)**	**(276,538)**	**(32.6)**
and refers to:			
Third party production	(6,312)	(9,935)	(36.5)
In house manufacturing	(70,829)	(95,459)	(25.8)
Purchase of raw materials, finished and semi-finished products	(75,634)	(134,174)	(43.6)
Change in stock of raw materials, finished and semi-finished products	(14,740)	(13,829)	6.6
Commercial exchange differences	(835)	(585)	42.7
Other logistic and industrial costs	(18,115)	(22,556)	(19.7)
Total	**(186,465)**	**(276,538)**	**(32.6)**

Notes to the consolidated financial statements

Trade exchange rate differences are detailed below:

Trade exchange rate differences	2020	2019	% change
Amounts to:	**(835)**	**(585)**	**42.7**
and refers to:			
Exchange rate on cash from customers in foreign currency	(1,245)	461	
Exchange rate gains on payments to suppliers in foreign currency	975	(77)	
Exchange rate on extinguishing of trade financing in foreign currency	(565)	(969)	
Total	**(835)**	**(585)**	**42.7**

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 does 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 2020 is given in the table below:

	2020	2019	% change
Amounts to:	**(28,018)**	**(38,804)**	**(27.8)**
and refers to:			
Variable sales costs	(7,840)	(11,791)	(33.5)
Losses, write-down, accounts receivables	(843)	(1,095)	(23.0)
Product research and development	(10,102)	(12,349)	(18.2)
Advertising, marketing and public relations	(1,950)	(3,256)	(40.1)
Other fixed sales and marketing costs	(7,283)	(10,313)	(29.4)
Total	**(28,018)**	**(38,804)**	**(27.8)**

Variable selling costs of €7,840,000 include:

- premiums, commission and agent contributions of €4,690,000;
- transport and transport insurance costs of €3,118,000;
- costs for royalties and agent indemnities of €32,000.

Losses, impairment and credit management, amounting to €843,000, includes the change in provisions for doubtful debt and losses on loans recorded during the period (-€387,000), insurance costs (-€291,000) and other credit management expenses (-€165,000).

Other fixed commercial costs of €7,283,000 mainly include sales and marketing staff costs, expenses incurred for travel and transfers and other minor expenses.

12. General and administrative costs

	2020	2019	% change
Amounts to:	**(14,660)**	**(18,301)**	**(19.9)**

General and administrative costs as at 31 December 2020 include payroll costs (around €7,552,000), consultancy costs and fees (legal, administrative and other minor), third-party costs (€1,938,000), insurance expenses (€472,000) and other costs (maintenance, depreciation/amortisation, utilities and transport) of €4,698,000.

Notes to the consolidated financial statements

13. Other income and expenses

	2020	2019	% change
Amounts to:	**(6,333)**	**(104)**	**>100,0**
and refers to:			
Gain on disposal of tangible and intangible assets	222	654	
Loss on disposal of tangible and intangible assets	(151)	(24)	
Write-down of tangible assets	(4,023)	=	
Allocation/use to legal risk fund and future charges	(1,360)	580	
Other income/charges	(1,021)	(1,314)	
Total other income/charges	**(6,333)**	**(104)**	**>100,0**

The "Write-down of tangible assets" item of €4,023,000 relates to the subsidiary Sametex spol s r.o. The write-down took place in order to adjust the net carrying amount to the estimated recoverable value of the individual assets (see point 1.1)

The item "Accrual to/use of the provision for future legal risks/charges" mainly comprises €500,000 of expenses for the process of rationalising the business units affected by the drop in demand recorded during the year and €530,000 of expenses relating to the Praia a Mare dispute.

The "Other income/expenses" item comprises total extraordinary costs for Covid-19 emergency management of €514,000, including costs for protective devices and adaptation to safety protocols, as well as costs of donations made to local associations and entities engaged in the management of the health emergency. Extraordinary staff costs allocated for redundancy incentives of €387,000 are also included.

Notes to the consolidated financial statements

14. EBIT

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

	2020	2019	% change
Amounts to:	**(30,654)**	**2,718**	**n.c.**
and refers to:			
Marzotto Wool M.	(18,455)	3,067	n.c.
Marzotto Lab	(13,014)	(2,217)	n.c.
Other operations	817	1,870	(56.3)
Eliminations/Adjustments	(2)	(2)	=
Total	**(30,654)**	**2,718**	**n.c.**

EBIT amounted to a negative €30,654,000, down by €33,372,000 compared with the previous reporting date.

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

Payroll costs:

	2020	2019	% change
Amounts to:	**(60,999)**	**(80,825)**	**(24.5)**
and refers to:			
Marzotto Wool M.	(37,214)	(50,680)	(26.6)
Marzotto Lab	(17,102)	(21,804)	(21.6)
Other operations	(6,683)	(8,341)	(19.9)
Total	**(60,999)**	**(80,825)**	**(24.5)**

The number of active **employees** had the following trend:

	Year End Staff			Average		
	31.12.2020	31.12.2019	% change	2020	2019	% change
Blue-collar workers	2,162	2,521	(14.2)	2,304	2,565	(10.2)
White-collar workers	556	601	(7.5)	580	617	(6.0)
Managers	35	35	=	36	36	=
Total	**2,753**	**3,157**	**(12.8)**	**2,920**	**3,218**	**(9.3)**

Amortisation and depreciation was as follows:

	2020	2019	% change
Amounts to:	**(17,066)**	**(17,971)**	**(5.0)**
and refers to:			
amortization of intangible fixed assets	(616)	(558)	
depreciation of tangible fixed assets	(16,450)	(17,413)	

15. Net financial expenses

	2020	2019	% change
Amounts to:	**(2,197)**	**(1,581)**	**39.0**
and refers to:			
Financial income			
Interests received from affiliates	20	21	(4.8)
Interests received from banks	43	103	(58.3)
Interests received from other	2	53	(96.2)
Exchange rate gains on financial transactions	488	1,777	(72.5)
Total financial income	**553**	**1,954**	**(71.7)**
Financial charges			
Interests payable to banks	(1,058)	(1,234)	(14.3)
Interests payable to other creditors	(77)	=	n.c.
Bank charges	(470)	(417)	12.7
Exchange rate losses on financial transactions	(1,078)	(1,802)	(40.2)
Other financial charges	(67)	(82)	(18.3)
Total financial charges	**(2,750)**	**(3,535)**	**(22.2)**
Total	**(2,197)**	**(1,581)**	**39.0**

The balance of financial operations as at 31 December 2020 was a loss of €2,197,000, representing an increase of €616,000.

In addition, it should be noted that interest income from associates relates to Mediterranean Wool Industries Co. (€20,000).

16. Dividends from unconsolidated equity investments and valuations at equity

	2020	2019	% change
Amounts to:	**(109)**	**4,833**	**n.c.**
and refer to:			
Valuations to equity			
Ratti Group	135	4,352	
G. Schneider Australia Pty Ltd	31	18	
Schneider New Zealand Ltd	9	5	
Pettinatura di Verrone S.r.l.	(149)	16	
Uab Lietvilna	182	401	
Tintoria di Verrone S.r.l.	(317)	41	
Total valuations to equity	**(109)**	**4,833**	**n.c.**
Total	**(109)**	**4,833**	**n.c.**

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

Notes to the consolidated financial statements

18. Other financial income and expenses

	2020	2019	% change
Amounts to:	**(64)**	**(81)**	**(21.0)**
and refers to:			
Adjustment TFR IAS 19	(64)	(81)	
Total	**(64)**	**(81)**	**(21.0)**

The item **Other financial income and charges** of -€64,000, includes the financial component of the adjustment of employee termination indemnities pursuant to IAS 19.

20. Income taxes

	2020	2019	% change
Amounts to	**6,434**	**(897)**	**>100,0**
and refer to:			
Current taxes	(564)	(1,472)	
Deferred taxes receivable	6,392	596	
Deferred taxes payable	441	123	
Other variations	165	(144)	
Total	**6,434**	**(897)**	**>100,0**

Estimated tax assets of €6,434,000 for 2020 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.

	2020		2019	
	Amount	%age	Amount	%age
Pre-tax profit	**(33,024)**		**5,889**	
Theoretical taxes	7,926	(24.0)	(1,413)	(24.0)
IRAP	(92)	0.3	(235)	(4.0)
Deferred taxes	6,833	(20.7)	719	12.2
Other variations	(8,233)	24.9	32	0.5
Total taxes	**6,434**	**(19.5)**	**(897)**	**(15.2)**

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 2020. All equity investments represent ownership:

Company name	Head office	Direct investor	% owned	% group owned
Le Cotonerie S.r.l.	Valdagno (I)	Marzotto S.p.A.	100.00%	100.00%
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 liquidazione	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%
Schneider New Zealand Limited	Christchurch (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.	Tonisvorst (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.	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.	100.00%	100.00%
UAB Lietlinen	Kaunas (LT)	Linificio e Canapificio Nazionale S.r.l.	100.00%	100.00%
Ratti S.p.A.	Guanzate (I)	Marzotto S.p.A.	**34.01%**	**34.01%**
Creomoda S.a.r.l.	Soussa (TN)	Ratti S.p.A.	76.00%	25.84%
La Maison des Accessoires S.a.r.l.	Soussa (TN)	Ratti S.p.A.	68.40%	23.26%
Second Life Fibers S.r.l.	Guanzate (I)	Ratti S.p.A.	100.00%	34.01%
Ratti USA Inc.	New York (USA)	Ratti S.p.A.	100.00%	34.01%
Ratti Int. Trading (Shanghai) Co. Ltd	Shanghai (RPC)	Ratti S.p.A.	100.00%	34.01%
Textrom S.r.l.	Cluj - Napoca (RO)	Ratti S.p.A.	100.00%	34.01%
Marielle S.r.l.	Firenze (FI)	Ratti S.p.A.	30.00%	10.20%

[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 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:

	Office		
(thousands of euro)	Directors	Auditors	**Total**
Remuneration	717	42	**759**

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

Independent Auditors

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

		Company	
(thousand of euro)	Marzotto S.p.A.	Subsidiaries	**Total**
Auditing services	9	164	**173**

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 after 31 December 2020.

Notes to the consolidated financial statements

Segment reporting

The tables below provide segment reporting information.

[Notes to the consolidated financial statements]

Segment reporting 2020

(thousands of euro)

Segment reporting Income statement	Marzotto Wool M.	Marzotto Lab	Other Operations	Eliminations	Total
Other revenues	116,126	81,434	7,263	=	**204,822**
Inter-sector revenues	466	682	8,635	(9,784)	**=**
Totale revenues	**116,592**	**82,116**	**15,898**	**(9,784)**	**204,822**
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)**
Operating income	**(18,454)**	**(13,014)**	**817**	**(3)**	**(30,654)**
Financial charges net	=	=	=	=	**(2,197)**
Dividends from non cons. equity invest. and valuation to equity	=	=	=	=	**(109)**
Other financial income/charges	=	=	=	=	**(64)**
Pre-tax profit	**=**	**=**	**=**	**=**	**(33,024)**
Taxes	=	=	=	=	**6,434**
Net profit	**=**	**=**	**=**	**=**	**(26,590)**

Segment reporting Balance sheet	Marzotto Wool M.	Marzotto Lab	Other 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**
Total assets	**176,552**	**95,770**	**121,183**	**(69,688)**	**447,633**
Shareholders' equity	=	=	=	=	**119,530**
Liabilities by segment	43,567	34,516	18,467	(7,161)	**89,389**
Non-allocated liabilities	=	=	=	=	**238,714**
Total liabilities and shareholders' equity	**43,567**	**34,516**	**18,467**	**(7,161)**	**447,633**
Investments	**1,913**	**1,814**	**1,421**	**=**	**5,148**

Information by geographical area	Italy	Other Europ. Countries	North America	Asia	Other 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.

Notes to the consolidated financial statements

Segment reporting 2019

(thousands of euro)

Segment reporting Income statement	Marzotto Wool M.	Marzotto Lab	Other Operations	Eliminations	Total
Other revenues	218,013	110,591	7,861	=	**336,465**
Inter-sector revenues	532	1,412	11,004	(12,948)	**=**
Totale revenues	**218,545**	**112,003**	**18,865**	**(12,948)**	**336,465**
Sector costs	(215,478)	(114,219)	(16,996)	12,946	**(333,747)**
of which depreciation & amortization	(12,166)	(4,121)	(2,005)	321	**(17,971)**
of which other non monetary costs	(189)	(197)	=	=	**(386)**
Operating income	**3,067**	**(2,216)**	**1,869**	**(2)**	**2,718**
Financial charges net	=	=	=	=	**(1,581)**
Dividends from non cons. equity invest. and valuation to equity	=	=	=	=	**4,833**
Other financial income/charges	=	=	=	=	**(81)**
Pre-tax profit	**=**	**=**	**=**	**=**	**5,889**
Taxes	=	=	=	=	**(897)**
Net profit	**=**	**=**	**=**	**=**	**4,992**

Segment reporting Balance sheet	Marzotto Wool M.	Marzotto Lab	Other Operations	Eliminations	Total
Assets by segment	110,632	54,892	(1,603)	181,486	**345,408**
Equity investments in subsidiaries companies	93,317	56,970	100,842	(251,129)	**=**
Equity investments in affiliated companies	4,681	4,997	21,396	=	**31,074**
Non-allocated assets	=	=	=	=	**90,849**
Total assets	**208,630**	**116,859**	**120,635**	**(69,643)**	**467,331**
Shareholders' equity	=	=	=	=	**138,899**
Liabilities by segment	83,397	45,210	27,930	(7,438)	**149,099**
Non-allocated liabilities	=	=	=	=	**179,333**
Total liabilities and shareholders' equity	**83,397**	**45,210**	**27,930**	**(7,438)**	**467,331**
Investments	**6,089**	**3,025**	**1,188**	**=**	**10,302**

Information by geographical area	Italy	Other Europ. Countries	North America	Asia	Other Countries	Total
Revenues	103,644	157,748	14,013	50,155	10,905	**336,465**
Fixed assets	334,812	116,697	648	210	14,964	**467,331**
Investments	5,379	4,325	=	=	598	**10,302**

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

Valdagno (Vicenza), 28 May 2021

FOR THE BOARD OF DIRECTORS
THE MANAGING DIRECTOR
DAVIDE FAVRIN

EY S.p.A.
Via San Crispino, 106
35129 Padova

Tel: +39 049 7707411
Fax: +39 049 7707428
ey.com

Building a better working world

Relazione della società di revisione indipendente ai sensi dell'art. 14 del D. Lgs. 27 gennaio 2010, n. 39

All'Azionista Unico della
Manifattura Lane Gaetano Marzotto & Figli S.p.A.

Relazione sulla revisione contabile del bilancio consolidato

Giudizio

Abbiamo svolto la revisione contabile del bilancio consolidato del Gruppo Marzotto (il Gruppo), costituito dalla situazione patrimoniale-finanziaria consolidata al 31 dicembre 2020, dal prospetto dell'utile/(perdita) d'esercizio e delle altre componenti di conto economico complessivo consolidato, dal prospetto delle variazioni del patrimonio netto consolidato, dal rendiconto finanziario consolidato per l'esercizio chiuso a tale data e dalle note al bilancio che includono anche la sintesi dei più significativi principi contabili applicati.

A nostro giudizio, il bilancio consolidato fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria del Gruppo al 31 dicembre 2020, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data, in conformità agli International Financial Reporting Standards adottati dall'Unione Europea.

Elementi alla base del giudizio

Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia). Le nostre responsabilità ai sensi di tali principi sono ulteriormente descritte nella sezione *Responsabilità della società di revisione per la revisione contabile del bilancio consolidato* della presente relazione. Siamo indipendenti rispetto alla Società Manifattura Lane Gaetano Marzotto & Figli S.p.A. in conformità alle norme e ai principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano alla revisione contabile del bilancio. Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

Responsabilità degli amministratori e del collegio sindacale per il bilancio consolidato

Gli amministratori sono responsabili per la redazione del bilancio consolidato che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea e, nei termini previsti dalla legge, per quella parte del controllo interno dagli stessi ritenuta necessaria per consentire la redazione di un bilancio che non contenga errori significativi dovuti a frodi o a comportamenti o eventi non intenzionali.

Gli amministratori sono responsabili per la valutazione della capacità del Gruppo di continuare ad operare come un'entità in funzionamento e, nella redazione del bilancio consolidato, per l'appropriatezza dell'utilizzo del presupposto della continuità aziendale, nonché per una adeguata informativa in materia. Gli amministratori utilizzano il presupposto della continuità aziendale nella redazione del bilancio consolidato a meno che abbiano valutato che sussistono le condizioni per la liquidazione della capogruppo Manifattura Lane Gaetano Marzotto & Figli S.p.A. o per l'interruzione dell'attività o non abbiano alternative realistiche a tali scelte.

EY S.p.A.
Sede Legale: Via Lombardia, 31 - 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
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

A member firm of Ernst & Young Global Limited

Il collegio sindacale ha la responsabilità della vigilanza, nei termini previsti dalla legge, sul processo di predisposizione dell'informativa finanziaria del Gruppo.

Responsabilità della società di revisione per la revisione contabile del bilancio consolidato

I nostri obiettivi sono l'acquisizione di una ragionevole sicurezza che il bilancio consolidato nel suo complesso non contenga errori significativi, dovuti a frodi o a comportamenti o eventi non intenzionali, e l'emissione di una relazione di revisione che includa il nostro giudizio. Per ragionevole sicurezza si intende un livello elevato di sicurezza che tuttavia non fornisce la garanzia che una revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia) individui sempre un errore significativo, qualora esistente. Gli errori possono derivare da frodi o da comportamenti o eventi non intenzionali e sono considerati significativi qualora ci si possa ragionevolmente attendere che essi, singolarmente o nel loro insieme, siano in grado di influenzare le decisioni economiche degli utilizzatori prese sulla base del bilancio consolidato.

Nell'ambito della revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia), abbiamo esercitato il giudizio professionale e abbiamo mantenuto lo scetticismo professionale per tutta la durata della revisione contabile. Inoltre:

- abbiamo identificato e valutato i rischi di errori significativi nel bilancio consolidato, dovuti a frodi o a comportamenti o eventi non intenzionali; abbiamo definito e svolto procedure di revisione in risposta a tali rischi; abbiamo acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio. Il rischio di non individuare un errore significativo dovuto a frodi è più elevato rispetto al rischio di non individuare un errore significativo derivante da comportamenti od eventi non intenzionali, poiché la frode può implicare l'esistenza di collusioni, falsificazioni, omissioni intenzionali, rappresentazioni fuorvianti o forzature del controllo interno;
- abbiamo acquisito una comprensione del controllo interno rilevante ai fini della revisione contabile allo scopo di definire procedure di revisione appropriate nelle circostanze, e non per esprimere un giudizio sull'efficacia del controllo interno del Gruppo;
- abbiamo valutato l'appropriatezza dei principi contabili utilizzati nonché la ragionevolezza delle stime contabili effettuate dagli amministratori e della relativa informativa;
- siamo giunti ad una conclusione sull'appropriatezza dell'utilizzo da parte degli amministratori del presupposto della continuità aziendale e, in base agli elementi probativi acquisiti, sull'eventuale esistenza di una incertezza significativa riguardo a eventi o circostanze che possono far sorgere dubbi significativi sulla capacità del Gruppo di continuare ad operare come un'entità in funzionamento. In presenza di un'incertezza significativa, siamo tenuti a richiamare l'attenzione nella relazione di revisione sulla relativa informativa di bilancio ovvero, qualora tale informativa sia inadeguata, a riflettere tale circostanza nella formulazione del nostro giudizio. Le nostre conclusioni sono basate sugli elementi probativi acquisiti fino alla data della presente relazione. Tuttavia, eventi o circostanze successivi possono comportare che il Gruppo cessi di operare come un'entità in funzionamento;
- abbiamo valutato la presentazione, la struttura e il contenuto del bilancio consolidato nel suo complesso, inclusa l'informativa, e se il bilancio consolidato rappresenti le operazioni e gli eventi sottostanti in modo da fornire una corretta rappresentazione;

EY
Building a better working world

- abbiamo acquisito elementi probativi sufficienti e appropriati sulle informazioni finanziarie delle imprese o delle differenti attività economiche svolte all'interno del Gruppo per esprimere un giudizio sul bilancio consolidato. Siamo responsabili della direzione, della supervisione e dello svolgimento dell'incarico di revisione contabile del Gruppo.

Abbiamo comunicato ai responsabili delle attività di governance, identificati ad un livello appropriato come richiesto ai principi di revisione internazionali (ISA Italia), tra gli altri aspetti, la portata e la tempistica pianificate per la revisione contabile e i risultati significativi emersi, incluse le eventuali carenze significative nel controllo interno identificate nel corso della revisione contabile.

Relazione su altre disposizioni di legge e regolamentari

Giudizio ai sensi dell'art. 14, comma 2, lettera e), del D. Lgs. 27 gennaio 2010, n. 39

Gli amministratori della Manifattura Lane Gaetano Marzotto & Figli S.p.A. sono responsabili per la predisposizione della relazione sulla gestione del Gruppo Marzotto al 31 dicembre 2020, inclusa la sua coerenza con il relativo bilancio consolidato e la sua conformità alle norme di legge.

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n. 720B al fine di esprimere un giudizio sulla coerenza della relazione sulla gestione con il bilancio consolidato del Gruppo Marzotto al 31 dicembre 2020 e sulla conformità della stessa alle norme di legge, nonché di rilasciare una dichiarazione su eventuali errori significativi.

A nostro giudizio, la relazione sulla gestione è coerente con il bilancio consolidato del Gruppo Marzotto al 31 dicembre 2020 ed è redatta in conformità alle norme di legge.

Con riferimento alla dichiarazione di cui all'art. 14, c.2, lettera e), del D. Lgs. 27 gennaio 2010, n. 39, rilasciata sulla base delle conoscenze e della comprensione dell'impresa e del relativo contesto acquisite nel corso dell'attività di revisione, non abbiamo nulla da riportare.

Padova, 12 giugno 2021

EY S.p.A.

Stefano Marchesin
(Revisore Legale)

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 2020

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

1836
MARZOTTO
GROUP

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 (1)

Deputy Chairman

Andrea Donà dalle Rose (1)

Board Members

Federica Favrin

Andrea Guaccero

Vittorio Marzotto

Donatella Ratti

Chief Executive Officer

Davide Favrin (1)

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

Indipendent auditors

EY S.p.A.

Shareholders

As at 31.12.2020 the share capital amounted to 40,000,000 euros, totally owned by the Sole Shareholder **Wizard S.r.l.**

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 2020, submitted for your review and approval, show revenues of €9.3 million and a loss of €0.6 million.

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 38/2005.

Please see the explanatory notes for comments on the figures in the financial statements. Below, please find information on the company's position and future outlook, as well as the information 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).

[Management Report]

Impacts of the Covid-19 pandemic

In early January 2020, the World Health Organisation (WHO) announced the spread of the Covid-19 infection in China, particularly in the Wuhan district, and declared an international state of health emergency on January 30. In February, the virus spread across Europe and the US, resulting in a progressive and generalised lockdown of all economic activities during the months of March and April.

Marzotto monitored the developments in the spread of the virus from the outset, promptly adopting all necessary measures to prevent, control and contain the pandemic, at all its offices in Italy and abroad.
To restart the production sites, the company and the Group have prepared all necessary measures to combat the virus and protect the health of their employees and contractors.
To address this situation, internal safety protocols were defined, the use of smart working was extended, and working environments were provided with hygiene kits and sanitised daily.
Employees were provided with suitable personal protective equipment and equipped with proximity devices for tracking contacts within the workplace.

The company suffered indirect effects due to the Covid-19 pandemic, as a holder of equity investments in the Wool Fabrics and Sundry Textiles sectors, which were among those hardest hit by the pandemic.

The closure of our main customers' stores, the suspension of manufacturing activities in Italy and partly abroad, and reduced travel resulted in a drastic reduction in consumption and consequently in turnover compared with the pre-crisis period.

The operating losses are therefore all attributable to the contraction of revenues caused by the streamlining of plants and the impossibility of rapidly and fully rebalancing production capacity and the number of employees to adapt to the extraordinarily negative requirements of 2020.

This phenomenon was partially offset by a significant rationalisation of all fixed costs, with measures taken on advertising and marketing expenses, collection creation, and commercial and general expenses. In order to limit the cost of non-active staff, social protection measures and other forms of public support for workers in each country were activated, in addition to the use of unused leave, a freeze on staff turnover at all the plants and early retirement incentives.

In this context, investment plans were revised to adjust them to production volumes. The investments made mainly related to plant safety measures and the innovation of production processes.

With regard to financial aspects, accepting the prudential approach proposed by the Board of Directors of Marzotto S.p.A., the Shareholders' Meeting resolved not to distribute dividends on 2019 profits, carrying forward a total of €10.3 million.
In October 2020, the Board of Directors of the sole shareholder Wizard S.r.l. fully repaid an amount to Marzotto S.p.A. corresponding to the payment of the latter's debt arising from the distribution of dividends on profits in 2018, allocating it to the Company's available reserve, totalling €8.0 million.
Lastly, in December 2020, the Board of Directors of the sole shareholder Wizard S.r.l. paid Marzotto S.p.A. an amount corresponding to the payment of the latter's debt arising from the transfer to the Company and to its Italian subsidiaries of a tax surplus paid as the consolidating entity, allocating it to the Company's available reserve, totalling €2.1 million.
In both cases, the decision was made in order to sustain the solidity of the Group's financial position and contain the future economic and financial impacts of the specific economic situation.

In 2020 and the first few months of 2021, the Group's financial structure was further strengthened through the contracting of new medium/long-term loan agreements totalling €79.5 million. The new loans enabled the average life of debt to be extended at a cost broadly in line with the previous period.

The Board of Statutory Auditors and the Supervisory Body have always been promptly informed about the management of the health crisis 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 supporting the communities where the company operates throughout the long history of the Marzotto Group, during the first part of the health crisis around 130,000 reusable masks were produced in specially designed fabric. Approximately 110,000 were distributed free of charge at local authorities in the regions where the Group's main plants are located, and around 20,000 were given out to the close families of employees. Marzotto also supported the San Bortolo di Vicenza Foundation by purchasing and donating four pulmonary ventilators.

Impacts of the Covid-19 pandemic

The Covid-19 pandemic will continue to affect economies worldwide in 2021, and uncertainty remains as to when vaccination campaigns will be completed and restrictions lifted.

The forecasts for 2021 remain uncertain: the first signs of recovery are expected to appear in the second half of the year. However, a longer time frame is expected for a return to pre-pandemic levels of demand: in the meantime, the group will continue to work to ensure that its production structures are even more flexible and will pursue its current cost rationalisation strategy.

A *2021-2024 Business Plan* was recently approved, which sets out a detailed series of measures to reconfigure the product offering based on market demand and the use of sales channels that are closer to customers.
The plan provides for actions to increase efficiency in various areas, ranging from changing the supply mix and reconfiguring production capacity to make it consistent with new volumes at full capacity, to easing the general cost structure, rationalising and remodelling it to return to a pre-crisis percentage, as well as adapting the investment plan to the new full-capacity production volumes.

The net financial position is initially also expected to improve slightly in 2021, and to improve in subsequent years, as a result of the considerations and actions set out above.

Management is confident and believes that, as a result of the planned actions, once the pandemic has been overcome, the Group companies can return to sustainable growth and profitability: it has therefore agreed on the possibility that the company and the Group can operate as a going concern, realising its assets and honouring its liabilities as part of the ordinary business process.

As the pandemic crisis has continued, pursuant to Article 2364, paragraph 2 of the Italian Civil Code and in accordance with the Articles of Association, the company has opted for the longer period of 180 days for the approval of the financial statements, in accordance with the provisions of Law 21 of 26 February 2021 converting the “Milleproroghe” Decree (Decree-Law 183/2020).

[Main events during the year]

To start this report, before discussing the operations of the Company in 2020, we would first like to note the key events that took place in 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 ceased operating in 2004, the following proceedings are pending:

1) A special evidentiary hearing requested by the Public Prosecutor at the Court of Paola on behalf of the heirs of persons who worked at the Praia a Mare plant before 1988 (the year of purchase by the Company), as well as of former employees of the Company or their heirs, who are claiming that there were functional omissions in relation to the safety conditions of the work carried out at that plant. The expert investigations are still ongoing and it is not possible to predict their progress.

2) Several civil claims filed before the Court of Paola by the same persons who requested the special evidentiary hearing (meaning the heirs of persons who worked at the Praia a Mare facility before 1988 and former company workers or their heirs) complaining that the alleged absence of safety conditions for the work carried out there had caused death and serious injury. These proceedings were handled together and an attempt at conciliation was made. The discussion hearing of 46 positions took place on 25 February 2021 and concluded with the rejection of all appeals lodged by the counterparties. The discussion of the above cases by a second group was deferred until the hearing in November 2021.

3) On 25 September 2019 the operative part of the final decision was filed in the proceedings before the Italian Court of Cassation against the appeals decision of the Catanzaro Public Prosecutor's Office. The Italian Court of Cassation has, among others, (i) declared the appeal filed by the Chief Prosecutor to be unacceptable, thereby upholding the decision of the Court of Paola and the decision of the Court of Appeal of Catanzaro which both fully acquitted, because the fact did not occur, all defendants (the managers of this establishment and the members of the board of directors from the 1960s to 2004) of the charges of crimes against individuals and the environment, (ii) overturned the appeals court decision herewith appealed by the Municipality of Tortora, for civil law purposes, and handed the case back down to the competent civil court to rule on its value on appeal. At present, no predictions can be made regarding the adjournment, as the grounds for this decision handed down by the Court of Cassation have not yet been filed. The first hearing will be held in July 2021 and no forecasts can be made on the outcome.

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 2020.

(in millions of euro)	2020	2019	change	change %
Net revenues	**9.3**	**11.7**	**(2.4)**	**- 20.5%**
Operating income	(0.5)	0.4	(0.9)	n.c.
% of net revenues	*(5.4%)*	*3.3%*		
EBITDA (1)	**0.7**	**1.8**	**(1.1)**	**- 61.1%**
% of net revenues	***7.5%***	***15.4%***		
Income before taxes	(0.6)	11.0	(11.6)	n.c.
% of net revenues	*(6.5%)*	*93.9%*		
Net income	**(0.6)**	**10.3**	**(10.9)**	**n.c.**
% of net revenues	***(6.5%)***	***87.9%***		
Net working capital	**4.2**	**(5.9)**	**10.1**	**n.c.**
Net employed capital	**117.5**	**107.7**	**9.8**	**+ 9.1%**
Net financial position	**(15.1)**	**(15.6)**	**0.5**	**- 3.2%**
Investments for the period	0.1	0.4	(0.3)	**- 75.0%**
Active staff: persons	81	87	(6)	**- 6.9%**

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

	2020	2019	change
ROI	-0.4%	0.4%	-0.8%
ROE	-0.5%	8.4%	-8.8%
ROS	-5.4%	3.3%	-8.7%
Debt/Equity	-11.4%	-12.7%	1.3%
Capitalisation ratio	112.9%	114.5%	-1.6%
Financial coverage rate of assets	81.6%	87.8%	-6.2%
Inventory rotation index	=	=	=
Number of days of credit to clients	190	194	-4

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 debt
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 millons of euro)	2020		2019	
Net revenues	**9.3**	***100.0%***	**11.7**	***100.0%***
Cost of sales	(1.7)	*(18.3%)*	(2.3)	*(19.7%)*
Gross income	**7.6**	***81.7%***	**9.4**	***80.3%***
R&D and marketing costs	=	=	=	=
General and administrative costs	(7.2)	*(77.4%)*	(8.9)	*(76.1%)*
Profit from core businesses	**0.4**	***4.3%***	**0.5**	***4.2%***
Non-recurring income/(charges)	(0.9)	*(9.7%)*	(0.1)	*(0.9%)*
Operating income	**(0.5)**	***(5.4%)***	**0.4**	***3.3%***
Net financial charges	=	=	0.1	*0.9%*
Dividends	=	=	10.5	*89.7%*
Other financial income/charges	(0.1)	*(1.1%)*	=	=
Income before taxes	**(0.6)**	***(6.5%)***	**11.0**	***93.9%***
Taxes	=	=	(0.7)	*(6.0%)*
Net income	**(0.6)**	***(6.5%)***	**10.3**	***87.9%***

Net revenues

The net revenues generated by the Company in 2020 amounted to €9.3 million and relate to the following businesses:

(in millions of euro)	2020		2019	
Holding and coordination	6.5	*69.9%*	8.3	*70.9%*
Real estate	1.1	*11.8%*	1.1	*9.4%*
Logistics	1.3	*14.0%*	1.7	*14.6%*
Other	0.4	*4.3%*	0.6	*5.1%*
Total	**9.3**	***100.0%***	**11.7**	***100.0%***

by geographical area

(in millions of euro)	2020		2019	
Italy	8.6	*92.5%*	10.6	*90.6%*
Other European Countries	0.7	*7.5%*	1.1	*9.4%*
Total	**9.3**	***100.0%***	**11.7**	***100.0%***

Result from ordinary operations

The result from ordinary operations as at 31 December 2020 was positive for €0.4 million, deriving from revenues achieved during the period of €9.3 million, net of the cost of goods sold (€1.7 million) and general and administrative costs (€7.2 million). The decrease in revenues, in particular those relating to "Holding and coordination" is a direct consequence of the actions taken to contain overheads, which resulted in savings of €2.2 million.

Non-recurring income and expenses

As at the reporting date, the net balance of non-recurring operations totalled -€0.9 million, compared with a balance of -€0.1 million in 2019.

Net financial expenses

In 2020, the Company recognised net financial expenses of €0.0 million, compared with €0.1 million of net financial expenses in the previous year.

Dividends from investees

In the current year, no dividends were collected by the Company: in the previous year, this item amounted to €10.5 million and comprised €8.0 million in dividends approved by Marzotto Wool Manufacturing S.r.l., €0.7 million approved by Ambiente Energia S.r.l. and €1.8 million from the associate Ratti S.p.A.

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 2020.

The balance of tax operations for the period was €0.0 million (-€0.7 million as at 31 December 2019).

Net result

On the basis of the above analyses, net profit for the year was -€0.6 million, compared with a 2019 result of €10.3 million (of which €10.5 million related to dividends).

Financial position

The Company's financial position as at 31 December 2020 is summarised in the table below, compared with the corresponding amounts for the previous year.

(in millions of euro)	31.12.2020	31.12.2019
Net trade receivable	4.8	6.2
Other receivables	3.6	1.3
Inventory	=	=
Commercial suppliers	(1.5)	(1.8)
Other payables	(2.7)	(11.6)
A) Net working capital	**4.2**	**(5.9)**
B) Assets/liabilities held for sale	**=**	**=**
Receivables beyond 12 months	3.0	3.1
Equity investments	111.8	111.8
Tangible fixed assets	8.8	9.6
Intangible fixed assets	1.1	1.3
C) Net fixed assets	**124.7**	**125.8**
D) Employee severance fund, reserves, and other non-financial M/L term payables	**(10.4)**	**(10.6)**
E) Deferred taxes reserve	**(1.0)**	**(1.6)**
F) Invested capital net of current liabilities (A+B-C-D-E)	**117.5**	**107.7**
Covered by:		
Short-term financial payables	6.1	0.3
Cash and short-term financial receivables	(27.5)	(22.0)
Medium/long term financial payables	57.8	6.1
Medium/long term financial receivables	(51.5)	=
G) Net borrowing	**(15.1)**	**(15.6)**
H) Shareholders' net equity	**132.6**	**123.3**
I) Total (G+H) as in F	**117.5**	**107.7**

Net capital employed

Capital employed, net of operating liabilities, came to €117.5 million, including net fixed assets of €124.7 million and provisions for employee termination indemnities and other non-financial medium/long-term liabilities of €11.4 million.

In detail, fixed assets include long-term receivables of €3.0 million, which represent prepaid tax receivables deemed likely to be recovered; equity investments of €111.8 million, which include the carrying amount of equity investments in subsidiaries and associates (see section 1.5 of the explanatory notes); fixed assets of €9.9 million, including €5.0 million for land and buildings and €3.5 million for plant, machinery and equipment (mainly relating to the Piovene logistics business).

The item "Employee termination indemnities and other non-financial medium/long-term liabilities" includes an indemnity of €0.6 million, calculated in accordance with current legislation, accrued by employees up to 31 December 2006; a pension provision of €0.4 million; a provision for restructuring and delocalisation of €2.9 million, intended to cover expenses connected with the plan to restructure some industrial activities; a provision for legal risks and disputes of €1.1 million, intended to cover liabilities that may ensue from legal and other disputes; and other provisions for risks and charges amounting to €5.4 million, related to the foreseeable risks arising from transactions relating to Aree Urbane S.r.l. and the plant at Praia a Mare.

Net financial debt

The Company's net financial debt was positive for €15.1 million at the reporting date, compared with a positive balance of €15.6 million in 2019.
The final net financial debt includes €0.2 million of higher financial debts due to IFRS 16.

Shareholders' equity

Shareholders' equity came in at €132.6 million, up €9.3 million on 2019. The change is mainly due to the result for the period and, in particular, a capital account payment of €10.1 million by the Shareholder.

To aid comprehension of the Company's equity position, we should point out that the ratio of own funds to net capital employed decreased from 114.5% at the end of 2019 to 112.9% at the end of 2020.

[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 (Vicenza), 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) and Biella Manifatture Tessili S.r.l. (wholly owned), and the 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 and Schneider New Zealand (25%).

Total turnover, particularly due to the extraordinary Covid-19 event, contracted substantially in 2020 to €116.6 million, with EBIT of -€18.5 million and a net loss of €15.1 million.

As concerns the breakdown of turnover by operating business unit, the Lanificio Gmf segment recognised income of €62.0 million (53.2% of the total) and Biella Manifatture Tessili recognised €41.8 million (35.8%), while Estethia/G.B. Conte closed the year with €12.4 million (10.6%).

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

Net revenues by business

(in millions of euro)	2020		2019	
Lanificio Gmf	62.0	*53.2%*	110.5	*50.6%*
Biella Manifatture Tessili	41.8	*35.8%*	89.6	*41.0%*
Estethia/G.B. Conte	12.4	*10.6%*	18.0	*8.2%*
Other	0.4	*0.4%*	0.4	*0.2%*
Total	**116.6**	***100.0%***	**218.5**	***100.0%***

[Equity investments]

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

MARZOTTO WOOL MANUFACTURING

Turnover volume contracted by an extraordinary extent in 2020, mainly due to the Covid-19 pandemic and the consequent closure of retail businesses which started in March 2020 and continued on an alternating basis throughout the year.
This very significant contraction was seen in all the business units that mainly operate in menswear; meanwhile, there was a decrease in revenues for the Estethia G.B. Conte division, which mainly operates in womenswear.

It should also be noted that the sales growth registered by some of our customers through the internet channel in 2020 did not relate to the sale of formal clothing in any significant way, as marketing through this channel is more complex and less effective.

Marzotto Wool's core sales markets contracted substantially from March 2020, in some cases by as much as 90%; the US, UK and more generally the European markets were hit particularly hard. Well-known brands and major Marzotto Wool customers went into extraordinary administration and in some cases closed their businesses as a result of the pandemic, particularly in the US, German and Italian markets.

The operating losses are therefore all attributable to the contraction of revenues caused by the streamlining of plants and the impossibility of rapidly rebalancing production capacity and the number of employees to adapt to the extraordinarily negative requirements of 2020.

However, all the lines improved their sales mix, with an improvement in the unit margin of products on the market.

In order to cope with the negative trends in 2020, we also saw a very significant reduction in fixed costs in advertising and marketing, collection production, and commercial and general expenses.

In this context, investment plans were revised to adjust them to production volumes. The investments made mainly related to plant safety measures and the innovation of production processes.

LANIFICIO GMF

The decline in sales affected all end-markets in 2020, with the exception of China, which after a very negative start was already recovering in the second half of the year.

To cope with the steep drop in volumes, production capacities were rebalanced with measures such as social shock absorbers, fewer short-term contracts, particularly for staff in the Czech Republic, and, in the second half of the year, early retirement incentives. These measures substantially reduced not only variable costs but also fixed manufacturing costs.

Thanks to a flexible production structure and well-integrated production systems, a market-appropriate level of service was provided.

In this dramatic situation, Lanificio GMF maintained those elements that have always constituted its offering, implementing a mix of style solutions that are even more oriented towards informal clothing and providing comfort, wearability and ease of maintenance.

Sustainability: In 2020, we continued to invest in sustainability with environmental certification and protection projects, starting with wool supplies from selected farms that pay close attention to animal welfare and protecting the ecosystem, investing in training for our employees and implementing production processes with less environmental impact, including through the careful control of energy, gas and water consumption.

Sustainability is becoming a pre-requisite for engaging in dialogue with the successful brands that will grow over the next few years; Lanificio GMF, like the entire Marzotto Wool group, embraced this philosophy years ago, which represents a significant competitive advantage.

[Equity investments]

BIELLA MANIFATTURE TESSILI

The results of Biella Manifatture Tessili declined sharply due to the pandemic and the consequent closure for most of the year of multi-brand, retail and tailoring stores.

The results achieved by the business units summarise the various performances of the corporate brands, which include turnover of €15.1 million for the Guabello division (down 56% from the previous year), €13.8 million for the Marlane division (down 56% compared with 2019), €12.3 million for the Tallia di Delfino division (down 48% compared with 31 December 2019) and €0.2 million for the new division, Opera Piemontese.

The various business units performed slightly differently due to differences in their presence on world markets and the types of products and services they offer.

Below are comments on the performance of the individual brands:

Guabello closed 2020 with a sharp decrease in turnover compared with the previous year, due to the dramatic reduction in volumes, particularly in fine formal clothing, worldwide and particularly in the German, Italian and US markets where Guabello has the biggest presence. The policy of expansion in the Far East markets continued, despite the travel restrictions, with the addition of a new sales structure in the Shanghai area of China. The redesign of the Guabello collection continued with the development of the new *K-Easy* line (knitwear-based but with a more modern performance and look) and the Studio line, which involve the use of more technical and performance-oriented fibres and finishes.

The **Marlane** division was hit hardest in 2020 due to the crisis in apparel caused by Covid-19, which resulted in a sharp slowdown in the sale of more formal/business clothes in the northern European, Italian and US markets. During the year, Marlane tried to intensify its distinctive “service” aspects, expanding its range of fabric offerings from ready-made sources by including fabrics that can be dyed the colours chosen by the customer with a four-week lead time; the offering of fabrics in synthetic mixed fibres was also further extended in order to penetrate the younger market, which cares about technical performance, elasticity and stain-resistant fabrics. Marlane also expanded its commercial presence in the Far East in 2020, where it already had a significant presence in Japan and Korea, with new sales structures in China.

Tallia di Delfino, like all the other lines, registered a sharp contraction in revenues in 2020, but in the second half of the year sales in the sartorial and made to measure channels started to recover. The *Gentlemen’s Wardrobe* range was implemented with luxury but more informal products, and the range of coats and outerwear in fine fibres such as cashmere and alpaca will be further extended.

Opera Piemontese is the luxury womenswear line, including fine fibres such as cashmere, alpaca and silk but with a modern performance and look, which was launched in 2020. The first collection was unveiled in September 2020 and was well-received in Italy and the Far East, despite the fact that being unable to attend the trade fair in Paris limited its distribution. The line represents an opportunity both for the Marzotto Wool Group to enter markets where it was previously only marginally present, and for its stylistic influences and particular finishes and yarns to extend into the men’s collections in the other divisions. In the same way, Opera Piemontese is working on its next collections in synergy with both Marzotto and Tallia di Delfino, making use of their historical archives.

[Equity investments]

ESTETHIA/G.B. CONTE

In the year under review, the division recorded net revenues of €12.4 million, down compared with the previous year (-31%).

Estethia G.B. Conte declined less than the other lines, as it is present in the women's clothing fabric market, and particularly in the Italian and French markets, and with a good introduction to the Chinese market. The product range expanded during the year with a new 4W project of stretch fabrics made with sustainable RWS-certified wools, for which a very rapid service is provided.
In 2020, an agreement was reached with Harris Tweed Hebrides to continue the distribution of Harris Tweed branded fabrics.

Net revenues
by geographical area

(in millions of euro)	2020		2019	
Italy	38.2	*32.8%*	52.8	*24.2%*
Other European countries	52.7	*45.2%*	104.2	*47.7%*
North America	2.9	*2.5%*	11.0	*5.0%*
Asia	20.9	*17.9%*	42.6	*19.5%*
Other countries	1.9	*1.6%*	7.9	*3.6%*
Total	**116.6**	***100.0%***	**218.5**	***100.0%***

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

Key indicators

(in millions of euro)	2020	2019	change	change %
Consolidated net revenues	**116.6**	**218.5**	**(101.9)**	**- 46.6%**
Profit from core businesses	**(17.9)**	**2.5**	**(20.4)**	**n.c.**
% of net revenues	*(15.4%)*	*1.1%*	*(16.5%)*	
Operating income	**(18.5)**	**3.1**	**(21.6)**	**n.c.**
% of net revenues	*(15.9%)*	*1.4%*	*(17.3%)*	
Net income	**(15.1)**	**1.0**	**(16.1)**	**n.c.**
Consolidated net invested capital	**137.0**	**129.9**	**7.1**	**+ 5.5%**
Investments for the period	**1.9**	**6.1**	**(4.2)**	**- 68.9%**
Active staff at 31 December: persons	**1,445**	**1,695**	**-250**	**- 14.7%**

The decrease in turnover of €101.9 million (-46.6%) significantly influenced the decrease in the gross margin linked to sales of €29.8 million; lower variable sales expenses and the containment of overheads due to the actions taken reduced the decline in the result from ordinary operations to €20.4 million.

Net capital employed was more than €7.1 million in 2020, mainly due to the increase in working capital, despite the decrease in inventory, offset by lower investments of €4.2 million.

[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 (Vicenza), 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).

Turnover volume for the year just ended was €82.1 million, down 26.7% on the previous year (2019: €112.0 million).
Below is the opening according to product type:

Net revenues by product

(in millions of euro)	2020		2019	
Linen	35.0	*42.6%*	51.7	*46.2%*
Cotton	23.8	*29.0%*	33.0	*29.5%*
Velvet	12.1	*14.7%*	14.5	*12.9%*
Furnishing	9.1	*11.1%*	10.3	*9.2%*
Other	2.1	*2.6%*	2.5	*2.2%*
Total	**82.1**	***100.0%***	**112.0**	***100.0%***

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

LINEN

In 2020, the path of growth of the Linificio e Canapificio Nazionale Group, which began in the previous three years and was expected to continue in the two-year period 20-21, abruptly ceased, with turnover falling by 34% compared with 2019 and a consequent reduction in its results.

This phenomenon is mainly due to:

- a sharp decrease in sales volumes, mainly due to a dramatic contraction in global demand for linen yarns due to the Sars-Covid-19 pandemic and the relevant policies to contain its spread implemented by governments worldwide;
  Due to an international economic scenario severely affected by the pandemic, the clothing, shirts and *hotellerie* sectors, which represent three of the Company's six core markets, were most seriously affected. Meanwhile, furnishings, home decor and the "technical" sector registered a smaller contraction in demand, which, however, was characterised by great uncertainty, unpredictability and impossibility of forecasting, with impacts on the planning and streamlining of the production facilities of the Linificio e Canapificio Nazionale Group;
- sales prices fell due to the sudden and unexpected slowdown in demand;
- the sales mix shifted towards yarns with less added value, when high added value yarns are one of the Company's main strengths.

Most turnover was lost in the second quarter when, following the start of the pandemic, most customers blocked shipments of orders already placed due to global economic uncertainty.

In the third and fourth quarters, thanks to a series of initiatives undertaken to innovate processes, products and the market approach, orders recovered, followed by turnover, enabling the Company to close the year with an order book more than 10% bigger than in the same period a year earlier and to look more optimistically towards the future.

[Equity investments]

COTTON

The Tessuti di Sondrio division closed the year with a 28% decline in turnover compared with the previous year.
The loss of volume and turnover was due to the Sars Covid-19 pandemic. In line with Italian regulations, the plant remained closed from 26 March to 30 April. This closure blocked shipments as well as production. This resulted in a drop in turnover and purchasing with extensive use of the Covid guarantee fund and unused leave, as well as a reduction in all expenses that were not strictly necessary. Thanks to these measures, the plant's productivity was in line with the previous year. The costs associated with the collections contracted, although the product offering remained attractive to the target customers of the business unit's two brands, Tessuti di Sondrio and NTB. Action continued to obtain environmentally sustainable products, which customers are increasingly demanding. There was also a shift towards products that meet the changing needs of consumers, who want to follow the athletic leisure trend. The restarting of production in May and the reopening of stores in many European countries meant that the loss of turnover was limited. Unfortunately, the second wave of the pandemic limited sales from November onwards.

VELVET

Textiles for the fashion world: 2020 saw a decline in volumes, particularly in the clothing area. The drop in sales affected both large customers and small brands.
During the year, sustainable products with recycled material began to be developed, although the number of items offered in the collection decreased. Volumes were sustained in the world of accessories (handbags and shoes).

Fabrics for the world of furnishings: more new products were created and marketed despite the commercial difficulties related to the pandemic. This allowed for a smaller contraction of 5.2% in volumes compared with the fashion area.
More contract products meeting specific technical specifications (Trevira, FR) were created. On 23 December 2020, a lease agreement was signed for a business unit with the owner of Prosetex S.p.A. This transaction, which must be completed in 2021 along with the final acquisition of the business unit, is intended to further strengthen the furnishing offering.

The decrease in volumes demanded a strong focus on all of the business unit's costs.
In particular, action was taken on the following fronts:

- the closure of the plants (weaving and finishing) in Kraslice, Czech Republic through the use of a guarantee fund introduced by the government.
- a reduction of employees and contractors through a total headcount freeze;
- a reduction in plant-related investments not relating to safety or legal obligations.

The measures taken - some before the arrival in Europe of Sars-Covid-19 - resulted in an improvement in the main economic indicators of the business unit compared with 2019.

FURNISHINGS

This division operates in the home furnishing textiles 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 increasingly focused on the e-commerce channel, through its website and the sector's main marketplaces, in order to boost online sales. Social media activity was intensified with a particular focus on Instagram, and a customer newsletter was implemented. Development also continued among large "private label" customers in Northern Europe, Central Europe, the US and the Far East. In early 2020, before the pandemic broke out, the business unit presented a new collection at the major trade shows that was highly innovative and appreciated by customers in terms of design. The "Green Label" line of environmentally sustainable items was also strengthened. All of this enabled the decrease in turnover to be limited to 12%.

[Equity investments]

With regard to the end-markets, the domestic market constitutes 41.0% of the total (compared with 40.6% in the previous year), while the rest of Europe, representing approximately 49.5% of the total, was slightly up (47.6% in 2019).

Net revenues by geographical area

(in millions of euro)	2020		2019	
Italy	33.7	*41.0%*	45.5	*40.6%*
Other European countries	40.6	*49.5%*	53.3	*47.6%*
North America	2.3	*2.8%*	3.0	*2.7%*
Asia	3.4	*4.1%*	7.2	*6.4%*
Other countries	2.1	*2.6%*	3.0	*2.7%*
Total	**82.1**	***100.0%***	**112.0**	***100.0%***

Below are the key indicators of the Marzotto Lab Group.

Key indicators

(in millions of euro)	2020	2019	change	change %
Consolidated net revenues	**82.1**	**112.0**	**(29.9)**	**- 26.7%**
Profit from core businesses	**(8.3)**	**(1.7)**	**(6.6)**	**>100%**
% of net revenues	*(10.1%)*	*(1.5%)*	*(8.6%)*	
Operating income	**(13.0)**	**(2.2)**	**(10.8)**	**>100%**
% of net revenues	*(15.8%)*	*(1.9%)*	*(13.9%)*	
Net income	**(12.1)**	**(1.2)**	**(10.9)**	**>100%**
Consolidated net invested capital	**66.0**	**76.7**	**(10.7)**	**- 14.0%**
Investments for the period	**1.8**	**3.0**	**(1.2)**	**- 40.0%**
Active staff at 31 December: persons	**1,202**	**1,351**	**-149**	**- 11.0%**

The decrease in turnover of €29.9 million (-26.7%) significantly influenced the decrease in the gross margin linked to sales of €11.4 million; lower variable sales expenses and the containment of overheads due to the actions taken reduced the decline in the result from ordinary operations to €6.6 million.

Net capital employed was €10.7 million lower in 2020, mainly due to a €1.2 million decrease in investments and the containment of working capital, particularly inventory.

[Equity investments]

Ambiente Energia S.r.l.
Share capital
€100,000

Established on 22 May 2009, Ambiente Energia S.r.l. is a limited liability company with its registered office at Viale dell'Industria, Schio (Vicenza).
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 closed the year with revenues of €5.8 million (€5.9 million in 2019) and a net profit of €0.8 million (€0.8 million in 2019).

Equity investments

Equity investments in associates

Below is a summary of other equity investments in associates:

Ratti S.p.A.
Share capital
€11,115,000

	2020	2019
Equity investments	34.01%	34.01%
no. of shares owned	9,300,400	9,300,400
Marzotto S.p.A. book value	10.8 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 or yarn-dyed fabrics for clothing and furnishings. It also develops and distributes finished products, mainly men's and women's accessories.

The Ratti Group achieved revenues of €71.9 million (€117.0 million in 2019) and net profit of €0.4 million (€12.9 million in 2019).

Mascioni S.p.A. (MI)
Share capital
€5,560,000

	2020	2019
Equity investments	13.31%	14.18%
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

	2020	2019
Equity investments	32.50%	32.50%
Marzotto S.p.A. book value	=	=

Other information

Employees

As of 31 December 2020, the Company had 82 active employees, compared with 88 in the previous year.

	Year-end staff				Average staff			
	at 31.12.2020		at 31.12.2019		2020		2019	
Fabrics	4	*4.9%*	6	*6.9%*	5	*6.0%*	7	*7.8%*
Other Operations	77	*95.1%*	81	*93.1%*	78	*94.0%*	83	*92.2%*
Total	**81**	***100.0%***	**87**	***100.0%***	**83**	***100.0%***	**90**	***100.0%***
Laid off/dismissed	1		1		1		1	
Total staff year end	**82**		**88**		**84**		**91**	

Industrial relations

The health emergency due to the Sars-CoV-2 virus also affected industrial relations at the Marzotto Group in 2020: from the first lockdown period in March and subsequently throughout 2020, in application of the specific rules put in place during the year, Ordinary Wage Guarantee Fund (CIGO) procedures were launched and agreements entered into with trade unions in response to Covid-19.

The use of CIGO concerned nearly all activities and staff in April. In the subsequent months, it was mainly focused on a few week days and did not affect all of the production facilities and offices.

Smart working was standardised, organised and adopted for staff with compatible duties and lists of the workers involved were sent to the corporate bodies; mandatory holidays and other contractual measures outside the usual collective closure periods were defined at all Group locations and plants.

A freeze was put on hires of staff on fixed-term contracts, including temporary contracts, interns were no longer taken on and existing internships were discontinued.

The Human Resources Department also signed, with the Marzotto National Trade Union Coordinating Body, two agreements with general significance for the Group's Italian companies:

- The first agreement, signed on 22 April 2020 and updated on 4 May, 30 June and 1 December 2020, concerns the Business Protocol for Regulating Measures to Combat and Contain the Spread of the Sars-CoV-2 Virus. The first agreement signed in the sector, it incorporates both the recommendations of the subsequent Prime Ministerial Decree, the recommendations of the subsequent amendments and additions, the recommendations of the regions in which the Group is present and the latest Covid prevention solutions. Other prevention rules were also implemented, "CARA" committees (*Comitati per l'applicazione e la verifica delle regole del protocollo* - committees for the application and control of protocol rules) were established, and access and contact control tools were adopted (temperature control at entrances, adoption of proximity tracking devices, measures to protect vulnerable workers and other measures for other categories subject to special protection conditions). These include additional permits under Law 104, parental permits and quarantines.
- The second agreement, signed on 28 October 2020 and updated on 1 December 2020 (and again on 11 February 2021), concerns the application of the provisions of Article 14 of Decree-Law 104/2020. The first agreement signed in the Vicenza region and in the fashion sector enables the number of employees of the various Group companies to be reduced through the consensual termination of the employment relationship with benefits guaranteed as provided for by law, facilitating early retirement.

The limits and precautions imposed by the pandemic also affected the negotiations launched in January for the renewal of the Company Supplementary Agreement (both the section on general group rules and the specific economic section for the various companies and offices). The unitary union representative body (*Rappresentanza Sindacale Unitaria aziendale* - RSU) and the regional trade unions (*Organizzazioni Sindacali territoriali* - O.O.S.S.) corporate sections therefore defined the extension of the existing agreements. The Marzotto National Trade Union Coordinating Body asked to convene to discuss with the Company (i) the business situation and business plan, and (ii) the second-level negotiations.

In addition to the above, which applied to all Group companies in 2020, the following applied to Marzotto S.p.A.: the trade union agreement signed on 12 June 2020 between the R.U. directorate and the regional industry O.O.S.S., which cancelled the performance bonus for 2019 to be paid in June 2020 for the staff of the offices at the registered office in Valdagno (Vicenza) and the logistics/warehouses staff with their office in Piovene Rocchette (Vicenza), and 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 T.U.I.R. (Italian Consolidated Law on Income Tax).

Training and development of human resources

Marzotto S.p.A. delivered 260 hours of training on soft skills and 164 hours of safety training in 2020.

Other information

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.

Risk management (IFRS 7)

The Company takes measures to identify and assess risk, thereafter implementing procedures for managing any risk factors that may influence its business results.
As well as the above, the Company, in order to minimise its exposure to any damaging event and the consequent financial impact, has prepared the transfer of residual risks to the insurance market, where they are insurable.
Over the years, the specific requirements of the Marzotto Group companies have resulted in a significant and specific personalisation of insurance cover in order to adapt it to their specific operational features and the associated 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. The analysis, management and insurance transfer of risks borne by the Group is carried out in collaboration with an insurance broker of prime standing, which also supports this activity through an 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 end-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.

As concerns the ***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 reporting date was as follows:

	2020		2019	
(thousands of euro)	gross	fund	gross	fund
Current	394	(33)	235	(69)
Overdue from 0 to 90 days	90	=	116	=
Overdue over 90 days	1,329	(39)	1,640	(3)
Total	**1,813**	**(72)**	**1,991**	**(72)**

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 significant in terms of impact, given the current level of net debt.

Interest rate hedge agreements are in place on medium/long-term variable-rate loans, through financial derivatives, to avoid market fluctuations.

[Other information]

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, including in view of their environmental impact, the potential savings in terms of reduced consumption of resources and energy during operations and fewer 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 report on operations 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 after year-end

As of the date of this document, there are no significant events to report after year-end.

Performance news and outlook for the current year

Business outlook

The management of Marzotto S.p.A., whose purpose is to manage the operating Companies, is influenced by the performance of the investee companies.

As regards profit performance during the first quarter of this year, the consolidated net revenues of the Marzotto Group came to €38.8 million, down by around 36% on the €61.0 million recorded in the same period of 2020.

Business outlook

The ongoing global vaccination campaign, which has accelerated strongly in recent weeks, suggests a gradual return to normal as early as the second half of the year, and this will contribute to the recovery of consumption, including in sectors hit hard by the pandemic and currently still in distress, such as the textile clothing sector.

As already mentioned, the effect of the loss in 2020 is almost exclusively due to the fall in volumes: the pandemic and the political management resulted in both store closures, with the consequent elimination of opportunities to purchase finished garments, and a very pronounced change in behaviour, resulting in a sharp contraction in opportunities to wear certain types of clothing, particularly formal clothing.

The efforts made in 2020 – which intensified in the first few months of 2021 - to both cut costs to make the system more efficient and redefine supply to make it leaner but more diverse (strengthening the furnishings sector), innovative, sustainable, and in line with the demands of a market that is undergoing radical changes, have prepared the Group to transition effectively into the post-Covid recovery, regain lost volumes and consequently strengthen its position in the market, as set out in the 2021-2024 Business Plan.

Valdagno (Vicenza), 28 May 2021

FOR THE BOARD OF DIRECTORS
THE MANAGING DIRECTOR
DAVIDE FAVRIN

Marzotto S.p.A.
- General information
- Report on operations
- Financial statements

Financial statements

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

[Company statement of financial position]

(thousands of euro)	31.12.2020 Partial	31.12.2020 Total	31.12.2019 Partial	31.12.2019 Total
1. Non-current assets				
1.1 Property, plant and machinery		8,042		8,867
1.2 Civil buildings		749		785
1.3 Goodwill, trademarks and other intangible assets		1,059		1,266
1.5 Other investments (participations)		111,769		111,821
1.6 Long-term receivables		9		11
1.7 Deferred tax assets		3,024		3,071
1.8 Long-term financial receivables third parties	8		36	
Long-term financial receivables subsidiaries and affiliates	51,500	51,508	=	36
Total non-current assets		**176,160**		**125,857**
2. Non-currents assets held for sale		**=**		**=**
3. Current assets				
3.1 Inventories		=		=
3.2 Trade receivables third parties	1,741		1,919	
Trade receivables subsidiaries and affiliates	3,086	4,827	4,265	6,184
3.3 Other receivables third parties	1,434		1,282	
Other receivables subsidiaries and affiliates	2,107	3,541	7	1,289
3.4 Current financial assets, cash and cash equivalents third parties	14,500		9,715	
Current financial assets, cash and cash equivalents subs. and affiliates	13,024	27,524	12,251	21,966
Total current assets		**35,892**		**29,439**
Total assets		**212,052**		**155,296**
4. Shareholders' equity				
4.1 Share capital and reserves		133,266		112,941
4.2 Income/(Loss) for the year		(616)		10,325
Shareholders' equity		**132,650**		**123,266**
5. Non-current liabilities				
5.1 Long-term provisions		10,355		10,581
5.2 Other long-term payables		=		=
5.3 Deferred tax liabilities		1,001		1,593
5.4 Long-term financial payables		57,778		6,142
Total non-current liabilities		**69,134**		**18,316**
6. Current liabilities				
6.1 Trade payables and other payables third parties	3,659		4,811	
Trade payables and other payables subsidiaries and affiliates	522	4,181	8,590	13,401
6.2 Current financial payables third parties	6,087		313	
Current financial payables subsidiaries and affiliates	=	6,087	=	313
Total current liabilities		**10,268**		**13,714**
Total shareholders' equity and liabilities		**212,052**		**155,296**
Net financial debt		**15,167**		**15,547**

Company statement of profit/(loss) and other comprehensive income

		Year 2020		Year 2019	
	(thousand euro)	Amounts	%	Amounts	%
7.	Net revenues third parties	1,061	11.4	1,135	9.7
	Net revenues subsidiaries and affiliates	8,252	88.6	10,597	90.3
	Total net revenues	**9,313**	**100.0**	**11,732**	**100.0**
	8. Cost of sales third parties	(1,666)	(17.9)	(2,286)	(19.5)
	Cost of sales subsidiaries and affiliates	(1)	=	(7)	(0.1)
9.	**Gross income**	**7,646**	**82.1**	**9,439**	**80.5**
	10. R&D and marketing costs	(2)	=	(7)	(0.1)
	11. General and administrative costs	(7,277)	(78.1)	(8,883)	(75.7)
	12. Other income and charges	(907)	(9.7)	(106)	(0.9)
13.	**Operating income**	**(540)**	**(5.7)**	**443**	**3.8**
	14. Net financial charges third parties	(122)	(1.3)	14	0.1
	Net financial charges subsidiaries and affiliates	101	1.1	48	0.4
	15. Dividends	=	=	10,507	89.6
	16. Valuation of equity investments held for sale	=	=	=	=
	17. Other financial income and charges	(57)	(0.6)	(6)	(0.1)
18.	**Income before taxes**	**(618)**	**(6.5)**	**11,006**	**93.8**
	19. Taxes	2	=	(681)	(5.8)
20.	**Net income**	**(616)**	**(6.5)**	**10,325**	**88.0**
	21. Fair Value adjustments (1)	(97)	(1.0)	=	=
	22. Other adjustments (1)	=	=	=	=
	Items that will be reclassified subsequently to profit and loss	**(97)**	**(1.0)**	**=**	**=**
	23. IAS 19 adjustments (1)	(3)	=	(16)	(0.1)
	Items that will not be reclassified subsequently to profit and loss	**(3)**	**=**	**(16)**	**=**
24.	**Total comprehensive income for the period**	**(716)**	**(7.7)**	**10,309**	**88.1**

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.

Company statement of cash flows

(thousands of euro)	2020	2019
Net income	**(616)**	**10,325**
Amortisation and depreciation	1,299	1,316
Change in provisions	(744)	(1,302)
Gain/(losses) on disposal of fixed assets	(113)	(46)
Change in inventories	=	=
Change in trade receivables and other receivables third parties	26	2,026
Change in trade receivables and other receivables subsidiaries and affiliates	(921)	(253)
Change in trade payables and other payables third parties	(1,152)	(542)
Change in trade payables and other payables subsidiaries and affiliates	(8,068)	116
Change in long-term other financial receivables and payables	2	=
Operating cash flow (A)	**(10,287)**	**11,640**
Investments in intangible and tangible fixed assets	(95)	(444)
Disposals in intangible and tangible fixed assets	119	46
Investments in equity investments	=	(83)
Disposals of other equity investments	=	=
Cash flow from investments (B)	**24**	**(481)**
Translation exchange differences and other equity changes (C)	=	=
Extraordinary operations (D)	=	=
Cash flow before dividends (A+B+C+D)	**(10,263)**	**11,159**
Dividends paid	=	(8,000)
Increase in share capital of Parent Company	10,100	=
Change in net financial position	**(163)**	**3,159**
Change in long-term financial payables	51,419	5,698
Change in current financial payables third parties	6,076	293
Change in leasing financial receivables	(302)	(290)
Change in current financial payables subsidiaries and affiliates	=	=
Change in long-term financial receivables third parties	28	5
Change in long-term financial receivables subsidiaries and affiliates	(51,500)	=
Total Change in current financial assets, cash and cash equivalent	**5,558**	**8,865**
Cash and current financial assets - beginning of the period	**21,966**	**13,101**
Cash and current financial assets - end of the period	**27,524**	**21,966**

Company statement of changes in shareholders' equity

(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
Balances as at 31.12.2018	**40,000**	**8,000**	**=**	**76**	**=**	**51,998**	**(9)**	**6,810**	**14,082**	**120,957**
Net income for the year 2019									10,325	10,325
Other total profit/(losses) [(1)]							(16)			(16)
Total other income/charges	**=**	**=**	**=**	**=**	**=**	**=**	**(16)**	**=**	**10,325**	**10,309**
Allocation of net income 2018										
dividends									(8,000)	(8,000)
carried forward								6,082	(6,082)	=
Balances as at 31.12.2019	**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) [(1)]					(97)		(3)			(100)
Total other income/charges	**=**	**=**	**=**	**=**	**(97)**	**=**	**(3)**	**=**	**(616)**	**(716)**
Other movements			10,100							10,100
Allocation of net income 2019										
carried forward								10,325	(10,325)	=
Balances as at 31.12.2020	**40,000**	**8,000**	**10,100**	**76**	**(97)**	**51,998**	**(28)**	**23,217**	**(616)**	**132,650**

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 a single shareholder, having its registered office in Valdagno (Vicenza).

As of 2015, Marzotto S.p.A. has mainly been providing strategic management and coordination activities in support of the operating companies (administration and finance, legal and corporate, human resource management and information systems) and distribution logistics activities at the Piovene Rocchette (Vicenza) site, 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	31.12.2019		31.12.2019
(thousands of euro)			
B) Fixed assets	100,134	A) Shareholders' equity	101,045
C) Current assets	1,052	B) Accounts payable	=
D) Accruals and deferrals	2	D) Accruals and deferrals	143
Total assets	**101,188**	**Total liabilities**	**101,188**

Income statements	Year 2019
(thousands of euro)	
A) Value of production	=
B) Cost of goods sold	(183)
Difference between value and cost of goods sold (A+B)	**(183)**
C) Financial income and charges	3,810
D) Adjustment to value of financial assets	(29)
Income before taxes (A+B+C+D+E)	**3,598**
Income taxes	(11)
Profit (loss) for the year	**3,587**

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. Publication will take place 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 of 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) and other comprehensive income, the statement of cash flows, the statement of changes in shareholders' equity and the relevant explanatory notes.

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) and 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 suffered indirect effects due to the Covid-19 pandemic, as a holder of equity investments in the Wool Fabrics and Sundry Textiles sectors, which were among those hardest hit by the pandemic.

The prevailing effect of the pandemic was a dramatic drop in turnover compared with the pre-crisis period, offset by the rationalisation of all fixed costs, including through the use of social shock absorbers and retirement incentives for pensionable staff.

In 2020 and the first few months of 2021, the Group's financial structure was further strengthened through the contracting of new medium/long-term loan agreements totalling €79.5 million. The new loans enabled the average life of debt to be extended at a cost broadly in line with the current cost.

The forecasts for 2021 remain uncertain: the first signs of recovery are expected to appear in the second half of the year. However, a longer time frame is expected for a return to pre-pandemic levels of demand: the approved 2021-2024 Business Plans provide for a gradual return to economic and financial equilibrium.

Management is confident and believes that, as a result of the planned actions, once the pandemic has been overcome, the Group companies can return to sustainable growth and profitability: it has therefore agreed on the possibility that the company and the Group can operate as a going concern, realising its assets and honouring its liabilities as part of the ordinary business process.
The separate financial statements have therefore been prepared on the basis of the accounting records as at 31 December 2020 and on a going concern basis.

[Notes to the Company's financial statements]

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 of the International Financial Reporting Interpretations Committee (IFRIC), previously named the Standing Interpretations Committee (SIC).

Accounting standards that entered into force on 1 January 2020

On 31 October 2018, the IASB published a document amending IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors,* approved by the EU with Reg. 2019/2075 of 29 November 2019. The aim is to clarify the definition of "material" in order to help companies assess whether information is "material" and therefore whether or not it should be included in the financial statements. The adoption of this amendment has had no effect on the Company's financial statements.

On 29 March 2018, the IASB issued an amendment to *"References to the Conceptual Framework in IFRS Standards"*, endorsed by the EU with Reg. 2019/2075 of 29 November 2019. This document presents amendments to the references to the conceptual framework in IFRS, which update the existing references to the previous frameworks in various accounting standards and interpretations, replacing them with references to the revised conceptual framework, helping companies to understand and interpret the standards. The adoption of this amendment has had no effect on the Company's financial statements.

On 26 September 2019, the IASB published the amendment *"Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform"*, approved by the EU with Reg. 2020/34 of 15 January 2020, which includes temporary concessions that permit the continued use of hedge accounting during the period of uncertainty preceding the reform regarding the replacement of the current benchmark interest rate, with an alternative, risk-free interest rate. The adoption of this amendment has had no effect on the Company's financial statements.

On 22 October 2018, the IASB published the document *"Definition of a Business (Amendments to IFRS 3)"*, approved by the EU with Reg. 2020/551 of 21 April 2020, designed to clarify the definition of business activities in order to facilitate their practical implementation. The amendment introduced an optional concentration test that makes it possible to ascertain whether the set of activities and assets acquired is a business and not an individual asset or group of assets.
This amendment has no relevance for the Company.

On 28 May 2020, the IASB published the amendment "*Amendments to IFRS 16 Leases Covid-19 Related Rent Concessions*", approved by the EU with Reg. 2020/1434 of 9 October 2020, which allows lessees benefiting from lease payment holidays not to account for them as if they were lease modifications, without compromising the relevance and usefulness of the financial information. 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 18 May 2017, the IASB published the standard *IFRS 17 – Insurance Contracts* which will replace the standard *IFRS 4 – Insurance Contracts*, designed to eliminate inconsistencies in existing accounting policies, providing a relevant method of information relating to the rights and obligations arising from all insurance contracts written. This standard will become effective on 1 January 2023.

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"* aimed at clarifying the classification of payables as short-term or long-term liabilities. This amendment, initially effective as of 1 January 2022, was subsequently amended on 15 July 2020 in order to postpone the effective date to 1 January 2023.

On 14 May 2020, the IASB published various clarification amendments: *"Amendments to IFRS 3 Business Combinations"*, *"Amendments to IAS 16 Property, Plant and Equipment"*, *Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets"* and *"Annual Improvements 2018-2020"*. These changes will become effective on 1 January 2022.

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"*, which defines the specific accounting treatment in the time distribution of the effect on financial instruments and leases of the replacement of benchmarks for the determination of existing interest rates with alternative benchmark rates. These changes will become effective on 1 January 2021.

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 depreciated 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 a given asset for a period of time, excluding agreements relating to low-value assets and leases 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 on or before the commencement date, net of depreciation and impairment and adjusted for any change in the lease liability. Depreciation is calculated over the life of the agreement; if the lease provides for the transfer of ownership of the asset or the lessee exercises the purchase option, the depreciation period is equal to the useful life of the asset.

Lease liabilities are measured on the basis of the present value of the instalments still due, applying an interest rate equal to the company's medium/long-term loan rate. After the commencement 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 carrying amount of lease payables is recalculated in the case of any changes to the lease or the revision of the contractual terms to alter the payments.

Lease liabilities also include the exercise price of an option, if this is certain or probable, in addition to any penalties for termination of the lease.

1.3 Goodwill, trademarks and other intangible 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 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 ascertains whether there are any indicators of impairment of the assets.
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 selling costs and value in use. In determining value in use, estimated future cash flows are discounted to present value, using a rate gross of tax that reflects current market valuations of the value of money and the specific risks of the asset.
Impairment is recognised in the income statement when the carrying amount of the asset, or of the relevant cash generating unit to which it is allocated, is greater than its recoverable value.
Impairment losses are written back if the reasons for generating them no longer exist.

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 ascertains whether there are any indicators of 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 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 carrying amount and the estimated 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 of the carrying amount and the fair value net of selling costs.

3.1 Inventories

Inventories are measured at the lower of the cost and the estimated 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 impairment (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.

[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 296/06, effective as of 30 June 2007, employee termination indemnities accrued after 1 January 2007 must be paid into a specific treasury fund opened with the INPS (National Institute for Social Protection) or, on the employee's instruction, into 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.

[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 hedge the risk of changes in the cash flows of the underlying instruments (cash flow hedge), the changes in fair value are initially recognised in shareholders' equity and later in the income statement, according to 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.

Grants

Grants from both government agencies and private third parties are carried at fair value when there is a reasonable certainty that they will be received and the prescribed conditions for obtaining them are satisfied.
Grants 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 relevant costs accrue.
Grants 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 relate.
Operating grants are fully recognised in the income statement when the conditions for recognising them are satisfied.

[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 for the transfer of goods/services to a customer; 2- approval of the contract; 3- determination of the price of the transaction; and 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 significant risks and benefits of ownership are actually 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 when the service is completed.

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 prepaid income taxes are calculated on the basis of the temporary differences between the asset values recorded and the respective values recognised 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 recoverability of deferred tax assets is reassessed at the end of each accounting period.

Use of estimates

Preparation of the financial statements, applying IFRS, 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 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.

Notes to the Company's financial statements

Tax consolidation

The Company, together with other companies of the Marzotto Group, are members of the national tax consolidation scheme of Wizard S.r.l.
Membership of Wizard's tax consolidation scheme is governed by a specific regulation in force for the entire period for which the option is valid.
The main economic relationships 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 compensation from Wizard S.r.l. 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 scheme;
- In the event that the consolidated companies have surpluses of ACE (Support for Economic Growth pursuant to Article 1 of Decree-Law 201/2011) to be transferred to the Group, within the limits of the Group's overall 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 scheme option, or if the requirements 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 per 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 prepaid 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) and other comprehensive income, the statement of cash flows, the statement of changes in shareholders' equity and the explanatory notes are expressed in thousands of euro.

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 Report on Operations for further information regarding:

- main events of the 2020 financial year;
- events after the close of the financial year;
- outlook (IFRS 7);
- other relevant information on operating performance and financial position.

Notes to the Company's financial statements

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 €347,000, including €314,000 in electricity production grants (TPA) and €33,000 in payments for energy produced and sold (TFO). During the year, €300,000 was 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 €269,000 in grants (TPA) and €31,000 for energy produced and sold (TFO);
- Income of €9,000 received from FONDIMPRESA and recognised at €5,000 (aid published in the National Register of State Aid);
- Income of €2,000 from FONDIRIGENTI and recognised at €3,000 (aid published in the National Register of State Aid).

Notes to the Company's financial statements

1.1) Property, plant and machinery
1.2) Civil building

The amounts shown in the tables below are in **thousands of euro**.

	2020	2019	Change
Amounts to:	**8,791**	**9,652**	**(861)**

broken down as follows:

Descrption	A) Civil land and buildings	B) Industrial land and buildings	C) Plant and machinery	D) Industrial and comm. equipment	E) Other tangible fixed assets	F) Tangible fixed assets under cons./ advances	Total
Original cost	994	11,889	8,213	749	875	173	22,893
Depreciation funds	(209)	(7,186)	(4,503)	(703)	(640)	=	(13,241)
Balances as at 31.12.2019	**785**	**4,703**	**3,710**	**46**	**235**	**173**	**9,652**
Movements during the year:							
Original cost:							
acquisitions	=	=	184	3	=	(138)	49
acquisitions IFRS16	=	=	=	=	158	=	158
gross disposal	(12)	=	(5)	=	(119)	=	(136)
Depreciation funds:							
depreciation for the year	(29)	(243)	(381)	(21)	(14)	=	(688)
depreciation IFRS16	(3)	(224)	=	=	(79)	=	(306)
gross disposal	8	=	2	=	52	=	62
Total movements for the year	**(36)**	**(467)**	**(200)**	**(18)**	**(2)**	**(138)**	**(861)**
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**

Tangible assets amounted to €8,791,000 at 31 December 2020, down by €861,000.

In detail, the increases due to investments in the period (€49,000) mainly relate to the following categories of assets:

- **Plant and machinery** for €184,000. These capitalisations relate to the fire prevention systems at the Piovene warehouse (€33,000) and to safety and environmental modifications (€151,000);
- **Industrial and commercial equipment** for €3,000. These investments mainly regard the purchase of shelving for the Valdagno storage facility and logistical equipment for the Piovene warehouse.

Work in progress from the previous year has been reclassified to the relevant categories.

As of 31 December 2020, the fixed assets of the Company were not encumbered by mortgages or third party liens.

[Notes to the Company's financial statements]

1.3) Goodwill, trademarks and other intangible assets

	2020	2019	Change
Amounts to:	**1,059**	**1,266**	**(207)**

made up us follows:

Description	A) **Ind. patent and intellectual property rights**	B) **Concessions, licenses, trade-marks and similar rights**	C) **Goodwill**	D) **Other intangible fixed assets**	E) **Intangible fixed assets being developed and advances**	**Total**
Original cost	4,256	548	167	=	60	5,031
Accumulated depreciation	(3,499)	(266)	=	=	=	(3,765)
Balances as at 31.12.2019	**757**	**282**	**167**	**=**	**60**	**1,266**
Movements during the year:						
Original cost:						
acquisitions	52	=	=	=	(6)	46
disposals/depreciations	=	=	=	=	=	=
Amortisation:						
for the year	(239)	(14)	=	=	=	(253)
disposals/depreciations	=	=	=	=	=	=
Total movements for the year	**(187)**	**(14)**	**=**	**=**	**(6)**	**(207)**
Original cost	4,308	548	167	=	54	5,077
Depreciation funds	(3,738)	(280)	=	=	=	(4,018)
Balances as at 31.12.2020	**570**	**268**	**167**	**=**	**54**	**1,059**

Intangible assets as at 31 December 2020 came to €1,059,000, down €207,000 compared with the previous year (included €253,000 of amortisation in the period).

The main increases in the period relate to €52,000 for industrial patent rights and intellectual property rights (mainly software and EDP applications).

Goodwill relates to the "Logistics Services" business unit of Piovene in 2011.
This item is recognised with the agreement of the Board of Statutory Auditors.

Research and development expenses incurred 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:

	2020
Software	12.00%
Concessions, licenses and similar rights	10.60%

[Notes to the Company's financial statements]

1.5) Equity investments

	2020	2019	Change
Amounts to:	**111,769**	**111,821**	**(52)**
made up as follows:			

Description	**A) Shareholdings in Subsidiaries**	**B) Shareholdings in Affiliates**	**C) Shareholdings in other companies**	**Total**
Original cost	100,842	10,824	206	111,872
Adjust. for permanent decrease in value	=	=	(51)	(51)
Balances as at 31.12.2019	**100,842**	**10,824**	**155**	**111,821**
Movements during the year:				
Original cost:				
acquisitions	=	=	=	=
disposal	=	=	=	=
write-down	(52)	=	=	(52)
Total movements for the year	**(52)**	**=**	**=**	**(52)**
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**

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 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.

This item amounted to €111,769,000 at 31 December 2020: during the year, the equity investment in Le Cotonerie S.r.l., a company in liquidation, was written down.

Notes to the Company's financial statements

1.6) Other medium/long-term receivables

	2020	2019	Change
Amounts to:	**9**	**11**	**(2)**
made up as follows:			
Other receivables	9	11	(2)
Total	**9**	**11**	**(2)**

Sundry medium/long-term receivables of €9,000 include the security deposits paid and still in place as at 31 December 2020.

1.7) Deferred tax assets

	2020	2019	Change
Amounts to:	**3,024**	**3,071**	**(47)**
made up as follows:			
Depreciation of receivables	17	17	=
Accrual for risk and charges	2,789	2,781	8
Fair value of forward foreign exchange transactions	30	=	30
Other temporary differences	188	273	(85)
Total	**3,024**	**3,071**	**(47)**

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

	2020	2019	Change
Amounts to:	**51,508**	**36**	**51,472**
made up as follows:			
Receivables from subsidiaries	51,500	=	51,500
Guarantee deposits (financial)	8	36	(28)
Total	**51,508**	**36**	**51,472**

Medium/long-term financial receivables from subsidiaries relate to:

	2020	2019	Change
Marzotto Wool Manufacturing S.r.l.	20,750	=	20,750
Biella Manifatture Tessili S.r.l.	10,000	=	10,000
Marzotto Lab S.r.l.	20,750	=	20,750
Total	**51,500**	**=**	**51,500**

Medium/long-term financial receivables from subsidiaries of €51,500,000 are due to the use of cash obtained through the contracting of new medium/long-term loans with various credit institutions backed by state guarantees (Article 1 of Legislative Decree 23 of 8 April 2020), which the Company in turn granted to the Group's main operating companies.

Notes to the Company's financial statements

	2020	2019	Change
Amounts to:	**4,827**	**6,184**	**(1,357)**

and refer to:

	2020		2019	
	Importi	%li	Importi	%li
Active customers receivables	1,741	*100.0*	1,919	*100.0*
- Bad debt provision	=	=	=	=
= Net active customers receivables	**1,741**	***100.0***	**1,919**	***100.0***
Bad debt	72	*100.0*	72	*100.0*
- Bad debt provision	(72)	*(100.0)*	(72)	*(100.0)*
= Net bad debt	**=**	**=**	**=**	**=**
Receivables from subsidiaries	**2,877**	***100.0***	**3,962**	***100.0***
Receivables from parent	**63**	***100.0***	**26**	***100.0***
Receivables from affiliates	**146**	***100.0***	**277**	***100.0***
Total face value of receivables	4,899	*100.0*	6,256	*100.0*
- Bad debt provision	(72)	*(1.5)*	(72)	*(1.2)*
Net receivables from customers	**4,827**	***98.5***	**6,184**	***98.8***

Trade receivables totalled €4,827,000, net of a provision for doubtful debt of €72,000.

The carrying amount of the provision is considered appropriate to bring the par value of the receivables into line with their estimated realisable value, and is consistent with the reference accounting standard.

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

Trade receivables by geographic area are as follows:

	Italy	Other European Countries	North America	Asia	Other Countries	Total
Towards customers	1,812	=	=	=	1	1,813
Towards subsidiaries	2,676	189	1	4	7	2,877
Towards parent	63	=	=	=	=	63
Towards affiliates	105	41	=	=	=	146
Gross receivables	**4,656**	**230**	**1**	**4**	**8**	**4,899**

Notes to the Company's financial statements

Trade receivables due from subsidiaries relate to:

	2020	2019	Change
Novà Mosilana a.s.	62	72	(10)
AB Liteksas	21	13	8
Marzotto Int. Trading Shanghai Ltd.	4	4	=
Ambiente Energia S.r.l.	155	188	(33)
Sametex spol s r. o	99	196	(97)
Le Cotonerie S.r.l.	=	1	(1)
Marzotto Wool Manufacturing S.r.l.	590	830	(240)
Marzotto Lab S.r.l.	515	616	(101)
Biella Manifatture Tessili S.r.l.	775	1,186	(411)
Linificio S.r.l.	641	840	(199)
UAB Lietlinen	7	6	1
Filature de Lin Filin s.a.	7	10	(3)
Total	**2,877**	**3,962**	**(1,085)**

Trade receivables due from lead companies relate to:

	2020	2019	Change
Trenora S.r.l.	28	20	8
Wizard S.r.l.	35	6	29
Total	**63**	**26**	**37**

Trade receivables from associates relate to:

	2020	2019	Change
Tintoria di Verrone S.r.l.	6	14	(8)
Uab Lietvilna	41	118	(77)
Ratti S.p.A.	98	144	(46)
Mascioni S.p.A.	1	1	=
Total	**146**	**277**	**(131)**

Trade receivables from parent companies, subsidiaries and associates result from business relations and are settled under normal market conditions.

Notes to the Company's financial statements

3.3) Other receivables

	2020	2019	Change
Amounts to:	**3,541**	**1,289**	**2,252**
made up as follows:			
Due from Tax Authorities	1,111	997	114
Other receivables	2,323	156	2,167
Accrued income and prepaid expenses	107	136	(29)
Total	**3,541**	**1,289**	**2,252**

Receivables from tax authorities relate to:

	2020	2019	Change
Added value tax	=	130	(130)
Income taxes	416	416	=
Interest due	35	35	=
Advance payments	321	383	(62)
Credits for taxes withheld	9	9	=
Other items	330	24	306
Total	**1,111**	**997**	**114**

The income taxes item of €416,000 includes an amount of €373,000 relating to an IRES receivable.

Other receivables from tax authorities, amounting to €330,000, include €326,000 relating to an IRES receivable assigned by the parent company, Wizard S.r.l.

Other receivables comprise:

	2020	2019	Change
Due from State pension funds	103	40	63
Due from employees	109	101	8
Due from subsidiaries	2,100	=	2,100
Due from affiliates	7	7	=
Other receivables	4	8	(4)
Total	**2,323**	**156**	**2,167**

The item **Other receivables from subsidiaries** relates to the following:

	2020	2019	Change
Marzotto Wool Manufacturing S.r.l.	700	=	700
Biella Manifatture Tessili S.r.l.	700	=	700
Linificio e Canapificio Nazionale S.r.l.	700	=	700
Total	**2,100**	**=**	**2,100**

The item **Other receivables from subsidiaries** of €2,100,000 includes receivables deriving from the assignment of the IRES receivable by the parent company Wizard S.r.l., which was in turn assigned to the subsidiaries.

The item **Other receivables from associates** relates to Mascioni S.p.A.

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

	2020	2019	Change
Amounts to:	**27,524**	**21,966**	**5,558**
and refers to:			
Financial assets			
Due from subsidiaries	13,024	12,251	773
Cash			
Bank and post-office accounts	14,495	9,707	4,788
Cash and cash equivalent on hand	5	8	(3)
Total	**27,524**	**21,966**	**5,558**

The total amount of the Company's **short-term financial assets and cash and cash equivalents** is €27,524,000.

Liquid assets amount to €14,500,000 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 2020.

Financial receivables due from subsidiaries relate to:

	2020	2019	Change
Marzotto Textile N.V.	237	193	44
Marzotto Wool Manufacturing S.r.l.	12,787	43	12,744
Marzotto Lab S.r.l.	=	12,015	(12,015)
Total	**13,024**	**12,251**	**773**

Financial receivables from subsidiaries include giro accounts held under market conditions.

[Notes to the Company's financial statements]

Shareholders' equity amounted to €132,650,000 at 31 December 2020, increasing by €9,384,000 compared with the previous year.

Share capital

Number of Shares	Share capital at 31.12.2019	Share capital change	Share capital at 31.12.2020
Ordinary shares	40,000,000	=	40,000,000
Total	**40,000,000**	**=**	**40,000,000**

The fully subscribed and paid-up **share capital** was €40,000,000 at 31 December 2020.

Legal reserve

Balances equity as at 31 December 2019	8,000
+/- change	=
Total	**8,000**

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

Share capital payment reserve

Balances equity as at 31 December 2019	=
+/- change	10,100
Total	**10,100**

The **capital contributions reserve**, amounting to €10,100,000, was created as follows.
During 2020, the sole shareholder fully reversed the payment of the receivable arising from the distribution of dividends on 2018 profits, totalling €8,000,000, and reversed the payment of the receivable deriving from the transfer to the Company and its Italian subsidiaries of surplus tax paid as the consolidating entity totalling €2,100,000.

Extraordinary reserve

Balances equity as at 31 December 2019	76
+/- change	=
Total	**76**

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

Fair value reserve	2020	2019	Change
IRS	(97)	=	(97)
Total	**(97)**	**=**	**(97)**

In order to address the risks of fluctuations in the variable interest rates on its medium/long-term loans, the Company carries out interest rate hedging transactions (interest rate swaps) to establish a fixed interest rate in advance.

The **fair value reserve** includes the market value of these transactions, net of tax, which as at the reporting date came to -€97,000 relating to interest rate swaps (IRS).

The gain (or loss) recorded in shareholders' equity is recognised in the income statement as soon as the hedged transaction affects the income statement.

Transfer reserve	
Balances equity as at 31 December 2019	51,998
+/- change	=
Total	**51,998**

The **transfer reserve,** amounting to €51,998,000, includes capital gains arising as part of the reorganisation due to the transfer that took place in 2015.

Other reserves and retained earnings	2020	2019	Change
IAS 19 reserve	(28)	(25)	(3)
Profits carried forward	23,217	12,892	10,325
Total	**23,189**	**12,867**	**10,322**

Statutory and tax regulations to which the share capital and reserves as at 31/12/2020 are subject, in case of their reimbursement

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	(28)	=	=	(28)
Fair Value reserve	(97)	=	=	(97)
Transfer reserve	51,998	=	=	51,998
Profits carried forward	23,217	=	=	23,217
Total	**78,433**	**884**	**53,949**	**133,266**

Following the demerger carried out in the 2010 tax period, the tax values recognised in shareholders' equity differ from those in the statutory financial statements; in particular, the tax value of the share capital is €10,850,000 greater than the value shown in the table above, while "other reserves" show a lower tax value.

Capital and reserves with tax constraints

The equity constraint as at 31 December 2020 can be broken down as follows:

- the equity constraint for IRES purposes amounts to €204,000, consisting of the tax reversal in 2004 and higher tax amortisation than accounting amortisation in 2007.

Capital and reserves with statutory constraints

Description	**12/31/2020**	**Possibility of use**	**Notes**
Share capital	40,000		
Legal reserve	8,000	B	
Extraordinary reserve	76	A B C	
Fair value reserve	(97)		
IAS 19 reserve	(28)		
Share capital payment reserve	10,100	A B C	
Transfer reserve	51,998	A B C	
Profits carried forward	23,217	A B C	
Total	**133,266**		

A: for capital increase

B: to cover losses

C: for distribution to shareholders

D: for other statutory constraints

Notes to the Company's financial statements

	2020	2019	Change
Amounts to:	**10,355**	**10,581**	**(226)**
and refer to:			

Provision for staff termination indemnities	2020	2019	Change
Amounts to:	**589**	**676**	**(87)**
the change is due to:			
Accrual in income statement	332	358	(26)
Disbursements for terminations	(105)	(119)	14
0.50% contributions on accruals for the year	(20)	(23)	3
Transfer to other reserves/other companies	(303)	(279)	(24)
Transfer to tax authorities for personal income taxes ("IRPEF")	(1)	(1)	=
Adjustment as per IAS 19	10	26	(16)
Total	**(87)**	**(38)**	**(49)**

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 0.61% and an annual inflation index of 0.80%.
The recognition of employee benefits is made in accordance with IAS 19 for defined benefit plans; the company has decided to adopt the amendments introduced by IAS 19 early, as from the financial statements as at 31 December 2012, with the consequent recognition of changes in actuarial gains/losses in other comprehensive income and financial gains/losses recognised in the income statement.
According to Italian Law 296/06, effective as of 30 June 2007, employee termination indemnities accrued after 1 January 2007 must be paid into a specific treasury fund opened with the INPS (National Institute for Social Protection) or, on the employee's instruction, into 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	2020	2019	Change
Amounts to:	**452**	**499**	**(47)**

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

	2020	2019	Change	due to	
Other provisions				Accrual	Utilization
Amounts to:	**9,314**	**9,406**	**(92)**	532	(624)
and refers to:					
Legal risk fund	1,064	1,077	(13)	=	(13)
Restructuring and relocation provisions	2,861	2,861	=	=	=
Other provisions for risk/charges	5,389	5,468	(79)	532	(611)

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 include foreseeable risks consequent to transactions relating to Aree Urbane S.r.l., in addition to expenses associated with the Praia a Mare plant. Please see the Management Report for more information.

5.3) Deferred taxes payables

	2020	2019	Change
Amounts to:	**1,001**	**1,593**	**(592)**
and can be broken down as follows:			
Tangible and intangible assets differences	137	165	(28)
Deferred tax liabilities	864	1,428	(564)
Total	**1,001**	**1,593**	**(592)**

This item includes deferred taxes reported by the Company, mainly attributable to the difference between depreciation and amortisation based on tax rates and on the useful life of the asset.

5.4) Medium/long term financial payables

	2020	2019	Change
Amounts to:	**57,778**	**6,142**	**51,636**
and can be broken down as follows:			
Funding with state guarantee	57,500	=	57,500
Non-secured financing received	=	6,000	(6,000)
Financial payables for leasing	149	140	9
Due to other lenders	129	2	127
Total	**57,778**	**6,142**	**51,636**

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

More specifically, the medium/long-term state-guaranteed loans item, which amounted to €57,500,000 as at 31 December, consists of the non-current portion of loans and breaks down as follows:

Funding with state guarantee **Bank**	nominal value	residual debt	due beyond financial year
Banca Popolare di Sondrio	15,000	15,000	15,000
Friuladria Credit Agricole	10,000	10,000	10,000
Cassa depositi e prestiti	20,000	20,000	20,000
Banco BPM	12,500	12,500	12,500
Total	**57,500**	**57,500**	**57,500**

State-guaranteed loans of €57,500,000 were taken out with the above banks during the year, to provide the liquidity needed for the operations of the Italian Group companies affected by the Covid-19 epidemic (Legislative Decree 23 of 8 April 2020).

Other medium/long-term financial payables of €129,000 include €127,000 of fair value relating to financial derivatives (interest rate swaps) booked using hedge accounting.

To stabilise future flows relating to hedged loans, an interest rate swap agreement was entered into in 2020, with characteristics that fully mirror the characteristics of the relevant loan; therefore, the hedging relationship is effective.

The IRS agreement entered into during the year relates to:

- Marzotto S.p.A.: Banca Credit Agricole Friuladria, notional €10,000,000, fixed rate 0.69%.

Notes to the Company's financial statements

	2020	2019	Change
Amounts to:	**4,181**	**13,401**	**(9,220)**
and can be broken down as follows:			
Trade payables	1,426	1,771	(345)
Trade payables due to parent companies	31	34	(3)
Payables due to Inland Revenue	617	717	(100)
Payables due to social security institutions	340	302	38
Payables due to employees	1,089	1,820	(731)
Other payables	179	193	(14)
Other payables due to parent companies	491	8,556	(8,065)
Accrued liabilities and deferred income	8	8	=
Total	**4,181**	**13,401**	**(9,220)**

Trade and other payables, amounting to €4,181,000 at 31 December 2020, decreased by €9,220,000.

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:

	2020	2019	Change
Marzotto Wool Manufacturing S.r.l.	30	33	(3)
Sametex spol s r. o	1	1	=
Total	**31**	**34**	**(3)**

Payables to tax authorities can be broken down as follows:

	2020	2019	Change
Regional manufacturing tax	60	66	(6)
Withholding taxes	494	548	(54)
Value added tax	5	=	5
Other amounts due	58	103	(45)
Total	**617**	**717**	**(100)**

The item **Payables to tax authorities**, amounting to €617,000, mainly consists of tax withholdings on income from employment and other taxes for the period.

Payables to social security institutions relate to:

	2020	2019	Change
INPS for current taxes	216	217	(1)
Due to other institutions	124	85	39
Total	**340**	**302**	**38**

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.

Statement of financial position

Notes to the Company's financial statements

Payables to employees can be broken down as follows:

	2020	2019	Change
December salaries paid in January	331	418	(87)
Staff termination indemnities paid after year-end	=	93	(93)
Deferred salaries for vacation days accrued and not taken	610	1,105	(495)
Deferred salaries for other deferrals	144	199	(55)
Other items	4	5	(1)
Total	**1,089**	**1,820**	**(731)**

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:

	2020	2019	Change
Other payables due to parent companies	491	8,556	(8,065)
Other amounts due to third parties	179	193	(14)
Total	**670**	**8,749**	**(8,079)**

The change in **Other payables to parent companies** is almost entirely due to the payment of dividends to parent company Wizard S.r.l., approved in 2019 and fully reimbursed by way of the capital contributions reserve.

6.2) Short-term financial payables

	2020	2019	Change
Amounts to:	**6,087**	**313**	**5,774**
and can be broken down as follows:			
Payables due to banks and other lenders	6,003	4	5,999
Financial payables for leasing	84	309	(225)
Total	**6,087**	**313**	**5,774**

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

	2020	2019	Change
Amounts to:	**15,167**	**15,547**	**(380)**
and can be broken down as follows:			
1.8 Long term financial receivables	51,508	36	51,472
3.4 Current financial assets, cash and cash equivalents	27,524	21,966	5,558
5.4 Long term financial payables	(57,778)	(6,142)	(51,636)
6.2 Current financial payables	(6,087)	(313)	(5,774)
Total	**15,167**	**15,547**	**(380)**

The net financial position at the reporting date was a positive €15,167,000, down by €380,000. 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 Company's financial statements

Comments on the commitments as at 31 December 2020 are provided below:

"***Guarantees to subsidiaries and associates***" were given:

- to the subsidiary Marzotto Lab S.r.l. for €5,500,000 for assignments of receivables without recourse;
- to the subsidiary Marzotto Lab S.r.l. for €45,500,000 to guarantee loans granted;
- to the subsidiary Marzotto Lab S.r.l. for €44,850,000 for lines of credit;
- to the subsidiary Linificio e Canapificio Nazionale S.r.l. for €2,000,000 for the assignment of receivables without recourse;
- to Sametex Spol s r.o to guarantee lines of credit for €4,939,000.

"Guarantees from subsidiaries and associates" were given:

- by the subsidiary Marzotto Wool Manufacturing S.r.l. for €21,250,000 to guarantee loans drawn down by the same company;
- by the subsidiary Marzotto Lab S.r.l. for €21,250,000 to guarantee loans drawn down by the same company.

"***Guarantees received from third parties***" were given:

- to the Company for €114,000 to guarantee rental income and for €9,000,000 to guarantee medium/long-term loans.

Interest rate hedge agreements relate to an interest rate swap agreement hedging a notional amount of €10,000,000. As at 31 December 2020, the fair value of this instrument was a loss of €127,000.

Notes to the Company's financial statements

For comments on the income performance of the Company during the year in question, reference is also made to the specific paragraph of the Report on Operations.

7. Net revenues

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

	2020	2019	% change
Holding/coordination	6,501	8,324	(21.9)
Real estate	1,096	1,079	1.6
Logistics	1,349	1,719	(21.5)
Other	367	610	(39.8)
Total	**9,313**	**11,732**	**(20.6)**

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 operating 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 relate to proceeds deriving from property management, such a rental income for the lease of the portion of the property situated in Piovene Rocchette (Vicenza).
Other revenues mainly refer to revenues from photovoltaic management of €347,000, grants of €8,000 and tax receivables of €3,000.

8. Cost of goods sold

	2020	2019	% change
Amounts to:	**(1,667)**	**(2,293)**	**(27.3)**
and refers to:			
Other logistic and industrial costs	(1,667)	(2,293)	(27.3)
Total	**(1,667)**	**(2,293)**	**(27.3)**

The item in question totals €1,667,000, mainly comprising costs of €1,223,000 relating to the Logistics business at the Piovene (Vicenza) site.

11. General and administrative costs

	2020	2019	% change
Amounts to:	**(7,277)**	**(8,883)**	**(18.1)**

General and administrative costs as at 31 December 2020 mainly include payroll costs of €4,036,000, costs for directors and auditors of €737,000, consultancy costs and fees (legal, administrative and other minor) of €343,000, insurance expenses of €100,000 and maintenance, utilities and transport costs of €2,061,000.

12. Other income and expenses

	2020	2019	% change
Amounts to:	**(907)**	**(106)**	**>100%**
and refers to:			
Disposal of tangible and intangible assets	116	46	
Loss on disposal of investment	(3)	=	
Allocation/use to legal risk fund and future charges	(532)	695	
Other income/charges	(488)	(847)	
Total other income/charges	**(907)**	**(106)**	**>100%**

Operating costs include total extraordinary costs for emergency management of Covid-19 of €10,000, including costs for protective devices and adaptation to safety protocols, as well as €271,000 for donations made to local associations and entities committed to managing the health emergency.

Notes to the Company's financial statements

13. EBIT

	2020	2019	% change
Amounts to:	**(540)**	**443**	**n.c.**

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

Payroll costs

	2020	2019	% change
Amounts to:	**(5,251)**	**(6,633)**	**(20.8)**
and refers to:			
Wages and salaries	(3,784)	(4,817)	(21.4)
Social security contributions	(1,112)	(1,398)	(20.5)
Staff termination indemnities	(332)	(358)	(7.3)
Pension funds and similar liabilities	(19)	(18)	5.6
Other labour costs	(4)	(42)	(90.5)

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		
	31.12.2020	31.12.2019	% change	2020	2019	% change
Blue-collar workers	13	15	*(13.3)*	13	14	*(7.1)*
White-collar workers	60	65	*(7.7)*	62	68	*(8.8)*
Managers	9	8	*12.5*	9	9	=
Total	**82**	**88**	***(6.8)***	**84**	**91**	***(7.7)***

Amortisation and depreciation was as follows:

Ammortization	2020	2019	% change
Amounts to:	**(1,247)**	**(1,316)**	**(5.2)**
and refers to:			
amortization of intangible fixed assets	(253)	(249)	
depreciation of tangible fixed assets	(994)	(1,067)	

Notes to the Company's financial statements

14. Net financial expenses

	2020	2019	% change
Amounts to:	**(21)**	**62**	**n.c.**
and refer to:			
Financial income			
Interest received from subsidiaries	101	48	>100,0
Interests received from banks	2	9	(77.8)
Other financial income	=	53	n.c.
Total financial income	**103**	**110**	**(6.4)**
Financial charges			
Interest payable to subsidiaries	(1)	=	n.c.
Bank services	(44)	(25)	76.0
Other financial charges	(79)	(23)	>100,0
Total financial charges	**(124)**	**(48)**	**+100,0**
Total	**(21)**	**62**	**n.c.**

Interest received from subsidiaries is detailed as follows:

	2020	2019	% change
Amounts to:	**101**	**48**	**>100,0**
and refers to:			
Marzotto Wool Manufacturing S.r.l.	31	11	> 100,0
Marzotto Lab S.r.l.	65	36	80.6
Marzotto Textile N.V.	1	1	=
Biella Manifatture Tessili S.r.l.	4	=	>100,0
Total	**101**	**48**	**>100,0**

15. Dividends from investees

	2020	2019	% change
Amounts to:	**=**	**10,507**	**n.c.**
and refers to:			
Dividends from subsidiary companies			
Marzotto Wool Manufacturing S.r.l.	=	8,000	
Ambiente Energia S.r.l.	=	650	
Dividends from affiliates companies			
Ratti S.p.A.	=	1,857	
Total dividends	**=**	**10,507**	**n.c.**

17. Other financial income and expenses

	2020	2019	% change
Amounts to:	**(57)**	**(6)**	**>100,0**
and refers to:			
Write down of the equity investment Le Cotonerie S.r.l.	(52)	=	
Adjustement TFR IAS 19	(5)	(6)	
Total	**(57)**	**(6)**	**>100,0**

Notes to the Company's financial statements

19. Income taxes

	2020	2019	% change
Amounts to:	**2**	**(681)**	**n.c.**
and refers to:			
Current taxes	(562)	(637)	
Deferred taxes payable	457	421	
Deferred taxes receivable	(54)	(331)	
Other variations	161	(134)	
Total	**2**	**(681)**	**n.c.**

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

	2020		2019	
	Amount	%age	Amount	%age
Pre-tax profit	**(618)**		**11,006**	
Theoretical taxes	148	(24.0)	(2,641)	(24.0)
Exemption on dividens	=	=	2,396	21.8
Other permanent changes	(152)	24.6	(156)	(1.4)
IRAP	(60)	9.7	(66)	(0.6)
Other variations	(95)	15.4	(80)	(0.7)
Taxes from previous year	161	(26.1)	(134)	(1.2)
Total taxes	**2**	**(0.4)**	**(681)**	**(6.2)**

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, affiliates 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.

Relationships with subsidiaries and associates are also shown in the financial statements 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 2020.

Receivables and payables existing with Group Companies as at 31 December 2020

	Receivables				Payables			
Company	Trade	Other	Financial	Total	Trade	Other	Financial	Total
Biella ManifattureTessili S.r.l.	775	700	10,000	11,475	=	=	=	=
Marzotto Wool Manufacturing S.r.l.	590	700	33,539	34,829	30	=	=	30
Marzotto Lab S.r.l.	515	=	20,750	21,265	=	=	=	=
Ambiente Energia S.r.l.	155	=	=	155	=	=	=	=
Marzotto Textile NV	=	=	235	235	=	=	=	=
Novà Mosilana a.s.	62	=	=	62	=	=	=	=
AB Liteksas	21	=	=	21	=	=	=	=
Marzotto Int. Tr. Shanghai Co. Ltd	4	=	=	4	=	=	=	=
Marzotto Textiles U.S.A. Inc.	1	=	=	1	=	=	=	=
Sametex spol s r. o	99	=	=	99	1	=	=	1
UAB Lietlinen	7	=	=	7	=	=	=	=
Linificio S.r.l.	641	700	=	1,341	=	=	=	=
Filature de Lin Filin s.a.	7	=	=	7	=	=	=	=
Uab Lietvilna	41	=	=	41	=	=	=	=
Tintoria di Verrone S.r.l.	6	=	=	6	=	=	=	=
Ratti S.p.A.	98	=	=	98	=	=	=	=
Mascioni S.p.A.	1	7	=	8	=	=	=	=
Trenora S.r.l.	28	=	=	28	=	=	=	=
Wizard S.r.l.	35	=	=	35	=	491	=	491
Total	**3,086**	**2,107**	**64,524**	**69,717**	**31**	**491**	**=**	**522**

Revenues, income, costs and charges with the Group Companies for the year 2020

	Revenues and other income				Costs and charges			
Company	Products	Services	Finance	Total	Products	Services	Finance	Total
Biella Manifatture Tessili S.r.l.	1,647	=	4	1,651	=	=	=	=
Marzotto Wool Manufacturing S.r.l.	2,477	=	31	2,508	=	326	=	326
Marzotto Lab S.r.l.	1,778	=	65	1,843	=	6	=	6
Ambiente Energia S.r.l.	256	=	=	256	=	=	=	=
Marzotto Textile NV	=	=	1	1	=	=	=	=
Novà Mosilana a.s.	279	=	=	279	=	=	=	=
AB Liteksas	38	=	=	38	=	=	=	=
Sametex spol s r. o	221	=	=	221	=	1	=	1
Linificio S.r.l.	1,164	=	=	1,164	=	=	=	=
Uab Lietvilna	163	=	=	163	=	=	=	=
Tintoria di Verrone S.r.l.	10	=	=	10	=	=	=	=
Ratti S.p.A.	159	=	=	159	=	=	=	=
Trenora S.r.l.	24	=	=	24	=	=	=	=
Wizard S.r.l.	36	=	=	36	=	=	=	=
Total	**8,252**	**=**	**101**	**8,353**	**=**	**333**	**=**	**333**

Notes to the Company's financial statements

Directors and Statutory Auditors

Remuneration paid to the Directors and Statutory Auditors of Marzotto S.p.A.

	Office		
(thousand of euro)	Directors	Auditors	**Total**
Remuneration	698	39	**737**

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)	Marzotto S.p.A.	Company Subsidiaries	**Total**
Auditing services	9	164	**173**

Atypical/unusual transactions

During 2020, the Company did not carry out any atypical and/or unusual transactions.

Events after the date of these financial statements

Please see the Management Report for events after 31 December 2020.

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 2020. All equity investments represent ownership:

Company name	Head office	Direct investor	% direct owned	% Marzotto S.p.A. owned
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%
Nová Mosilana a.s.	Brno (CZ)	Marzotto Wool Manufacturing S.r.l.	100.00%	100.00%
Marzotto Textile N.V.	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%
Le Cotonerie S.r.l.	Valdagno (I)	Marzotto S.p.A.	100.00%	100.00%
Ambiente Energia S.r.l.	Schio (I)	Marzotto S.p.A.	100.00%	100.00%
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.	Tonisvorst (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.	Milan (I)	Marzotto S.p.A.	32.50%	32.50%
Mascioni S.p.A.	Milan (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%
Schneider New Zealand Limited	Christchurch (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%
Linificio e Canapificio Nazionale S.r.l.	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.	100.00%	100.00%
UAB Lietlinen	Kaunas (LT)	Linificio e Canapificio N. S.r.l.	100.00%	100.00%
Ratti S.p.A.	Guanzate (I)	Marzotto S.p.A.	**34.01%**	**34.01%**
Creomoda S.a.r.l.	Sousse (TN)	Ratti S.p.A.	76.00%	25.84%
La Maison des Accessories S.r.a.l.	Sousse (TN)	Ratti S.p.A.	68.40%	17.68%
Marielle S.r.l.	Firenze (FI)	Ratti S.p.A.	30.00%	10.20%
Ratti USA Inc.	New York (USA)	Ratti S.p.A.	100.00%	34.01%
Ratti Int. Trading (Shanghai) Co. Ltd	Shanghai (RPC)	Ratti S.p.A.	100.00%	34.01%
Textrom S.r.l.	Cluj - Napoca (RO)	Ratti S.p.A.	100.00%	34.01%

[Notes to the Company's financial statements]

We provide further details on the equity investments held by the Company below.

Company	Reg. office	Share Capital	Currency	% Ownership 2020	% Ownership 2019
Le Cotonerie S.r.l.	Valdagno (I)	15.00	K EUR	100.00	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 subisidiaries:					
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 subisidiaries:					
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.	Tonisvorst (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 subisidiaries:					
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.	Valdagno (I)	27,648.00	K EUR	100.00	100.00
and it's subisidiaries:					
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.	Milan (I)	10,000.00	K EUR	13.31	14.18
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	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	34.01	34.01
and it's subisidiaries:					
Creomoda S.a.r.l.	Sousse (TN)	660.00	K TND	25.84	25.84
La Maison des accessories S.a.r.l.	Sousse (TN)	120.00	K TND	23.26	23.26
Ratti USA Inc.	New York (USA)	500.00	K USD	34.01	34.01
Ratti Int. Trading (Shanghai) Co. Ltd	Shanghai (RPC)	110.00	K EUR	34.01	34.01
Textrom S.r.l.	Cluj - Napoca (RO)	0.20	K RON	34.01	34.01
Marielle S.r.l.	Firenze (FI)	17.25	K EUR	10.20	=
Aree Urbane S.r.l. in liquidation	Milan (I)	100.00	K EUR	32.50	32.50

[Notes to the Company's financial statements]

(thousand euro)	Situation as at 31.12.2019				Changes during the year 2020			
	Number		Pro-quota	Net	Number	Gross book value		
	of shares	%	net	book	of shares			Adjust-
Description	owned	owned	equity [1]	value	(+/-)	Increases	Decreases	ments
Le Cotonerie S.r.l.	1	*100.00*	10	52	=	=	(52)	=
Ambiente Energia S.r.l.	1	*100.00*	8,923	8,010	=	=	=	=
Marzotto Wool Manufacturing S.r.l.	1	*100.00*	66,520	49,371	=	=	=	=
Mrzotto Lab S.r.l.	1	*100.00*	38,070	43,401	=	=	=	=
Marzotto Textiles Czech Rep. s r.o	1	*100.00*	149	7	=	=	=	=
Shareholdings in subsidiaries			**113,672**	**100,841**	**=**	**=**	**(52)**	**=**
Mascioni S.p.A.	283,500	*14.18*	1,471	=	=	=	=	=
Aree Urbane S.r.l. in liquidation	1	*32.50*	(29,954)	=	=	=	=	=
Ratti S.p.A.	9,300,400	*34.01*	20,209	10,825	=	=	=	=
Shareholding in affiliates			**(8,274)**	**10,825**	**=**	**=**	**=**	**=**
Società Editrice Il Mulino S.p.A.	224,989	*4.79*	141	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	=	=	=	=
Shareholdings in other companies			**154**	**155**	**=**	**=**	**=**	**=**
Total equity investments			**105,552**	**111,821**	**=**	**=**	**(52)**	**=**

1. 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 31.12.2020						
Net equity as of	Number of shares owned	% owned	Pro-quota Net Income	Pro-quota net equity (1)	Net book value	**Description**
Dec. 2020	1	*100.00*	(11)	=	=	Le Cotonerie S.r.l.
Dec. 2020	1	*100.00*	827	9,749	8,010	Ambiente Energia S.r.l.
Dec. 2020	1	*100.00*	(5,031)	61,257	49,371	Marzotto Wool Manufacturing S.r.l.
Dec. 2020	1	*100.00*	(11,555)	26,500	43,401	Marzotto Lab S.r.l.
Dec. 2020	1	*100.00*	22	160	7	Marzotto Textiles Czech Rep. s r.o
			(15,748)	**97,666**	**100,789**	**Shareholdings in subsidiaries**
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 liquidation
Dec. 2020	9,300,400	*34.01*	143	20,415	10,825	Ratti S.p.A.
			(5,605)	**(14,605)**	**10,825**	**Shareholding in affiliates**
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)
			7	**224**	**155**	**Shareholdings in other companies**
			(21,346)	**83,285**	**111,769**	**Total equity investments**

[Proposals to the Shareholders' Meeting]

Allocation of earnings for the year

Dear Shareholders,

We invite you to approve the financial statements submitted to you and propose to allocate the loss for the period of €615,630.49 as follows:

- carried forward: €615,630.49

After this allocation, retained earnings net of losses will amount to €22,601,222.95.

Valdagno (Vicenza), 28 May 2021

FOR THE BOARD OF DIRECTORS
THE MANAGING DIRECTOR
DAVIDE FAVRIN

Building a better working world

EY S.p.A.
Viale Appiani, 20/b
31100 Treviso

Tel: +39 0422 358811
Fax: +39 0422 433026
ey.com

Relazione della società di revisione indipendente ai sensi dell'art. 14 del D. Lgs. 27 gennaio 2010, n. 39

All'Azionista della
Manifattura Lane Gaetano Marzotto & Figli S.p.A.

Relazione sulla revisione contabile del bilancio d'esercizio

Giudizio

Abbiamo svolto la revisione contabile del bilancio d'esercizio della Manifattura Lane Gaetano Marzotto & Figli S.p.A. (la Società), costituito dalla situazione patrimoniale-finanziaria al 31 dicembre 2020, dal prospetto dell'utile/(perdita) d'esercizio e delle altre componenti di conto economico complessivo, dal prospetto delle variazioni del patrimonio netto, dal rendiconto finanziario per l'esercizio chiuso a tale data e dalle note al bilancio che includono anche la sintesi dei più significativi principi contabili applicati.

A nostro giudizio, il bilancio d'esercizio fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria della Società al 31 dicembre 2020, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data, in conformità agli International Financial Reporting Standards adottati dall'Unione Europea.

Elementi alla base del giudizio

Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia). Le nostre responsabilità ai sensi di tali principi sono ulteriormente descritte nella sezione *Responsabilità della società di revisione per la revisione contabile del bilancio d'esercizio* della presente relazione. Siamo indipendenti rispetto alla Società in conformità alle norme e ai principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano alla revisione contabile del bilancio. Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

Responsabilità degli amministratori e del collegio sindacale per il bilancio d'esercizio

Gli amministratori sono responsabili per la redazione del bilancio d'esercizio che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea e, nei termini previsti dalla legge, per quella parte del controllo interno dagli stessi ritenuta necessaria per consentire la redazione di un bilancio che non contenga errori significativi dovuti a frodi o a comportamenti o eventi non intenzionali.

Gli amministratori sono responsabili per la valutazione della capacità della Società di continuare ad operare come un'entità in funzionamento e, nella redazione del bilancio d'esercizio, per l'appropriatezza dell'utilizzo del presupposto della continuità aziendale, nonché per una adeguata informativa in materia. Gli amministratori utilizzano il presupposto della continuità aziendale nella

EY S.p.A.
Sede Legale: Via Lombardia, 31 - 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
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

A member firm of Ernst & Young Global Limited

redazione del bilancio d'esercizio a meno che abbiano valutato che sussistono le condizioni per la liquidazione della Società o per l'interruzione dell'attività o non abbiano alternative realistiche a tali scelte.

Il collegio sindacale ha la responsabilità della vigilanza, nei termini previsti dalla legge, sul processo di predisposizione dell'informativa finanziaria del Gruppo.

Responsabilità della società di revisione per la revisione contabile del bilancio d'esercizio

I nostri obiettivi sono l'acquisizione di una ragionevole sicurezza che il bilancio d'esercizio nel suo complesso non contenga errori significativi, dovuti a frodi o a comportamenti o eventi non intenzionali, e l'emissione di una relazione di revisione che includa il nostro giudizio. Per ragionevole sicurezza si intende un livello elevato di sicurezza che tuttavia non fornisce la garanzia che una revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia) individui sempre un errore significativo, qualora esistente. Gli errori possono derivare da frodi o da comportamenti o eventi non intenzionali e sono considerati significativi qualora ci si possa ragionevolmente attendere che essi, singolarmente o nel loro insieme, siano in grado di influenzare le decisioni economiche degli utilizzatori prese sulla base del bilancio d'esercizio.

Nell'ambito della revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia), abbiamo esercitato il giudizio professionale e abbiamo mantenuto lo scetticismo professionale per tutta la durata della revisione contabile. Inoltre:

- abbiamo identificato e valutato i rischi di errori significativi nel bilancio d'esercizio, dovuti a frodi o a comportamenti o eventi non intenzionali; abbiamo definito e svolto procedure di revisione in risposta a tali rischi; abbiamo acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio. Il rischio di non individuare un errore significativo dovuto a frodi è più elevato rispetto al rischio di non individuare un errore significativo derivante da comportamenti od eventi non intenzionali, poiché la frode può implicare l'esistenza di collusioni, falsificazioni, omissioni intenzionali, rappresentazioni fuorvianti o forzature del controllo interno;
- abbiamo acquisito una comprensione del controllo interno rilevante ai fini della revisione contabile allo scopo di definire procedure di revisione appropriate nelle circostanze, e non per esprimere un giudizio sull'efficacia del controllo interno della Società;
- abbiamo valutato l'appropriatezza dei principi contabili utilizzati nonché la ragionevolezza delle stime contabili effettuate dagli amministratori e della relativa informativa;
- siamo giunti ad una conclusione sull'appropriatezza dell'utilizzo da parte degli amministratori del presupposto della continuità aziendale e, in base agli elementi probativi acquisiti, sull'eventuale esistenza di una incertezza significativa riguardo a eventi o circostanze che possono far sorgere dubbi significativi sulla capacità della Società di continuare ad operare come un'entità in funzionamento. In presenza di un'incertezza significativa, siamo tenuti a richiamare l'attenzione nella relazione di revisione sulla relativa informativa di bilancio ovvero, qualora tale informativa sia inadeguata, a riflettere tale circostanza nella formulazione del nostro giudizio. Le nostre conclusioni sono basate sugli elementi probativi acquisiti fino alla data della presente relazione. Tuttavia, eventi o circostanze successivi possono comportare che la Società cessi di operare come un'entità in funzionamento;

- abbiamo valutato la presentazione, la struttura e il contenuto del bilancio d'esercizio nel suo complesso, inclusa l'informativa, e se il bilancio d'esercizio rappresenti le operazioni e gli eventi sottostanti in modo da fornire una corretta rappresentazione.

Abbiamo comunicato ai responsabili delle attività di governance, identificati ad un livello appropriato come richiesto ai principi di revisione internazionali (ISA Italia), tra gli altri aspetti, la portata e la tempistica pianificate per la revisione contabile e i risultati significativi emersi, incluse le eventuali carenze significative nel controllo interno identificate nel corso della revisione contabile.

Relazione su altre disposizioni di legge e regolamentari

Giudizio ai sensi dell'art. 14, comma 2, lettera e), del D. Lgs. 27 gennaio 2010, n. 39

Gli amministratori della Manifattura Lane Gaetano Marzotto & Figli S.p.A. sono responsabili per la predisposizione della relazione sulla gestione della Manifattura Lane Gaetano Marzotto & Figli S.p.A. al 31 dicembre 2020, inclusa la sua coerenza con il relativo bilancio d'esercizio e la sua conformità alle norme di legge.

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n. 720B al fine di esprimere un giudizio sulla coerenza della relazione sulla gestione con il bilancio d'esercizio della Manifattura Lane Gaetano Marzotto & Figli S.p.A. al 31 dicembre 2020 e sulla conformità della stessa alle norme di legge, nonché di rilasciare una dichiarazione su eventuali errori significativi.

A nostro giudizio, la relazione sulla gestione è coerente con il bilancio d'esercizio della Manifattura Lane Gaetano Marzotto & Figli S.p.A. al 31 dicembre 2020 ed è redatta in conformità alle norme di legge.

Con riferimento alla dichiarazione di cui all'art. 14, c.2, lettera e), del D. Lgs. 27 gennaio 2010, n. 39, rilasciata sulla base delle conoscenze e della comprensione dell'impresa e del relativo contesto acquisite nel corso dell'attività di revisione, non abbiamo nulla da riportare.

Padova, 12 giugno 2021

EY S.p.A.

Stefano Marchesin
(Revisore Legale)

REPORT PURSUANT TO ARTICLE 2429, PARA. 2 OF THE ITALIAN CIVIL CODE OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING OF MARZOTTO S.P.A.

To the shareholder of Marzotto S.p.A.

Introduction

During the year ended 31 December 2020, the Board of Statutory Auditors performed the duties set forth in Articles 2403 *et seq*. of the Italian Civil Code, as EY S.p.A. is required to perform the duties set forth in Article 2409-*bis* of the Civil Code.

During the year ended 31 December 2020, our work was based on the provisions of law and the Code of Conduct of the Board of Statutory Auditors issued by the National Council of Chartered Accountants and Accounting Experts, with respect to which we conducted a positive self-assessment for each member of the Board of Statutory Auditors.

Supervision conducted pursuant to Articles 2403 ***et seq***. of the Italian Civil Code

We monitored compliance with the law and the articles of association and observance of the principles of proper management.

We attended the shareholders' meetings, and meetings of the Board of Directors and of the Executive Committee, in relation to which, on the basis of the information available, we did not detect any breaches of the law or the articles of association, nor any manifestly imprudent or risky transactions, nor any transactions that might give rise to a conflict of interest or compromise the integrity of the company's assets.

We obtained information from the administrative body during the meetings held on general operating performance and its foreseeable evolution, and in particular on the continuing impacts of the Covid-19 health emergency, including in the first few months of 2021, and on risk factors and significant uncertainties relating to the going concern principle, as well as company plans prepared to deal with these risks and uncertainties, and on the most significant transactions, due to their size or characteristics, carried out by the company and its subsidiaries and, on the basis of the information obtained, we have no particular observations to make.

We maintained a constant exchange of information with the person in charge of the statutory audit of the accounts, and no data or information emerged that should be highlighted in this report.

We acted as a supervisory body, based on the Board of Directors' resolution of 29 June 2018 and, in performing this function, the controls performed 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 19 May 2021.

We obtained information and verified the adequacy of the organisational, administrative and accounting structure and its effective functioning and the measures taken by the administrative body to deal with the Covid-19 emergency situation, including by collecting information from the department managers, and in this regard we have no particular observations to report.

We acquired knowledge of, and supervised, to the extent of our competence, the adequacy and functioning of the administrative and accounting system, including in relation to the impacts of the Covid-19 emergency on the IT and telematic systems and their reliability in correctly representing operating events, by obtaining information from the department managers and examining 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 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.

Observations concerning the financial statements

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 when preparing the financial statements.

In view of the derogation in Article 106, paragraph 1, of Decree-Law 18 of 17 March 2020, converted with amendments by Law 27 of 24 April 2020 as amended, the Ordinary Shareholders' Meeting to approve the financial statements was called within the longer period of 180 days from the end of the financial year.

With regard to the matters within our competence, we acknowledge that:

a) we have monitored the general layout of the financial statements and ascertained that their structure and the documents comprising them, the basis of preparation and the valuation criteria adopted are consistent with the requirements of current legislation; we have no particular observations to report in this regard;
b) the financial statements have been prepared, as in previous years, in application of the international accounting standards issued by the International Accounting Standards Board (IASB) endorsed by the European Union and transposed into Italian law by Italian Legislative Decree 38/2005;
c) the valuation criteria used to prepare the financial statements and the content of the individual items are thoroughly described by the administrative body in the explanatory notes;
d) the explanatory notes contain all the information necessary to provide a correct understanding of the financial statements; the administrative body also provides adequate information about transactions with third parties and related parties and intercompany transactions;
e) We have verified compliance with the provisions of law on the preparation of the Management Report, and we have no observations to make in this regard.

Pursuant to Article 2426 (6) of the Italian Civil Code, we have expressed our agreement with the recognition of €167,000 of goodwill in the statement of financial position that has not been amortised.

The directors have also prepared the consolidated financial statements for the year ended 31 December 2020.

As indicated in the introduction, the statutory audit is entrusted to the independent auditor EY S.p.A, which today issued its reports on the separate and consolidated financial statements for the year ended 31 December 2020, pursuant to Article 14 of Italian Legislative Decree 39 of 27 January 2010, both of which express positive opinions without remarks or requests for information.

Comments and proposals regarding the approval of the financial statements

Considering the results of our work, the Board of Statutory Auditors proposes that the shareholder approve the financial statements for the year ended 31 December 2020, as prepared by the directors.
The Board of Statutory Auditors has no comments to make concerning the proposed allocation of net income for the year made by the directors in the explanatory notes to the financial statements.

Treviso, 12 June 2021

The Board of Statutory Auditors

Sandro Miotto (Chairman)
Marco Della Putta
Federico Giorgione

Reclassified financial statements of subsidiaries

	Marzotto Wool Manufacturing S.r.l. (thousand euro)		Marzotto Lab S.r.l. (thousand euro)		Ambiente Energia S.r.l. (thousand euro)	
	2020	2019	2020	2019	2020	2019
1. Non-current assets						
1.1 Property, plant and equipment	13,440	15,820	4,278	5,129	6,588	6,158
1.2 Civil buildings	56	101	434	466	15	15
1.3 Goodwill, trademarks and other intangible assets	234	265	3,717	3,735	755	846
1.4 Equity Investments	=	=	=	=	1	1
1.5 Other investments	97,469	97,469	53,373	60,024	=	=
1.6 Long-term receivables	30	28	10	11	=	1
1.7 Deferred tax assets	4,825	2,559	2,978	1,636	15	15
1.8 Long-term financial receivables	=	1	2,360	2,406	12	12
Total non-current assets	**116,054**	**116,243**	**67,150**	**73,407**	**7,386**	**7,048**
2. Non-current assets held for sale	**=**	**=**	**=**	**=**	**=**	**=**
3. Current assets						
3.1 Inventories	31,960	32,036	12,557	17,437	=	=
3.2 Trade receivables	15,670	44,871	9,707	13,699	2,565	1,776
3.3 Other receivables	2,869	2,566	621	1,240	81	314
3.4 Current financial assets, cash and cash equivalents	31,007	22,828	27,181	16,341	5,067	4,632
Total current assets	**81,506**	**102,301**	**50,066**	**48,717**	**7,713**	**6,722**
Total assets	**197,560**	**218,544**	**117,216**	**122,124**	**15,099**	**13,770**
4. Shareholders' equity						
4.1 Share capital and reserves	66,288	63,293	38,055	39,966	8,922	8,091
4.2 Income/(Loss) for the year	(5,031)	3,227	(11,555)	(1,896)	827	831
4.3 Non controlling interests	=	=	=	=	=	=
Total shareholders' equity	**61,257**	**66,520**	**26,500**	**38,070**	**9,749**	**8,922**
5. Non-current liabilities						
5.1 Long-term provisions	5,934	6,420	2,749	2,310	80	99
5.2 Other long-term payables	=	=	=	=	=	=
5.3 Deferred tax liabilities	817	899	402	404	1,068	1,142
5.4 Long-term financial payables	58,575	46,626	41,703	32,858	1,253	1,500
Total non-current liabilities	**65,326**	**53,945**	**44,854**	**35,572**	**2,401**	**2,741**
6. Non-current liabilities held for sale	**=**	**=**	**=**	**=**	**=**	**=**
7. Current liabilities						
7.1 Trade payables and other payables	31,109	68,899	17,134	23,418	2,702	2,107
7.2 Current financial payables	39,868	29,180	28,728	25,064	247	=
Total current liabilities	**70,977**	**98,079**	**45,862**	**48,482**	**2,949**	**2,107**
Total shareholders' equity and liabilities	**197,560**	**218,544**	**117,216**	**122,124**	**15,099**	**13,770**
Net financial debt	**(67,436)**	**(52,977)**	**(40,890)**	**(39,175)**	**3,579**	**3,144**

Reclassified financial statements of subsidiaries

		Marzotto Wool Manufacturing S.r.l. (thousand euro)		Marzotto Lab S.r.l. (thousand euro)		Ambiente Energia S.r.l. (thousand euro)	
		2020	2019	2020	2019	2020	2019
8.	**Net revenues**	**67,505**	**123,268**	**44,683**	**57,258**	**5,845**	**5,891**
9.	Cost of sales	(64,085)	(108,418)	(38,679)	(45,233)	(4,289)	(4,213)
10.	**Gross income**	**3,420**	**14,850**	**6,004**	**12,025**	**1,556**	**1,678**
11.	Product development and marketing costs	(9,441)	(13,463)	(7,617)	(10,514)	(7)	(8)
12.	General and administrative costs	(3,627)	(4,885)	(3,348)	(4,032)	(287)	(328)
13.	Other income and charges	(199)	251	(464)	(386)	(179)	(198)
14.	**Operating income**	**(9,847)**	**(3,247)**	**(5,425)**	**(2,907)**	**1,083**	**1,144**
15.	Net financial charges	(575)	(829)	(363)	(212)	(16)	(6)
16.	Dividends from non-consolidated equity investments and valuations to equity	2,917	6,551	770	650	=	=
17.	Other financial income and charges	(35)	(45)	(7,932)	(10)	=	=
18.	**Income before taxes**	**(7,540)**	**2,430**	**(12,950)**	**(2,479)**	**1,067**	**1,138**
18.	Taxes	2,509	797	1,395	583	(240)	(307)
20.	**Net income from continuing operations**	**(5,031)**	**3,227**	**(11,555)**	**(1,896)**	**827**	**831**
21.	Net income from discontinued operations	=	=	=	=	=	=
22.	**Net income**	**(5,031)**	**3,227**	**(11,555)**	**(1,896)**	**827**	**831**

Reclassified financial statements of subsidiaries

	Le Cotonerie S.r.l. (thousand euro)		Marzotto Textile Czech Rep. (thousand czk)			
	2020	2019	2020	2019	2020	2019
1. Non-current assets						
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	=	=	=	=		
Total non-current assets	**=**	**=**	**=**	**=**	**=**	**=**
2. Non-current assets held for sale	**=**	**=**	**=**	**=**	**=**	**=**
3. Current assets						
3.1 Inventories	=	=	=	=		
3.2 Trade receivables	=	=	1,694	2,420		
3.3 Other receivables	=	1	116	98		
3.4 Current financial assets, cash and cash equivalents	6	11	3,963	2,858		
Total current assets	**6**	**12**	**5,773**	**5,376**	**=**	**=**
Total assets	**6**	**12**	**5,773**	**5,376**	**=**	**=**
4. Shareholders' equity						
4.1 Share capital and reserves	10	16	3,634	2,970		
4.2 Income/(Loss) for the year	(11)	(6)	602	822		
4.3 Non controlling interests	=	=	=	=		
Total shareholders' equity	**(1)**	**10**	**4,236**	**3,792**	**=**	**=**
5. Non-current liabilities						
5.1 Long-term provisions	=	=	=	=		
5.2 Other long-term payables	=	=	=	=		
5.3 Deferred tax liabilities	=	=	=	=		
5.4 Long-term financial payables	=	=	=	=		
Total non-current liabilities	**=**	**=**	**=**	**=**	**=**	**=**
6. Non-current liabilities held for sale	**=**	**=**	**=**	**=**	**=**	**=**
7. Current liabilities						
7.1 Trade payables and other payables	7	2	1,537	1,584		
7.2 Current financial payables	=	=	=	=		
Total current liabilities	**7**	**2**	**1,537**	**1,584**	**=**	**=**
Total shareholders' equity and liabilities	**6**	**12**	**5,773**	**5,376**	**=**	**=**
Net financial debt	**6**	**11**	**3,963**	**2,858**	**=**	**=**

Reclassified financial statements of subsidiaries

	Le Cotonerie S.r.l. (thousand euro)		Marzotto Textile Czech Rep. (thousand czk)			
	2020	2019	2020	2019	2020	2019
8. Net revenues	**=**	**=**	**17,600**	**18,350**		
9. Cost of sales	=	=	(15,049)	(15,215)		
10. Gross income	**=**	**=**	**2,551**	**3,135**	**=**	**=**
11. Product development and marketing costs	=	=	=	=		
12. General and administrative costs	(10)	(4)	(1,797)	(2,300)		
13. Other income and charges	=	(3)	=	=		
14. Operating income	**(10)**	**(7)**	**754**	**835**	**=**	**=**
15. Net financial charges	=	=	(10)	(13)		
16. Dividends from non-consolidated equity investments and valuations to equity	=	=	=	=		
17. Other financial income and charges	=	=	=	=		
18. Income before taxes	**(10)**	**(7)**	**744**	**822**	**=**	**=**
18. Taxes	(1)	1	(142)	=		
20. Net income from continuing operations	**(11)**	**(6)**	**602**	**822**	**=**	**=**
21. Net income from discontinued operations	=	=	=	=		
22. Net income	**(11)**	**(6)**	**602**	**822**	**=**	**=**

[Summary of the main resolutions of the Shareholders' Meeting]

With regard to the financial statements for the year ended 31 December 2020, the Marzotto S.p.A. Shareholders' Meeting of 29 June 2021 resolved:

- to approve the Company's financial statements and the Management Report as at 31 December 2020 and the presentation of the consolidated financial statements as at 31 December 2020 of the Marzotto Group, along with the relevant reports;
- to allocate the loss for the year of €615,630.49 as follows:
  - carried forward: €615,630.49.

After this allocation, retained earnings net of losses will amount to €22,601,222.95.

1836

MARZOTTO

GROUP

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