



MONNALISA[®]

Financial Statements

2017

GUARANTEEING REPORTED ECONOMIC SUSTAINABILITY

in the Report
on operations

Being sustainable requires for a company to create value while pursuing long term development, while ensuring the future possibility of creating value. This requires for a company to pursue objectives of economic efficiency and increase in income. As this is an integrated statement - both at a parent company and consolidated level - there follows here - below the Report on operations, the Consolidated Financial Statements, the Note on the Financial statement, the Board of Auditors' report and the Auditing firm's report.



Corporate bodies* and company information

* as at 31/12/17

MONNALISA S.P.A.

VIA MADAME CURIE N.7
52100 AREZZO (AR)

Share Capital Euros 2,064,000.00 (paid in)
Report on operations in relation
to the Balance sheet as at 31/12/2017
Rea 87271

Chairman of the Board of Directors



Piero Iacomoni

Chief Executive Officer



Christian Simoni

Director



Matteo Tugliani

Director



Pierangelo Arcangioli

Board of Auditors

Micaela Badiali
*Chairman of the Board
of Statutory Auditors*

Gabriele Nardi
Statutory Auditor

Susanna Sgrevi
Statutory Auditor

Auditing Company



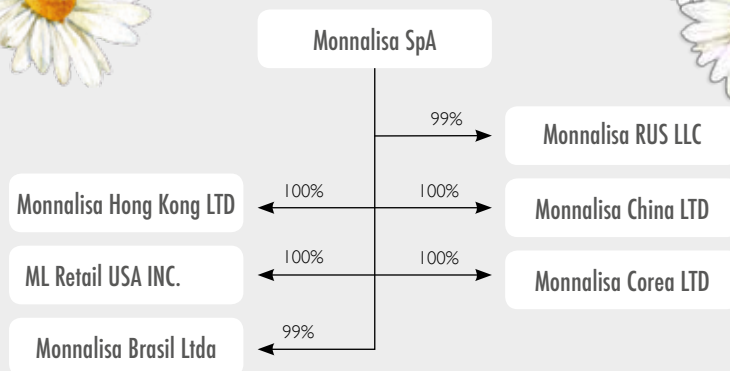
Dear Shareholders, The year ended on 31/12/2017 shows a positive result of Euros 2,253,654 of which Euros 5,439 referred to minority interests. Over the same period, the financial statements of the parent company Monnalisa Spa (hereinafter "Monnalisa") - has recorded a positive result of Euros 2,907,606.

INTRODUCTION

Pursuant to art.40, of Legislative Decree 127/1991 modified by art. 2, letter d), of Legislative Decree no. 32/2007, this report is presented as a single document for the purposes of the consolidated financial statements of the Monnalisa group (hereinafter "Monnalisa group") and of the financial statements of Monnalisa, the parent company, drawn up in accordance with Italian accounting principles. This document provides information regarding the consolidated situation of the group and information on both the management performance as well as Monnalisa's alone.

Company activities

Monnalisa SpA, a producer of garments for children with Head office in Arezzo, was set up in 1968 by Piero Iacomoni and Barbara Bertocci, respectively the Chairman of the Board and the Creative Director. The company operates in the top range of the market. The Monnalisa philosophy is based on the unique combination of entrepreneurship, innovation, search for new markets, unique styling and a specific focus on the development of company resources and abilities. Monnalisa operates in over 60 countries through qualified distribution, flagship stores, corners and shop in shop in the most exclusive Department Stores and Boutiques all over the world. 63% of the sales are in the domestic market, while 37% are overseas. This is the organisational chart of Monnalisa group as at 31 December 2017, which also corresponds to the scope of consolidation:



Operating performance

Context. Year 2017 shows a year of positive trend in junior fashion, with the business turnover increasing by +1.9%. The foreign market represents approximately 38% of the sector's turnover, while imports decrease in line with the trend of previous years.

Positioning. According to the annual Databank report on childrenswear, between 2014 and 2016 the market share held by Monnalisa in the high-end segment of the domestic market, increased by over 15% thanks to a 8.2% CAGR, followed by a growth performance of 7p.p. higher than the market. In 2016, the company was also the third largest of its segment to operate in international markets. Furthermore, in 2016, Monnalisa was the company with the highest EBITDA among its peers. Moreover, the positive notes that make the company stand out among competitors include the strong exports (63%), and the production and distribution of its own lines and brands.

Table 3.1 Last Three Years Data Child Sector

Description	2015	Var. %	2016	Var. %	2017 (estimated data)	Var. %
Turnover	2,688	+1.7%	2,774	+3.2%	2,828	+1.9%
Value of Production	980	-4.8%	987	+0.7%	996	+0.9%
Exports	997	+5.3%	1,041	+4.4%	1,073	+3.1%
Imports	1,787	+6.7%	1,767	-1.1%	1,758	-0.5%
Trade balance	-790		-726		-685	
Final consumption	4,242	-0.7%	4,231	-0.3%	4,228	-0.1%

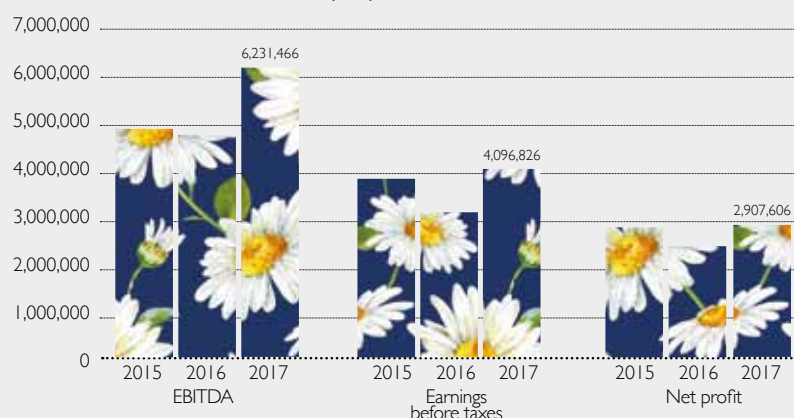
(Data are in million €)

THE GROUP POSITION

General operating results

The 2017 results, from the point of view of the economic and financial performance, are a consequence of significant investments made by the company during the year. These investments continue the process initiated in the previous year. The subsidiaries abroad were capitalised and financed in order to meet the highly significant investments made in the retail sector. The Spanish branch opened two new sales points, one at El Corte Ingles department stores, the other one in Barcelona. The opening of two new sales points, - one at the Florence airport and the other at the Naples airport - has increased travel retail. A representative office was opened in London. 2017 is an important year from the point of view of company profitability, showing a marked increase in all performance indicators.

Bar chart 3.1 Economic trend in the three-year period 2015-2017



Customer distribution

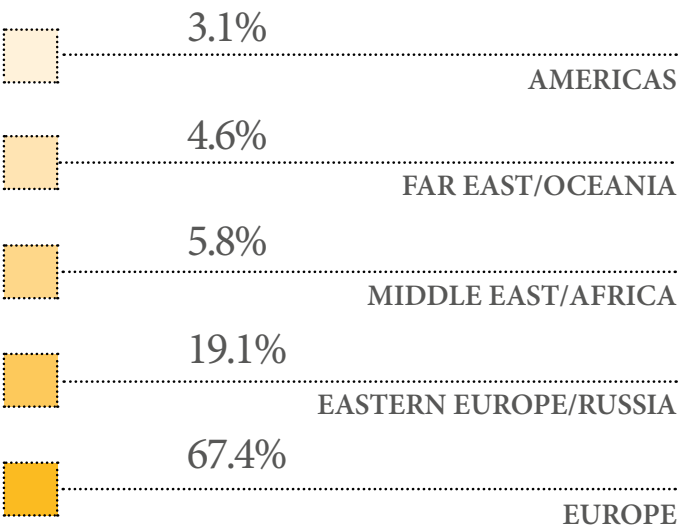
In contrast with the average of the companies operating in this sector, more rooted in the Italian market rather than the foreign market, Monnalisa has always had a strong international vocation, which has been growing steadily over the past few years. Volumes attained abroad are equal to 63% of the entire turn over.

The following chart 3.2 shows customer distribution in percentage, considering 100 as the foreign market.

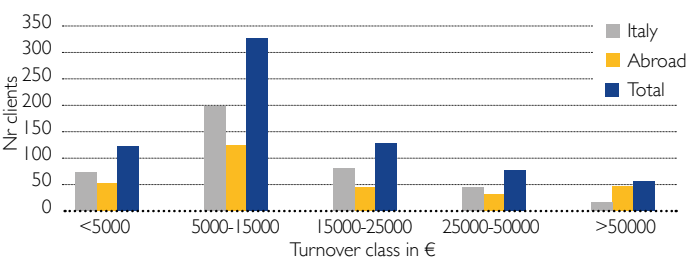
Customer distribution per turnover class confirms the importance gained by the foreign market, with a significant number of customers in the higher turnover classes. The average size of orders, the widespread distribution and the strong predominance in foreign markets are necessary elements for managing the risk of insolvency and dependence from customers successfully (Bar chart 3.3).

Monitoring customer solvency has always been a key point to the company management. This has led to an improved selection of customers, with a positive net turnover of customers in both the summer and winter seasons (Bar chart 3.4).

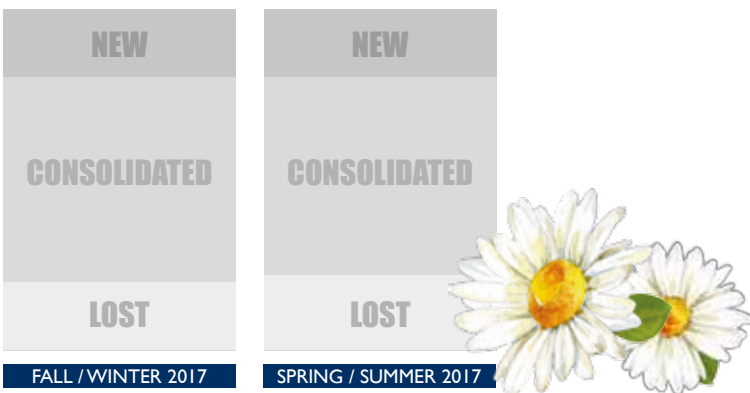
Bar chart 3.2 Monnalisa customers' distribution in the world



Bar chart 3.3 Client distribution per turnover class (average per season)



Bar chart 3.4 Client trend per collection (in items) compared to previous corresponding season



Monnalisa takes part in the two annual Pitti Bimbo shows in Florence. This is a vital investment in communication to strengthen the growth of intangible assets such as visibility, fame and brand awareness.

ECONOMIC AND FINANCIAL POSITION

The economic and financial analysis has been drawn up following the reclassified Balance sheet, as indicated in articles 2424 and 2424-bis, of the Civil Code (C.C.), and the reclassified Income statement, as set in articles 2425 and 2425-bis, C.C.. In providing more complete information, the details of the analysis of both Monnalisa alone and the group are described here below.

Monnalisa Group also uses different performance indicators, which are not identified as accounting measures as defined by the Italian accounting principles, to guarantee a better assessment of the performance of the Group. The determination criteria applied by the Group and the corresponding results, may not be homogeneous and comparable to those of other groups. The said indicators exclusively consist of firstly, the historical data of the Group in relation to the accounting period referred to in the present Financial Statements, and the compared data, but not referring to the expected performance of the Group and should not be viewed as alternative to the indicators contained in the applicable accounting principles (OIC). Here below follows the definition of the different performance indicators used:

EBITDA (Earnings Before Interest, Taxes, Depreciation, Amortization): the results for the year before amortization and provisions, financial operations and taxation. The reclassification has included write-downs of receivables within the indicator. The EBITDA composition is not ruled by the applicable accounting principles, the determination criteria applied by the Group might not be consistent with the one chosen by others, therefore, it is not comparable.

Net Invested Capital: is given by the difference between total liabilities and equity on one side, and non-interest bearing liabilities on the other. Specifically, it consists of the net operating invested capital amount and the non-operating utilizations (long-term financial investments, financial assets which are not held as fixed assets, non-operating accrued income and prepaid expenses); in which the net operating invested capital is given by the difference between the operating invested capital (tangible and intangible assets, inventories, receivables, cash on hand, accrued income and prepaid expenses) and operating liabilities (provisions for risks and charges, employee severance fund, payables net of payables towards banks, accrued expenses and deferred income).

EBIT (Earnings Before Interest and Taxes): is the operating profit. It is the company result before taxes and financial charges.

The Balance sheet reclassified according to the financial criteria is instrumental to the understanding of the composition of investments and sources and to the construction of indicators of a short and long-term financial balance (Tables 3.2 - 3.2bis).

The Balance sheet reclassified by functional areas is useful for understanding the financing needs and the dynamics of the financial structure, allowing the correlation of the investments and sources categories, which, compared to the corresponding economic margins, permits the creation of specific profitability indicators (Tables 3.3 - 3.3bis).

The reclassified Income statement is expressed distinguishing between ordinary production operations (operating and extra-core), extraordinary operations and financial operations.

The gross revenues of the parent company derive for: 88% from the wholesale channel, 9% from retail and 3% from e-commerce. In the perspective of the consolidated statements, the weight of retail in gross revenues is growing, reaching 16% against the 80% of wholesale.

In order to give a true and prudent representation, operating grants have not been included among other revenues, but have been entered as reduction in operating costs in the year they refer to. Results from extraordinary operations include non-ordinary foreign currency gains and losses on exchange rates. Provisions for write-downs of receivables have been considered in the EBITDA calculations. (Tables 3.4 - 3.4bis).

Table 3.2 Parent company's Financial balance sheet

	2015	%	2016	%	2017	%
ASSETS						
FIXED ASSETS	11,361,198	27.22%	19,711,799	38.22%	24,313,712	42.13%
Intangible assets	1,716,591		1,462,058		1,186,568	
Tangible assets	6,748,483		13,084,902		15,022,495	
Financial assets	2,896,124		5,164,839		8,104,649	
CURRENT ASSETS	30,378,154	72.78%	31,868,701	61.78%	33,395,413	57.87%
Inventory	13,098,958		13,325,009		14,922,522	
Deferred cash	11,205,144		15,533,320		16,892,986	
Cash on hand	6,074,052		3,010,371		1,579,905	
INVESTED CAPITAL	41,739,350	100%	51,580,501	100%	57,709,126	100%
LIABILITIES						
EQUITY	26,983,713	64.65%	28,015,472	54.31%	31,040,729	53.79%
Share capital	2,064,000		2,064,000		2,064,000	
Reserves	22,023,771		23,455,494		26,069,123	
Profit (loss) for the period	2,895,942		2,495,978		2,907,606	
CONSOLIDATED LIABILITIES	3,235,885	7.75%	3,034,245	5.88%	6,393,163	11.08%
Financial	1,462,229		840,499		4,199,012	
Non-financial	1,773,656		2,193,746		2,194,151	
CURRENT LIABILITIES	11,519,752	27.60%	20,530,783	39.80%	20,275,233	35.13%
Financial	593,308		8,120,340		8,541,867	
Non-financial	10,926,444		12,410,444		11,733,366	
FINANCING CAPITAL	41,739,350	100%	51,580,501	100%	57,709,126	100%

Table 3.2bis Consolidated Financial Balance Sheet

	2015	%	2016	%	2017	%
ASSETS						
SUBSCRIBED CAPITAL UNPAID			1,457		32	
FIXED ASSETS	11,356,269	27.22%	16,699,538	33.30%	19,349,759	34.03%
Intangible assets	1,716,592		2,109,579		2,531,744	
Tangible assets	6,743,553		13,323,836		15,351,891	
Financial assets	2,896,124		1,266,123		1,466,124	
CURRENT ASSETS	30,363,604	72.78%	33,444,350	66.69%	37,506,903	65.97%
Inventory	13,098,958		13,963,395		16,774,262	
Deferred cash	11,136,865		15,467,868		17,920,718	
Cash on hand	6,127,781		4,013,087		2,811,923	
INVESTED CAPITAL	41,719,873	100%	50,145,345	100%	56,856,694	100%
LIABILITIES						
EQUITY	27,010,422	64.74%	27,443,735	54.73%	29,203,237	51.36%
Share capital	2,064,000		2,064,000		2,064,000	
Reserves	22,050,480		23,439,934		24,885,583	
Profit (loss) for the period	2,895,942		1,939,330		2,248,215	
Profit (loss) attrib. to minority interest			471		5,439	
CONSOLIDATED LIABILITIES	3,794,971	9.10%	3,034,726	6.05%	6,243,163	10.98%
Financial	2,046,171		840,499		4,199,012	
Non-financial	1,748,801		2,194,227		2,044,151	
CURRENT LIABILITIES	10,914,480	26.16%	19,666,884	39.22%	21,410,295	37.66%
Financial	16		6,508,682		8,278,706	
Non-financial	10,914,464		13,158,202		13,131,589	
FINANCING CAPITAL	41,719,873	100%	50,145,345	100%	56,856,695	100%

Table 3.3 Parent company's Balance sheet by functional areas

	2015	%	2016	%	2017	%
OPERATING INVESTED CAPITAL/EQUITY						
- Operating liabilities	12,700,100		16,215,848		14,190,677	
NET OPERATING INVESTED CAPITAL/EQUITY	26,143,128	90.03%	30,199,813	85.40%	35,406,132	81.36%
NON-OPERATING INVESTMENTS	2,896,124	9.97%	5,164,840	14.60%	8,112,317	18.64%
NET INVESTED CAPITAL/EQUITY	29,039,250	100%	35,364,653	100%	43,518,449	100%
SOURCES						
EQUITY	26,983,713	92.92%	28,015,473	79.22%	31,040,730	71.33%
FINANCIAL LIABILITIES	2,055,537	7.08%	7,349,180	20.78%	12,477,718	28.67%
FINANCING CAPITAL	29,039,250	100%	35,364,653	100%	43,518,448	100%

Table 3.3bis Consolidated Balance Sheet by functional areas

	2015	%	2016	%	2017	%
OPERATING INVESTED CAPITAL/EQUITY	38,823,749		48,877,765		55,382,871	
- Operating liabilities	12,663,265		15,352,429		15,175,780	
NET OPERATING INVESTED CAPITAL/EQUITY	26,160,484	90.03%	33,525,336	96.36%	40,207,091	96.46%
NON-OPERATING INVESTMENTS	2,896,124	9.97%	1,267,580	3.64%	1,473,823	3.54%
NET INVESTED CAPITAL/EQUITY	29,056,608	100%	34,792,916	100%	41,680,914	100%
SOURCES						
EQUITY	27,010,422	92.96%	27,443,735	78.88%	29,203,197	70.06%
FINANCIAL LIABILITIES	2,046,186	7.04%	7,349,181	21.12%	12,477,718	29.94%
FINANCING CAPITAL	29,056,608	100%	34,792,916	100%	41,680,915	100%

Table 3.4 Parent company's reclassified Income statement

	2015	%	2016	%	2017	%
Revenues from sales	38,969,667		38,993,302		42,272,824	
Profit (loss) non-core income	1,157,540		380,216		661,139	
Total Revenues	40,127,207	100%	39,373,518	100%	42,933,963	100%
Product manufacturing costs	-19,049,389		-18,401,786		-19,736,580	
Costs for raw materials and finished products	-13,141,036		-12,656,357		-13,320,190	
Costs for production services	-5,908,353		-5,745,429		-6,416,390	
Costs for use of third-party assets	-1,302,546		-1,463,861		-1,605,082	
Marketing costs	-1,742,461		-1,953,486		-1,582,193	
Costs for other services	-6,002,900		-5,645,068		-5,926,811	
ADDED VALUE	12,029,911	30%	11,909,317	30%	14,083,297	33%
Personnel costs	-5,912,700		-6,628,912		-7,069,608	
Miscellaneous operating costs	-420,875		-240,020		-412,223	
Provisions for bad and doubtful accounts	-750,873		-200,105		-370,000	
EBITDA	4,945,463	12%	4,840,279	12%	6,231,466	15%
Amortization tangibles	-734,179		-786,942		-778,337	
Amortization intangibles	-482,246		-457,787		-487,274	
Extraordinary management	360,372		-154,214		-557,548	
EBIT	4,089,410	10%	3,441,336	9%	4,408,307	10%
Financial management (ex. Currency)	-170,994		-164,926		-311,481	
Profit (loss) before taxes	3,918,417	10%	3,276,410	8%	4,096,826	10%
Taxes	-1,022,475		-780,432		-1,189,220	
Net Profit	2,895,942	7%	2,495,978	6%	2,907,606	7%

Table 3.4bis Consolidated reclassified Income statement

	2016	%	2017	%
Revenues from sales	40,106,117		47,011,251	
Profit(loss) non-core income	378,932		684,342	
Total Revenues	40,485,049	100%	47,695,593	100%
Product manufacturing costs	-18,472,497		-19,832,715	
Costs for raw materials and finished products	-12,543,925		-12,703,550	
Costs for production services	-5,928,572		-7,129,165	
Costs for use of third-party assets	-2,101,844		-3,314,110	
Marketing costs	-1,992,190		-1,751,943	
Costs for other services	-6,066,972		-6,875,626	
ADDED VALUE	11,851,546	29%	15,921,199	33%
Personnel costs	-7,220,855		-8,721,525	
Miscellaneous operating costs	-258,237		-450,670	
Provisions for bad and doubtful accounts	-170,000		-170,000	
EBITDA	4,202,454	10%	6,579,004	14%
Amortization tangibles	-796,238		-883,919	
Amortization intangibles	-681,303		-1,374,191	
Extraordinary management	-30,105		-801,743	
EBIT	2,694,808	7%	3,519,151	7%
Financial management (ex. Currency)	-181,798		-373,591	
Profit (loss) before taxes	2,513,009	6%	3,145,560	7%
Taxes	-573,208		-891,906	
Consolidated net profit	1,939,801	5%	2,253,654	5%

Economic indicators

Profitability represents the aptitude of a business to generate a lasting income that is adequate to the capital invested in it (Table 3.5).

The consolidated levels of profitability are affected by the overhead costs of subsidiaries and the increase in amortization, due to the several investments made on fixed assets in the course of the year, often associated to a significantly short amortization period. The subsidiaries are mainly concentrated on the retail channel, therefore, in the opening of directly operated stores worldwide. Just in 2017, in addition to the already existing ones, seven new stores have been opened in China, one in Hong Kong, one in Miami, one in Sao Paolo (Brazil) and one in Moscow; these have been added to the two new Italian openings (Florence and Naples airports) and to the Spanish ones (Madrid and Barcelona). Overhead costs grow as the staff, rental fees and utilities increase. The investments in fixed assets have involved especially the categories "improvement of third party properties", for the restructuring and decoration of the sales premises, and "furniture and furnishings".

Financial indicators

The analysis of the financial position evaluates the financial soundness of the company, which conveys the aptitude of the business to face "negative" events, both of an internal or external nature (Table 3.6).

Despite the volume of investments carried out in the year, the company keeps a good level of capitalization, with an equity value of 31 million Euros, against fixed assets of 24 million Euros (Chart 3.5).

Company own sources prevail compared with third party sources, among which suppliers ones stand out (Graph 3.6).

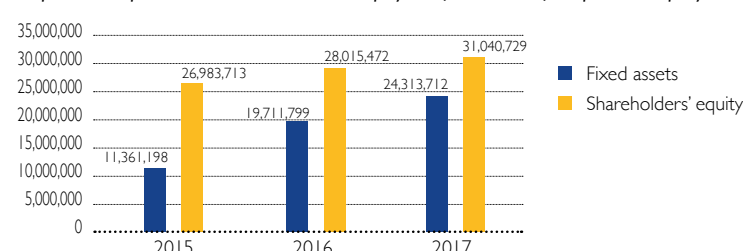
Table 3.5 Economic profitability ratios

Ratio	Formula	2015	2016	2017	consolidated 2016	consolidated 2017
ROI	Operating profit/Net operating invested capital	13.32%	10.67%	15.19%	6.99%	6.59%
ROE	Net profit/Equity	10.72%	8.91%	9.37%	7.07%	7.72%
ROS	Operating profit/Sales revenues	8.81%	8.16%	12.20%	5.77%	5.64%

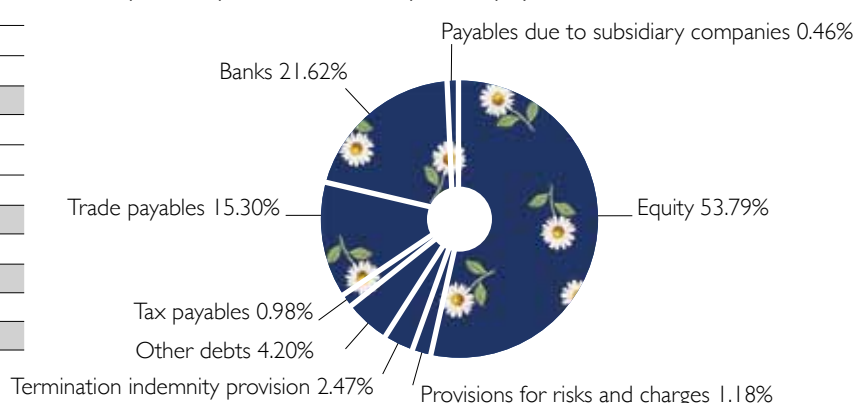
Table 3.6 Financial soundness ratios

Ratio	Formula	2015	2016	2017	consolidated 2016	consolidated 2017
Debt ratio	Current and non-current liabilities/Financing capital	35.26%	45.69%	46.21%	45.27%	48.64%
Financial autonomy ratio	Equity/Financing capital	64.74%	54.31%	53.79%	54.73%	51.36%
Primary structure ratio	Equity/Fixed assets	2.38	1.42	1.28	1.64	1.51

Graph 3.5 Comparison between shareholders' equity and fixed assets of the parent company



Graph 3.6 Composition of sources of the parent company



Treasury indicators

Liquidity represents the capacity of the company to be always solvent over time. The temporal horizon for this kind of analysis is in the short term; therefore it specifically regards the items included in the current assets (Table 3.7).

Net financial position. Net financial position, that identifies the net company debt, expresses in brief the balance between financial sources and investments. It is given by the total cash and cash equivalents plus the financial receivables, net of the total financial debt (not linked to the commercial cycle) both in the short and medium-long term. (Tables 3.8 - 3.8bis).

The net financial position has been prepared - with the appropriate adaptations - in compliance with the C.E.S.R. ("Committee of European Securities Regulators") recommendations "for the uniform execution of the European Commission regulation on Prospectuses of 10th February 2005, paragraph 127 "Capitalisation and indebtedness". If the "net financial position" has a negative sign the financial debts are greater than the liquidity and financial credits.

The value of the net financial position has been affected by the volume of investments carried out during the year, partially financed by third party capital. The balance of the debt between short and long term shows a strong inclination of the short-term over the long-term, affected by the bridge financing for the construction of the building, now under erection, and aimed at underwriting a mortgage loan as soon as the building is completed, estimated to happen in 2018.

Table 3.7 Financial liquidity indicators

Ratio	Formula	2015	2016	2017	consolidated 2016	consolidated 2017
Availability ratio	Current assets/current liabilities	2.78	1.55	1.65	1.70	1.70
Treasury ratio (acid test)	Immediate and deferred liquidity/current liabilities	1.58	0.90	0.91	0.99	0.94
Treasury margin (€)	Immediate and deferred liquidity - current liabilities	6,350,166	-1,987,092	-1,802,342	-185,929	-1,389,406

Table 3.8 Net financial position of the parent company

	2015	2016	2017
Cash and cash equivalents	6,074,052	3,010,371	1,579,905
Other current financial assets	280,000	1,200,000	1,200,000
Current financial receivables	2,500,000	155,000	2,118,073
Current bank payables	- 593,308	-6,508,681	-8,278,706
Current part of non-current payables	0	0	0
Other current financial liabilities	0	-1,611,658	-263,160
Current liabilities due to finance lease	0	0	0
Net current financial debt (A)	8,260,744	-3,754,968	-3,643,888
Non-current bank payables	-1,462,229	-840,499	-4,199,012
Bonds issued	0	0	0
Other non-current financial liabilities	0	0	0
Non-current payables due to leasing contracts	0	0	0
Non-current financial debt (B)	-1,462,229	-840,499	-4,199,012
Net financial debt or NFP (A+B)	6,798,515	-4,595,467	-7,842,900

Table 3.8bis Net financial position of the group

	2016	2017
Cash and cash equivalents	4,013,087	2,811,923
Other current financial assets	1,200,000	1,200,000
Current financial receivables	0	0
Current bank payables	-6,508,682	-8,990,458
Current part of non-current payables	0	0
Other current financial liabilities	0	0
Current liabilities due to finance lease	0	0
Net current financial debt (A)	-1,295,595	-4,978,535
Non-current bank payables	-840,499	-3,487,259
Bonds issued	0	0
Other non-current financial liabilities	0	0
Non-current payables due to leasing contracts	0	0
Non-current financial debt (B)	-840,499	-3,487,259
Net financial debt or NFP (A+B)	-2,136,094	-8,465,794

CALCULATION AND DISTRIBUTION OF ADDED VALUE

The statement of determination of added value produced (Table 3.9) aims at highlighting the added value created so that it can be distributed among the various company stakeholders. Added value measures the wealth produced by the company during the business year with regard to the stakeholders who are the recipients of its distribution. While identifying the items of this reclassification, it was decided not to consider sister companies, subcontractors and representatives as a source of cost but to consider them the recipients of the distribution of created added value - as company satellite businesses. The table reclassifies the fiscal year Income statement, considering on one hand the sales revenues and on the other, the costs sustained for the

purchase of goods and services. We add the result of this difference to the result of the extraordinary operations and the depreciation costs (to obtain a global and net added value), though the latter represents a sort of remuneration of the business entity, which reintegrates the capital invested in the productive factors with them. The added value so obtained measures the ability of Monnalisa to create wealth and distribute it to the various stakeholders. On the other hand, the distribution of added value (Table 3.10) represents the part of wealth produced by the company which goes to the stakeholders who contributed in various ways to generate it; it is therefore directly dependent on the network of company stakeholders and on their degree of involvement in the business.

Operating grants are grants received by the company from Public Institutions. In particular, they are grants towards: the Ecowear project (€ 125,180), the Nuovi Orizzonti project (€ 59,840), the photovoltaic plant (€ 21,095), tax receivables for research and development (€ 932,187), and internship grants.

Table 3.9 Added value determination statement of the parent company

	2015	2016	2017
Value of production	40,064,348	40,271,058	44,170,381
Revenues from sales and performance of revenue adjustments	39,531,516	39,495,029	42,272,824
Changes in inventories of work-in-progress, semi-finished goods and finished products	11,486	395,814	1,236,418
Change in work-in-progress on order			
Other revenues and income	521,346	380,216	661,139
Revenues from core production	40,064,348	40,271,058	44,170,381
Revenues from non-core production (production with economy)			
Intermediate production costs for	22,902,872	23,241,781	25,308,551
Consumption of raw materials	13,582,809	13,300,356	15,175,794
Consumption of ancillary materials			
Use of consumable goods			
Costs for goods purchased			
Costs for services	6,980,696	7,265,387	7,925,902
Cost for use of third-party assets	1,495,346	1,709,285	2,029,249
Provisions for risks	750,873	200,105	370,000
Changes in inventory of raw, ancillary, cons. materials and goods	-39,590	-125,575	-328,311
Other operating charges	53,558	641,073	135,917
Gross value added from ordinary operations	17,161,475	17,029,278	18,861,830
Other income and expenses	477,854	-154,214	-557,548
+/- balance of additional management	360,372	-154,214	-557,548
Other income			
Other expenses	360,372	-154,214	-557,548
+/- balance of extraordinary components	117,482	0	0
Extraordinary revenues	853,084	0	0
Extraordinary expenses	735,602	0	0
GLOBAL GROSS ADDED VALUE	17,639,329	16,875,064	18,304,282
Adjustments			150,625
Period amortization	1,216,425	1,244,729	1,265,611
GLOBAL NET ADDED VALUE	16,422,904	15,630,335	16,888,045

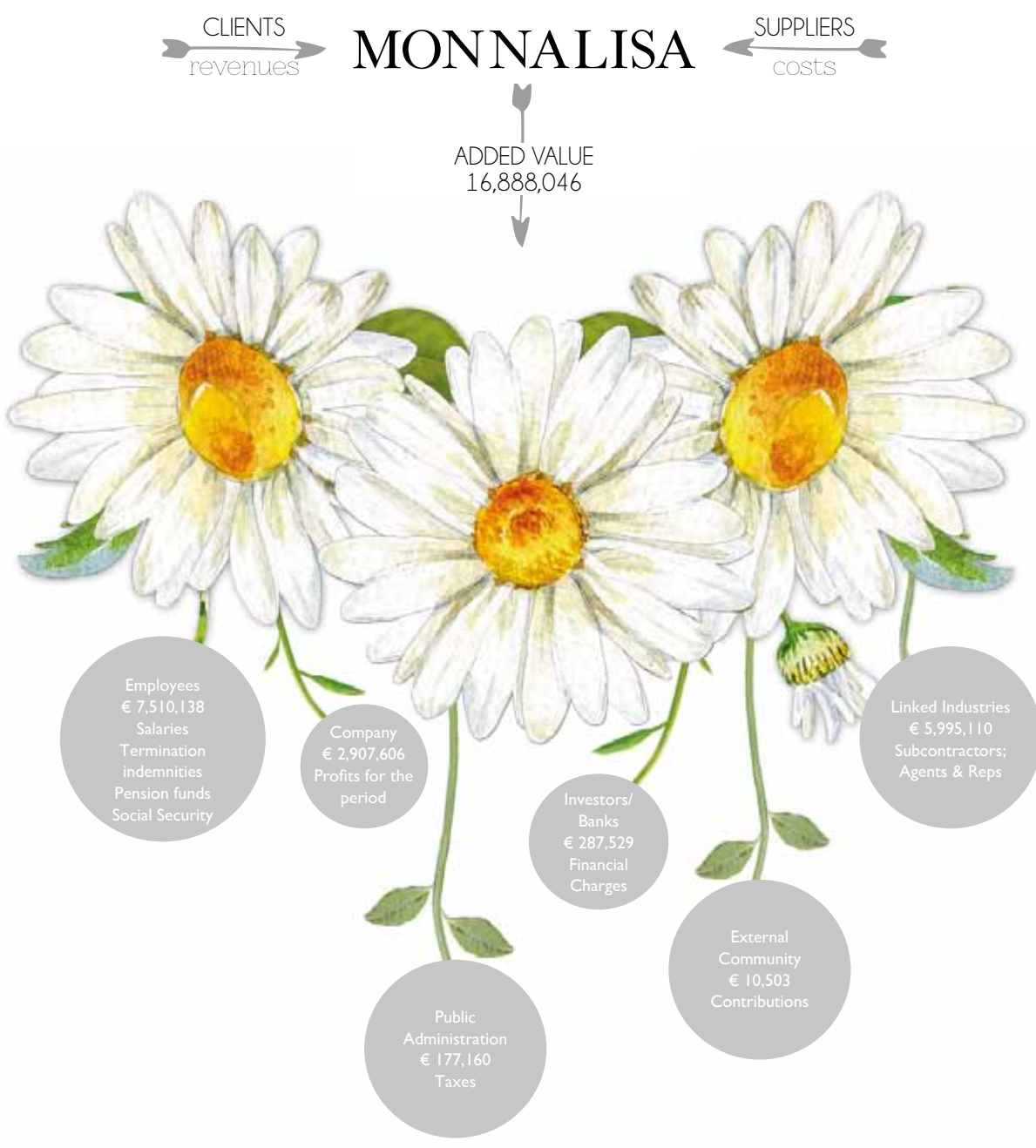
The extraordinary component has been included under other operating costs and in the auxiliary area.

Table 3.10 Distribution of added value

	2015	%	2016	%	2017	%
Personnel payments	6,255,539	38.09%	6,955,236	44.50%	7,510,138	44.47%
Employees	6,255,539		6,955,236		7,510,138	
a) direct remuneration and bonuses (including the employees at the Galeries Lafayette corner, the employee at the PR office in Russia, at the showroom in Germany and UK and at the Spanish branch)	4,357,556		4,879,054		5,296,427	
b) indirect remunerations	1,676,011		1,730,635		1,836,504	
c) reimbursement of expenses and safety expenses	112,735		152,857		153,623	
d) canteen expenses	74,330		93,581		109,267	
e) training	32,827		27,509		23,319	
f) welfare	2,080		71,600		90,998	
Payments to linked industries: subcontractors	4,652,665	28.33%	4,629,911	29.62%	5,089,993	30.14%
Costs for embroidery, printing, sewing, ironing and dyeing	4,652,665		4,629,911		5,089,993	
Payments to linked industries: agents and representatives	1,303,761	7.94%	1,240,903	7.94%	905,117	5.36%
a) direct remunerations	1,269,822		1,205,992		877,509	
b) indirect remunerations	33,939		34,911		27,608	
Payments to the Public Administration	1,049,357	6.39%	132,056	0.84%	177,160	1.05%
Direct Taxes	1,022,475		780,432		1,189,220	
Indirect Taxes	96,949		85,684		135,937	
Subsidies for the period	70,066		734,061		1,147,997	
Payment on credit capital	170,994	1.04%	164,926	1.06%	287,529	1.70%
Costs for short-term capital	153,499		155,357		248,602	
Costs for long-term capital	17,495		9,569		38,927	
Remuneration of risk capital	0	0.00%	0	0.00%	0	
Dividends	0		0		0	
Company remuneration	2,895,942	17.63%	2,495,978	15.97%	2,907,606	17.22%
Changes on provisions	2,895,942		2,495,978		2,907,606	
External charity donations	94,647	0.58%	11,325	0.07%	10,503	0.06%
GLOBAL NET ADDED VALUE	16,422,904	100.00%	15,630,335	100.00%	16,888,046	100.00%

MAP OF THE STAKEHOLDERS

and 2017 added value distribution



The company distributes 80% of its wealth to its collaborators and sub-contractors.

RISK ANALYSIS OF MONNALISA GROUP

In the management of the company activities and implementation of the company strategy, the group is naturally exposed - like any company - to a number of risks that may influence the current and future results both economically and financially if they are not promptly managed and handled.

The stakeholder approach has also led to the analysis of the risks to which Monnalisa and the group are exposed. Once the eight main stakeholders were identified, the bidirectional relation with the group was analysed, with the result of outlining the risks each one was subjected to. The risks were then classified according to their nature (external or internal) and possibility of occurrence (probable, possible, remote). For each risk, a management lever (the field in which to act in order to limit the risk and its consequences), the measures to contain the risk (concrete actions to diminish the risk and/or its consequences) and the indicators to measure the effectiveness of the actions taken were found.

Below is a list of identified risks per category.

MARKET RELATED RISKS

(external, possible)

Monnalisa group's business is in luxury fashion, a highly competitive field, mainly due to brands for adults that also develop lines for children. The field is also characterized by volatility with items that have a very short life cycle and new products and brands appear constantly and frenetically. Another added risk to the previous point rises from the countries in which the company operates, each one having a different economic and political situation, specifically those nations where the group operates directly.

These risks are managed by investing on innovation and research, stimulating creativity through challenges. Furthermore, the group's presence in a significant variety of markets worldwide lowers the risk of possible worsening of the economy or politics in single markets.

RISKS RELATED TO RELATIONSHIPS WITH MANUFACTURERS AND SUPPLIERS

(external, possible)

Production is made externally using very small-sized local factories (façon) and manufacturers of marketed items, in Italy and abroad (China, Turkey, Egypt). Monnalisa collaborates with its main suppliers on a long-term partnership oriented approach based on sharing objectives and tools to find quality professional solutions, reach mutually fulfilling results and moving towards stable relationships, while limiting over time the risk of dependence on key suppliers in terms of work load or type of product/service offered. Although the group does not depend significantly on any supplier, we cannot entirely rule out the risk of termination, for whichever reason, of existing supply dealings; therefore, the work load of each supplier is carefully monitored and intense scouting for new suppliers is carried out worldwide.

IMAGE RELATED RISKS

(external, possible)

Monnalisa group operates in markets that are influenced by the response of the retail customer and end user to the company's stylistic proposal, quality of the items and brand reputation.

Monnalisa limits these risks by carefully managing the image of both product and company (product, brand, company and group communication). The public relations function is internal to manage any outward message directly and effectively guaranteeing coherence in communicating brand and group identity.

Product quality control (both internal and at supplier premises) is essential and has established a new position: product development, which is between style and production; it was created to monitor product quality from the initial idea to its standard production. At the same time, another position was created in Shanghai, at the subsidiary company Monnalisa China; this go-between is the link between local suppliers and the parent company to unify quality regarding the product and the process, ensuring it conforms to social responsibility requirements as set by the SA8000 and by the code of conduct for suppliers.

To protect the consumer and, as a consequence, the reputation of the company, product safety and materials used are of the utmost importance. Quality control, chemical and physical tests on specific products as well as adhering to the Reach norms are implemented as well as meeting the extremely strict requirements set by Chinese and Korean malls, with specific product certifications.

DISTRIBUTION NETWORK RELATED RISKS

(external, possible)

Risks deriving from retail and wholesale channels are relative to customer solvency and solidity; both are monitored by prudently evaluating the credit line that can be granted and using an insurance and credit management service. The company also uses an on line, and real-time service for business information to monitor the validity of the granted credit line over time.

This type of market makes it essential to obtain and maintain over time, the best locations in the most important cities in the world, and to be in the top department stores. Monnalisa group has a significant number of single brand stores in many top cities among which we can list Arezzo, Florence, Milan, Rome, Forte dei Marmi, Naples, Madrid, Serravalle Scrivia, Enna, Los Angeles, New York, Doha, Baku, Astana, Belo Horizonte, Hong Kong, Peking, Shanghai, Chengdu, Hangzhou, Shenyang, Miami, São Paulo and Moscow. Monnalisa has its own shop in shop at Harrods -in London-, Galeries Lafayette -in Paris -, La Rinascente - in Milan- and El Corte Ingles -in Madrid and Marbella-. The most significant risk linked to this type of channel is related to the length of the lease, the possibility of extending it and revising the conditions applied. The group is committed to investing in the distribution channel which confirms a win-win logic between customer and supplier; using a customised support for the layout and set up of the sales points, helping in preparing the start-up order; monitoring the assortment mix, training sales point personnel, some visual merchandising actions, managing and co-managing in store events, merchandise exchange service and modular support in managing unsold items.

RISKS RELATED TO ACCOUNTING PRACTICES

(internal, possible)

The parent company's accounting is now being performed internally by experienced staff who have worked in the same position for twenty years on average. Staff professionalism is associated with ongoing updating and support of highly qualified external consultants. EY SpA was appointed to carry out the legal audit and certify the Annual Financial Report of the parent company as well as the Consolidated Annual Financial Report.

As regards subsidiaries, the accounting of the businesses has been assigned to local consulting companies having international experience. The subsidiaries with the highest turnover (Russia, China and Hong Kong) are subject to audits carried out by local audit companies or local EY offices. There have been no fines, whether monetary or not, for non-conformity to laws and regulations.

By the end of the year there are no disputes pending with the tax authority.

RISKS RELATED TO LOSS OF KNOW-HOW AND TALENTS

(internal, possible)

The group's success highly depends on the people working for the company, their competence and professionalism. Therefore the aim is to prevent the loss of its talented staff by guaranteeing a stimulating workplace environment, challenging and rich in learning and growth opportunities. At the same time, knowledge sharing is encouraged through the promotion of collective growth and sharing one's own competencies by training colleagues directly and posting on the server anything that can be enhanced by procedures and instructions.

The opening of so many new branches abroad, in significantly diverse countries from the parent company means understanding work related and motivational dynamics in staff of different nationalities. Developing ad hoc policies and considering different attitudes towards company loyalty over time is of the utmost importance.

GOVERNANCE RELATED RISKS

(internal, possible)

The parent company is a first generation family-owned business, in which the presence of the founders is still very strong in terms of contribution and direction; therefore, potential risks of continuity and perpetuity are clear. In order to limit this particular risk, in 2010, a Board of Directors was created and it was renewed in 2013, it includes, together with Mr. Piero Iacomoni as Chairman, three external directors, one of whom is Mr. Christian Simoni, the CEO. In 2018, the Board of Directors will also include at least one independent member.

Moving from a governance based on a sole director to a board of directors is a very important and essential step for the growth of a small-medium family-owned business such as Monnalisa. From the point of view of sustainability, the foundations have been laid down for future continuity over time. Furthermore, opening the board to members that are not owner family members reflects the intention of wanting to see the parent company and its subsidiary companies grow in terms of management.

RISKS RELATED TO EPISODES OF CORRUPTION

(internal/external, remote)

The group does not work with Public Institutions or with organized large-scale distribution. Therefore, there is little risk of corruption. The level of risk is kept low by the governance system and company processes, which foresee the separation of functions, along with the Board of Statutory Auditors as the supervisor. The monitoring of the activities concerning the management of the corruption risk falls within the areas considered during the preparation of the 231/01 system, the model of which, in its general and special part, along with the ethics code, have been approved by the B.o.D. in December 2017. The implementation pathway of an Organizational, Management and Control Model, on a voluntary basis in accordance with L. Dec. 231/2001 has further allowed the improvement of the risk analysis by working especially on those having a criminal relevance in accordance with the Decree. The process was applied by involving all decision-makers in order to collect information from all those directly involved in higher impact activities as well as to train and extensively raise the awareness of operators on themes linked to risk management.

The company is considering the actions that should be taken to limit any exposure to corruption sources and reduce the risk of any such event. An internal warning system contributes to the reduction of risks inside and outside the Organization, through direct contact with the external Certification Body or with the Accreditation Body of SA8000. In 2017, as in previous years, no instances of possible actions of corruption were notified.



EXCHANGE RISKS

(external, remote)

The group operates in international markets with both purchasing and selling transactions using currencies different from the Euro. For the parent company, purchases in US dollars are significant and are usually not aligned in terms of time with the definition of price lists. Therefore, the company activates exchange rate hedging transactions fixing the rate when compiling the lists, by using the flexible forward tool and never with a speculative aim, but only to guarantee a planned margin. Following the same ratio, the proceeds in roubles related to sales made in the Russian market are covered.

Following the same ratio, a hedging strategy for foreign currency fluctuations is being analysed for the subsidiaries, for their transactions in Euros with the parent company.

RISKS RELATED TO LOSS OF INFORMATION AND DATA

(internal, remote)

Although the drawing up of a safety program paper is no longer mandatory, Monnalisa group has inserted procedures for the management and back up of data in the instructions section of the ISO 9001 manual of the parent company. There have never been complaints relative to privacy violations and loss of data. One of the three employees in the IT office deals with the ongoing update of tools to prevent the risk of obsolescence, while the management also includes an active committee to develop technology in terms of sw.

Regarding the payment for on line sales of its items, safe payment systems are used. They are managed by certified companies that use the best safety protocols. Transactions are guaranteed in form and substance through the verifications carried out.

LIQUIDITY RISKS

(internal, remote)

Monnalisa group plans its financial dynamics to reduce the liquidity risk. Based on financial needs, the company uses credit lines guaranteed by the banking system, considering the more appropriate sources in terms of length in relation to correlated investments. To limit the absorption of liquidity caused by the expansion of working capital, volume and composition are constantly monitored, trying to contain it while trying to make it homogeneous in all its components (receivables, payables, inventory) also in terms of volume and length. At the same time, in every office the group verifies the value of its goods in stock, aligning it to the prices of potential earning, finding ways and channels to process the leftover goods.

FINANCIAL RISKS

(internal, remote)

Financial risks are intended as the possibility that the group may not be able to deal with "negative" events whether external or internal. They are completely dealt with by the company policy that for a long time has allocated profits to reserves, increasing the legal reserve to over the minimum required by the Civil Code.



Relationship with financial institutions and rating

The debt only affects the parent company; what follows refers only to Monnalisa.

Bank-company relationships consist in taking out mortgages, currency exchange hedging, disposals, payments and receipts management, funding and credit lines and opening of documentary receivables. The five banks that work with Monnalisa have a long history of relationship with the company, and three among them are from the area, so they have strong roots in the territory.

The balance of the debt between short and long term shows a strong inclination of the short-term over the long-term, affected by the bridge financing for the erection of the building, now under construction, as explained in the previous paragraphs.

Table 3.11 Ratio between EBITDA and financial charges

	EBITDA	Financial Charges	EBITDA/FC.
2015	4,945,463	170,994	28.92
2016	4,840,279	164,926	29.34
2017	6,231,466	311,481	20.00

The rating, expressed through the simulation model based on the financial charges coverage rate by means of the EBITDA, expresses the sustainability of financial charges intended as the unit of margin made available to face one unit of financial charges. This rate is still positive, in line with previous years, and places the company at good rating levels, with low default risk.

Use of financial instruments

The derivative financial instruments are used only with the intent of hedging the financial risks linked to variations in exchange rates on trade transaction in foreign currency. For further information please refer to the Explanatory notes to the financial statements.

Parent company investments

During the fiscal year, investments were made in the following areas:

Fixed Assets	Acquisitions during the year
Patents and intellectual property rights	39,640
Other intangible fixed assets	172,144
Plants and machinery	103,654
Industrial and commercial equipment	9,694
Other Assets	474,490
Work in progress and advances	2,189,342

Information regarding relationship with the environment

According to the provisions set forth in art. 2428, par 2, C.C., we hereby state:

- there have been no claims for damages to the environment;
- there have been no sanctions or penalties inflicted for offences or damages to the environment;
- there have been no infringements complained to environmental protection rules.

Information regarding relationship with staff

To integrate what has been already said in the Explanatory notes to the financial statements, we state the following:

- there have been no work related deaths among the staff listed in the personnel book;
- there have been no serious work related accidents that have caused serious or critical injuries to staff listed in the personnel book;
- there have been no occupational illnesses recorded among staff or ex-staff, nor have there been cases of mobbing for which the company has been deemed responsible;
- the company has created safety systems for personnel in order to implement the governing provisions of laws.

Research and development

Pursuant to art 2428, par 2, no.1, C.C. the following information is provided.

- No cost for research and development has been capitalised in the year. We specify that the company has carried out research and development work in the textiles and clothing sector, with technologic and process characteristics that are advanced and innovative, as we better and more analytically indicate in the dossier attached to this Financial Statements.
- Costs related to the said activities have been totally included in the Income statement.
- The total costs sustained for R&D in 2017 add up to € 1,864,373,25.
- The total tax credit for R&D pursuant to law DM 174 dated 27.05.2015, recorded as operating grant, is equal to € 932,187.

Information on the drawing up and/or updating of the policy program on the safety and protection of personal data

Declarations pursuant to Legislative Decree 196, 30 June 2003.

In compliance with art. 29 of Attachment B to Legislative Decree 196/03 on processing sensitive and judicial personal data in the company, and following changes and/or integrations, we acknowledge that the company has revised its Safety Policy Plan and the entire privacy management system, through a service agreement and the processing of specific data banks.

Infra-group relations - related parties

The exchange relations between the various companies are regulated by normal market conditions. Here below are listed the companies together

with the service they have provided in 2017:

- Jafin SpA: financial corporation, of which Monnalisa has subscribed a bond loan.
- PJ Srl: Real estate company, rents the showrooms for direct orders and other spaces for production, from which Monnalisa has purchased a building now under construction and aimed at optimising logistics.
- Monnalisa &Co. Srl: the company with which residual operations related to the purchase of a business branch carried out by Monnalisa in 2015 are still ongoing.
- Monnalisa Hong Kong Ltd: a company for the development of retail in HK.
- Monnalisa China Ltd: a company for the development of retail in China.
- Monnalisa Korea Ltd: a company for the development of retail in South Korea.
- Monnalisa Rus LLC: a company for the development of retail and wholesale in Russia.
- Monnalisa Brasil Ltda: a company for the development of retail in Brazil.
- ML Retail USA Inc: a company for the development of retail in the USA.

The following detailed table shows the economic and financial aspects of the relations as at 31/12/2017.

Company	Other debts	Equity investments	Other receivables	Trade receivables	Trade payables	Sales	Purchases
Jafin Spa			1,400,000	14,830		12,630	
PJ Srl			200,000	6,100	6,631		690,192
Monnalisa & Co Srl				7,320		3,000	
Monnalisa China Ltd	260,000	3,300,000		2,070,385		1,361,199	
ML Retail USA Inc.		591,156	1,618,073	178,937		291,389	
Monnalisa Rus LLC		136				3,007,384	
Monnalisa Brasil LTDA	3,160	498,160	400,000	16,823		18,692	
Monnalisa Korea Ltd		81,000	100,000	137,017		137,017	
Monnalisa HK Ltd		50,000		695,441		609,595	
Total	263,160	4,520,452	3,718,073	3,126,853	6,631	5,425,276	690,192

The company is not subject to the current norms relating to management and coordination, having recognized that no activity carried out by third parties influences directly or conditions the company activity; furthermore, the management of the company is not external to the company's organization.

Treasury shares and shares or stakes in parent companies

The company does not own treasury shares either directly or indirectly, nor does it own any of the controlling company.

The company has not purchased or sold its treasury shares or shares/stakes of parent companies in the year.

Significant events after year end

For the description of the significant events that happened in the first months of the year 2018, we refer to the specific paragraph of the Explanatory notes to the Financial Statements.

Outlook

In line with the decisions set in the three-year development plan 2018-20, in 2018, the subsidiary companies will pursue the development of retail by opening boutiques and concession stores in the most prestigious department stores worldwide, among which we can list: Sogo in Hong Kong, Europeisky in Moscow and Sawgrass Mill in Miami.

The development of retail through new stores in high-density locations, together with the previously opened shops now fully operating, allows us to estimate for 2018 a net improvement in the profitability of subsidiaries.

The summer season shipments carried out at the beginning of the year and the winter season orders collected, confirm a growing trend of the current turnover for 2018.

Satellite office

Aside from the headquarters the company also carries out its business in:

Arezzo, Via Madame Curie n. 7
Arezzo, Loc. Ponte alla Nave n. 8
Arezzo, Via Beniamino Franklin n.11-13
Arezzo, Civitella Val di Chiana, Via di Pescaiola n. 78
Arezzo, Civitella Val di Chiana, Via di Basserone n. 12/A
Arezzo, Via Fabroni n.18-26
Arezzo, Via Morse n.1
Arezzo, Via Puccini n.119
Florence, Via del Corso n. 66/R
Milan, Via della Spiga n. 52
Milan, Corso Buenos Aires n.1
Paris, Avenue de Wagram n.58
Naples, Via Toledo n.256
Naples, Piazza dei Martiri n. 52
Serravalle Scrivia (AL), Viale della Moda 1
Madrid, Calle Velasquez 20, 6 DC
Moscow, Presnenskaya naberegnaya, 8 str.1, floor 2, office 44
Viernheim, Robert-Kochstrasse 10
Forte dei Marmi, Via Vittorio Veneto 4
Agira (EN), Località Mandre Bianche (Sicilia Outlet Village)
London - Logan Studios - Logan Place
Naples, airport
Florence, airport
Rome - Via L.Luciani 1 P2 15A

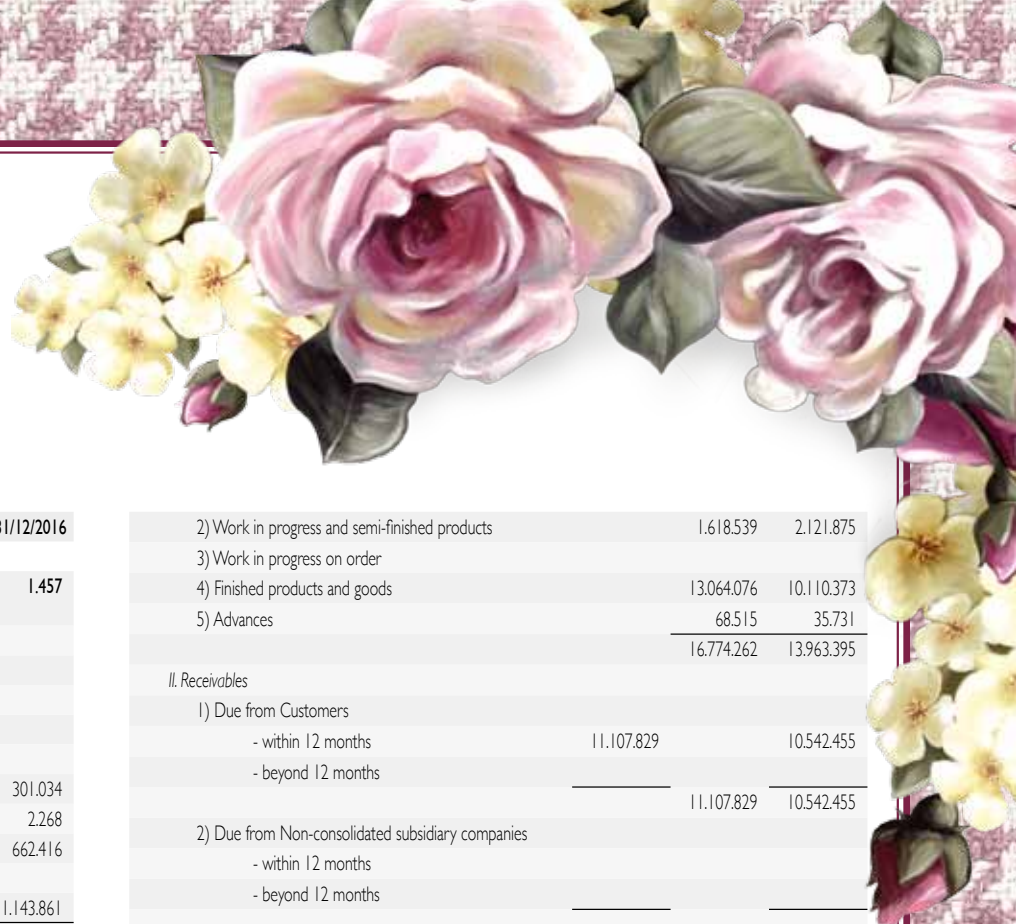
Board of Directors

The Chairman

Piero Iacomoni

CONSOLIDATED FINANCIAL STATEMENTS

as at 31/12/2017



BALANCE SHEET - ASSETS	31/12/2017	31/12/2016
A) Subscribed capital unpaid (including recalled section)	32	1.457
B) Fixed Assets		
<i>I. Intangible Assets</i>		
1) Start-up and expansion costs		
2) Development costs		
3) Industrial patent and intellectual property rights	185.987	301.034
4) Concessions, licences, trademarks and similar rights	1.134	2.268
5) Goodwill	697.953	662.416
6) Work in progress and advance payments		
7) Other	1.646.670	1.143.861
	<u>2.531.744</u>	<u>2.109.579</u>
<i>II. Tangible Assets</i>		
1) Land and buildings	3.309.586	3.427.128
2) Plants and equipment	750.665	874.092
3) Industrial and commercial equipment	240.034	225.292
4) Other assets	2.248.172	2.121.982
5) Work in progress and advance payments	8.803.434	6.675.342
	<u>15.351.891</u>	<u>13.323.836</u>
<i>III. Financial assets</i>		
1) Equity investments in:		
a) Non-consolidated subsidiary companies		
b) Associated companies		
c) Parent companies		
d) Companies controlled by parent companies		
d-b) Other companies	8.624	8.623
	<u>8.624</u>	<u>8.623</u>
2) Receivables		
a) Due from non-consolidated subsidiary companies		
- within 12 months		
- beyond 12 months		
b) Due from associated		
- within 12 months		
- beyond 12 months		
c) Due from parent companies		
- within 12 months		
- beyond 12 months		
d) Due from companies controlled by parent companies		
- within 12 months		
- beyond 12 months		
d-bis) Due from others		
- within 12 months	257.500	
- beyond 12 months		57.500
	<u>257.500</u>	<u>57.500</u>
	257.500	57.500
3) Other securities	1.200.000	1.200.000
4) Derivative financial instrument assets	1.466.124	1.266.123
Total fixed assets	19.349.759	16.699.538
C) Current assets		
<i>I. Inventory</i>		
1) Raw, supplies and consumable materials	2.023.132	1.695.416

2) Work in progress and semi-finished products	1.618.539	2.121.875
3) Work in progress on order		
4) Finished products and goods	13.064.076	10.110.373
5) Advances	68.515	35.731
	<u>16.774.262</u>	<u>13.963.395</u>
<i>II. Receivables</i>		
1) Due from Customers		
- within 12 months	11.107.829	10.542.455
- beyond 12 months		
	<u>11.107.829</u>	<u>10.542.455</u>
2) Due from Non-consolidated subsidiary companies		
- within 12 months		
- beyond 12 months		
3) Due from Associated companies		
- within 12 months		
- beyond 12 months		
4) Due from Parent companies		
- within 12 months		
- beyond 12 months		
5) Due from Companies controlled by parent companies		
- within 12 months		
- beyond 12 months		
5-bis) Tax receivables		
- within 12 months	4.314.994	3.464.788
- beyond 12 months		
	<u>4.314.994</u>	<u>3.464.788</u>
5-ter) Deferred tax assets		
- within 12 months	593.029	525.419
- beyond 12 months		
	<u>593.029</u>	<u>525.419</u>
5-quater) Due from Others		
- within 12 months	1.644.052	662.400
- beyond 12 months	119.593	64.384
	<u>1.763.645</u>	<u>726.784</u>
	<u>17.779.497</u>	<u>15.259.445</u>
<i>III. Financial assets (other than fixed assets)</i>		
1) Equity investments in non-consolidated subsidiary companies		
2) Equity investments in associated companies		
3) Equity investments in parent companies		
3-bis) Equity investments in companies controlled by parent companies		
4) Other equity investments		
5) Derivative financial instrument assets	7.667	
6) Other securities		
7) Financial operations for centralised treasury management		
	<u>7.667</u>	
<i>IV. Cash and cash equivalents</i>		
1) Bank and postal deposits	2.746.976	3.976.409
2) Checks		
3) Cash on hand	64.947	36.678
	<u>2.811.923</u>	<u>4.013.087</u>
Total current assets	37.373.349	33.235.927

D) Accrued income and prepaid expenses	133,554	208,423
Total assets	56,856,694	50,145,344
BALANCE SHEET - Liabilities and shareholders' equity	31/12/2017	31/12/2016
A) Shareholders' equity		
I. Share capital	2,064,000	2,064,000
II. Share premium reserve		
III. Revaluation reserve	2,959,446	2,959,446
IV. Legal reserve	943,276	943,276
V. Statutory reserve		
VI. Other reserves, indicated separately		
Extraordinary reserve		
Reserve from waiver, ex-art. C.		
Reserve for shares of the parent company		
Reserve from equity investments revaluation		
Advance payments for capital increase		
Advance payments for future capital increase		
Capital advance payments		
Payments for losses		
Reserve from capital share reduction		
Reserve for merger surplus		
Reserve for unrealised currency exchange		87,137
Current profits equalization reserve		
Other reserves		
Deposits towards share capital account (art. 55 T.U.)		
Reserves of suspended tax		
Reserve for capital grants (Law 576/1975)		
Capital gains reserve, art. 2, Law 168/1992		
Capital gains reserve, Legislative Decree 124/1993		
Non-distributable reserve, art. 2426		
Reserve for Euro conversion		
Remission reserve		
Reserve according to Regional Law 28/1977	51,576	51,576
Customised account		
Difference from rounding to the Euro unit		(2)
Other...		
Reserve from third party contributions to specific assets		
Translation differences	(554,920)	60,606
Consolidation reserve		
	(503,344)	199,320
VII. Cash flow hedge reserve	(23,275)	(140,928)
VIII. Profit (loss) carried forward	21,504,228	19,477,289
IX. Profit (loss) for the period	2,248,215	1,939,330
X. Negative reserve for own shares in portfolio		
Total Group Shareholders' equity	29,192,546	27,441,732
-) Third party capital and reserves	5,252	1,531
-) Profit (loss) attributable to minority interests	5,439	471
Total Minority shareholders' assets	10,691	2,002
Total Shareholders' equity	29,203,237	27,443,734
B) Provisions for risks and charges		
1) Provisions for pensions and similar obligations	59,621	78,762
2) Provisions for taxes, including deferred	58,658	66,197
3) Derivative financial instrument liabilities	38,292	313,917
4) Other	372,855	331,855
5) Consolidation provision for future liabilities and charges		
Total provisions for risks and charges	529,426	790,731
C) Employee termination indemnities	1,426,921	1,330,212
D) Payables		
1) Bonds		
- within 12 months		
- beyond 12 months		
2) Convertible bonds		
- within 12 months		
- beyond 12 months		
3) Payables to shareholders for loans		
- within 12 months		

- beyond 12 months		
4) Payables due to banks		
- within 12 months	8.278.706	6,508,681
- beyond 12 months	4.199.011	840,499
	12,477,717	7,349,180
5) Payables due to other financial institutions		
- within 12 months		
- beyond 12 months		
6) Advances		
- within 12 months	1.405.190	1,133,547
- beyond 12 months		
	1,405,190	1,133,547
7) Trade payables		
- within 12 months	9.546.033	10,096,202
- beyond 12 months		
	9,546,033	10,096,202
8) Debt for securities issued		
- within 12 months		
- beyond 12 months		
9) Payables to non-consolidated subsidiary companies		
- within 12 months		
- beyond 12 months		
10) Payables due to associated companies		
- within 12 months		
- beyond 12 months		
11) Payables due to parent companies		
- within 12 months		
- beyond 12 months		
11-bis) Payables due to companies controlled by parent companies		
- within 12 months		
- beyond 12 months		
12) Tax payables		
- within 12 months	583.226	263,574
- beyond 12 months		
	583,226	263,574
13) Payables to pension funds and social security agencies		
- within 12 months	395.378	376,636
- beyond 12 months		
	395,378	376,636
14) Other payables		
- within 12 months	1.169.914	1,262,994
- beyond 12 months	87.804	72,804
	1,257,718	1,335,798
Total Payables (D)	25,665,262	20,554,937
E) Accrued liabilities and deferred income	31,848	25,731
Total liabilities and shareholders' equity	56,856,694	50,145,344
INCOME STATEMENT	31/12/2017	31/12/2016
A) Value of production		
1) Revenues from sales and services	47,011,251	40,106,117
2) Changes in inventories of work in progress, semi-finished goods and finished products	2,577,163	745,926
3) Change in work in progress on order		
4) Capitalization of internal work	47,330	
5) Other revenues and income with separate indication of capital grants:		
- other	637,012	378,933
- operating grants	1.147.997	734,061
	1,785,009	1,112,994
Total value of production	51,420,753	41,965,037
B) Production costs		
6) Raw materials, consumables and goods for resale	15,901,998	13,541,018

7) Services	16,187,247	14,099,331
8) Use of third-party assets	3,738,620	2,347,566
9) Personnel costs		
a) Wages and salaries	6,485,165	5,147,878
b) Social security charges	1,692,279	1,360,707
c) Termination indemnities	239,083	324,274
d) Pensions and similar obligations	128,849	15,901
e) Other costs	176,149	372,096
	8,721,525	7,220,856
10) Amortization, depreciation and write-downs		
a) Amortization of intangible fixed assets	1,374,191	681,303
b) Depreciation of tangible fixed assets	883,919	796,238
c) Other write-downs of fixed assets		
d) Write-downs of receivables in current assets and cash and cash equivalents	506,762	200,105
	2,764,872	1,677,646
11) Change in inventory of raw, ancillary, consumable materials and goods	(328,311)	125,575
12) Provisions for risks		
13) Other provisions		
14) Other operating costs	373,997	255,295
Total production costs	47,359,948	39,267,286
Difference between value and production cost (A-B)	4,060,804	2,697,751
C) Financial income and expenses		
15) Income from equity investments indicated separately from those relative to subsidiaries and associated companies and those of parent companies and companies they control:		
- from subsidiary companies		
- from associated companies		
- from parent companies		
- from companies controlled by parent companies		
- others		
16) Other financial income:		
a) from receivables classified as fixed assets with separate indication of those relative to subsidiaries and associated companies and those of parent companies and companies they control:		
- from subsidiary companies		
- from associated companies		
- from parent companies		
- from companies controlled by parent companies		
- others		
b) from securities classified as fixed assets other than equity investments	30,000	62,500
c) from securities classified as short-term assets other than equity investments		
d) income other than the above with separate indication of those relative to subsidiaries and associated companies and those of parent companies and companies they control:		
- from subsidiary companies	17,124	
- from associated companies		
- from parent companies		
- from companies controlled by parent companies		
- others		21,977
	17,124	21,977
	47,124	84,477
17) Interest and other financial charges with separate indication of those relative to subsidiaries and associated companies and those relative to parent companies and companies they control:		
- towards non-consolidated subsidiary companies		
- associated companies		
- towards parent companies		
- companies controlled by parent companies		
- others	420,715	266,275
	420,715	266,275
17-bis) Losses and gains on currency exchange	(564,980)	(2,943)
Total financial income and expenses	(938,571)	(184,741)
D) Value adjustments to financial assets		
18) Write-backs:		

a) Equity investments		
in associated companies		
in subsidiary companies		
in parent companies		
in companies controlled by parent companies		
in other companies		
b) Financial fixed assets other than equity investments		
c) Securities under current assets other than equity investments		
d) Financial derivative instruments	23,952	
e) Financial operations for centralised treasury management		
f) With net equity method		23,952
19) Write-downs:		
a) Equity investments	625	
b) Financial fixed assets other than equity investments		
c) Securities under current assets other than equity investments		
d) Financial derivative instruments		
e) Financial operations for centralised treasury management		
f) With the net equity method		625
Total value adjustments to financial assets (D)		23,327
Profit/(Loss) before taxes (A-B±C±D±E)	3,145,560	2,513,009
20) Income, current, deferred taxes		
a) Current taxes	1,323,934	617,163
b) Taxes related to previous years		
c) Deferred taxes	(432,028)	(43,955)
d) Revenues (charges) from adhering to consolidated/transparent fiscal regime		
	891,906	573,208
23) Profit (loss) for the year	2,253,654	1,939,801
-) Profit (loss) attributable to the Group	2,248,215	1,939,330
-) Profit (loss) attributable to minority interests	5,439	471

*Chairman of the
Board of Directors
Piero Jacomoni*



CONSOLIDATED CASH FLOW STATEMENT

INDIRECT METHOD AS AT 31/12/2017

Description	year ending 31/12/2017	year ending 31/12/2016
A. Cash flows from operating activities (indirect method)		
Profit (loss) for the year	2,253,655	1,939,330
Income Tax	967,844	573,208
Financial income and expenses	373,591	181,798
(Dividends)		
(Capital gains)/Capital losses from asset disposals	(32,945)	(3,779)
1. Profit (loss) of the year before taxes, interests, dividends and capital gains/losses on disposal	3,562,145	2,690,558
Adjustments for non-monetary items that did not have any counterpart in net working capital		
Provisions	286,696	396,774
Amortization of fixed assets	2,258,110	1,477,541
Write-downs for long-term losses in value		
Adjustment of the value of financial assets and liabilities of derivative financial instruments that do not involve monetary movements	(23,327)	
Other adjustments, either increasing or decreasing, of non-monetary elements		
2. Cash flows before changes in net working capital	6,083,624	4,564,873
Variations in net working capital		
Decrease/(increase) in inventory	(2,810,867)	(748,959)
Decrease/(increase) in trade receivables	(634,263)	(1,232,831)
Increase/(decrease) in trade payables	(550,169)	2,069,626
Decrease/(increase) in accrued income and prepaid expenses	(29,357)	(81,927)
Increase/(decrease) in accrued liabilities and deferred income	6,848	25,731
Other decrease/(other increase) in net working capital	(1,615,970)	(2,767,305)
3. Cash flows after charges in net working capital	449,846	1,829,209
Other adjustments		
Interests collected/(paid)	(373,591)	(181,798)
Paid income taxes	(750,640)	(573,208)
Collected dividends		
(Use of provisions)	(168,128)	(242,950)
Other collections/(payments)	(611,802)	
Total other adjustments		
CASH FLOWS FROM OPERATING ACTIVITIES (A)	(1,454,315)	831,253

B. Cash flows from investment activities		
Tangibles fixed assets		
(Investments)	(2,911,976)	(7,248,668)
Disposals	32,945	
Intangible fixed assets		
(Investments)	(1,796,356)	(1,074,290)
Disposals		
Financial fixed assets		
(Investments)	(200,000)	
Disposals		
Financial non-fixed assets		
(Investments)		
Disposals		1,300,000
(Purchase of subsidiaries net of cash and cash equivalents)		
Divestment of subsidiaries net of cash and cash equivalents		
CASH FLOWS FROM INVESTMENT ACTIVITIES (B)	(4,875,387)	(7,022,958)
C. Cash flows from financing activities		
Third party resources		
Increase (decrease) in short-term bank loans	1,770,025	5,876,534
New loans	3,358,512	(582,875)
(Repayment of loans)		
Own resources		
Capital increases against payment		
(Repayment of capital)		
Sale (purchase) of treasury stocks		
(Dividends and pre-payments on paid dividends)		(1,350,000)
CASH FLOWS FROM FINANCING ACTIVITIES (C)	5,128,538	3,943,659
CHANGE IN CASH AND NET CASH EQUIVALENTS (A+B+C)	(1,201,165)	(2,248,046)
Exchange rate consequence on cash and net cash equivalents		
Initial cash and cash equivalents	4,013,087	6,261,133
Bank and postal deposits	3,976,409	6,223,127
Checks		
Cash on hand	36,678	38,006
Final cash and cash equivalents	2,811,923	4,013,087
Bank and postal deposits	2,746,976	3,976,409
Checks		
Cash on hand	64,947	36,678

Explanatory Notes to the Consolidated Financial Statements

as at 31/12/2017

Introduction

Monnalisa S.p.A., also indicated as the "Company" or "parent company", is a company incorporated and established in Italy, with registered offices in Arezzo, in Via Madame Curie no. 7, and operating in accordance with the laws of the Italian Republic.

These consolidated Financial Statements, consisting in the balance sheet, income statement, cash flow statement and explanatory notes, have been prepared in accordance with art. 29 of Legislative Decree 127/91, as resulting from these explanatory notes, prepared in accordance with art. 38 of the same decree. The accounting principles issued by the Italian Accounting Organization - (OIC) have been applied.

In addition to the information required by the law, we have provided reconciliation tables between the stand-alone net result and net equity of the parent company and the net results and net equity of the consolidated financial statements.

The financial statements values are expressed in Euros. The amounts have been rounded off where appropriate. Possible differences due to rounding off have been recorded under "Difference from rounding to the Euro unit" reserve in Shareholders' equity.

The explanatory notes to the financial statements set forth the information regarding the items in the Balance sheet and Income statement following the order in which each item is listed in the respective financial statement.

In accordance with art. 29, par. 4 of Legislative Decree 127/91 we note that there was no need to derogate from the provisions of the same law.

These explanatory notes to the financial statements and related attachments include further information, not expressly required by law, in order to provide the full picture of the company. It should be noted that:

- Items of either the balance sheet and income statement have not been grouped;
- These financial statements' accounts are comparable with those from the prior year financial statements.

In accordance with art. 2424 of Civil Code, no item of the assets or liabilities has been presented under multiple line items of the balance sheet.

Consolidation area and method

The Consolidated financial statements derive from the financial statements of MONNALISA S.P.A. (Parent company) and Companies in which the Parent company holds directly or indirectly the majority interest of the capital or has operating control. The financial statements of such Companies are consolidated using the line-by-line method. The consolidated companies are listed below:

Company name	Headquarters	Share capital		Shareholders	Ownership share	Consolidated share
		Currency	Amount in foreign currency			
Monnalisa Brazil Ltda	São Paulo (Brazil)	Real	1,678,192	Monnalisa Spa; Jafin Spa	99%	100%
Monnalisa China LLC	Shanghai (China)	Yuan	24,646,458	Monnalisa Spa	100%	100%
Monnalisa Hong Kong Ltd	HK	HKD	427,565	Monnalisa Spa	100%	100%
Monnalisa Korea Ltd	Seoul (Korea)	WON	100,687,020	Monnalisa Spa	100%	100%
Monnalisa Rus OOO	Moscow (Russia)	RUR	10,000	Monnalisa Spa; Jafin Spa	99%	100%
ML Retail Usa Inc	Houston Texas (USA)	USD	644,573	Monnalisa Spa	100%	100%

There are no cases of Companies consolidated using the proportional method.

The Companies in which the Parent company holds an investment of less than 20% and are fixed assets are measured at cost or subscription.

In the consolidation, the financial data as at 31 December 2017 of each Company as at 31 have been reclassified and adjusted in line with the accounting principles and the presentation criteria adopted by the Group.

Pursuant to art. 30, par. 1, Legislative Decree 9 April 1991, no. 127, the date of reference of these consolidated financial statements is 31 December 2017.

Our subsidiaries are listed below:

Monnalisa Hong Kong

set up on 25 August 2015, with headquarters in Hong Kong, 100% owned by Monnalisa Spa and aimed developing the local retail market.

Monnalisa Rus LLC

set up on 14 January 2016; 99% is owned by Monnalisa S.p.A. and 1% by Jafin Spa. The intent of the operation is to manage the local wholesale market more efficiently and to enter the retail market by opening direct single brand stores;

Monnalisa China Ltd

set up on 17 February 2016, the headquarters of the company are in Shanghai. It is 100% owned by Monnalisa S.p.A. The incorporation of this new company aims at managing the quality control of products purchased in China and developing the local retail market, by opening single-brand stores in the most prestigious malls of Shanghai, Peking and other important Chinese cities;

ML Retail Usa, Inc.

set up on 22 September 2016, 100% owned by Monnalisa S.p.A. with the aim of managing the retail activity in Miami and the new sales points in New York and Los Angeles, acquired during 2018. For this reason it was deemed necessary to carry out a further increase in capital from euro 280,033, up to euro 591,156, and by making an interest bearing loan for a total of euro 1,618,073.

Monnalisa Korea Ltd

set up in December 2016, 100% owned by Monnalisa S.p.A. The aim of this company is to enter the Korean retail market and manage it more efficiently.

Monnalisa Brazil Participacoes, LTDA

set up on 22 December 2016, to manage the retail business in the Brazilian market at the sales point in Sao Paulo. Following the increase in capital specifically operated, the shareholding increased from 50% to 99%, reclassifying it from associated to subsidiary.

Consolidation criteria

First of all, since the Parent company has directly promoted and participated in the setting up of each consolidated company by subscribing the nominal value of the capital, there was no need to eliminate the value of the interests in subsidiaries and to allocate any arising difference from elimination.

Equity held by third-party minority interests is presented under the appropriate line item in the balance sheet. The results attributable to minority interests are presented separately in the Income statement.

Transactions and balances between consolidated Companies have been completely eliminated.

Profits and losses from transactions between consolidated Companies are eliminated.

During the pre-consolidation phase the items with tax relevance only have been eliminated and the related deferred tax effects have been recorded.

The translation of the financial statements of the foreign subsidiaries and associated Companies has been carried out using the spot exchange rate at the date of the financial statements for assets and liabilities and using the period's average exchange rate for the items in the Income statement. The net effect of the conversion of the financial statements of the subsidiaries into the reporting currency is recognised in the "Translation differences" reserve. For the conversion of the financial statements expressed in foreign currencies, the rates indicated in the official site of the Bank of Italy were applied, indicated in the following table, while specifying that the average annual rate is the average of the average rates of each month:

Currency	Exchange rate as at 31/12/2017	Average annual rate
US Dollar	1.1993	1.1293
Chinese Yuan	7.8044	7.6264
Hong Kong Dollar	9.372	8.80012
South Korean Won	1,279.61	1,255.83
Russian Rouble	69.392	65.8877
Brazilian Real	3.9729	3.6041

Valuation criteria

The criteria used in preparing the consolidated financial statements as at 31/12/2017 are the same ones used in the financial statements of the parent company which draws up the consolidated financial statements, and they do not differ from the ones it normally applies.

The valuation of the items in the financial statements has been made following the general criteria of prudence and accrual, on a going concern basis.

In applying the concept of materiality, we did not comply with the requirements on recognition, measurement, presentation or disclosure when such non-compliance had immaterial effects in giving a true and fair view.

The recognition and presentation of the items of the financial statements has taken into consideration the substance of the transactions or agreements.

In order to make the items of the 2017 financial statements comparable with the corresponding items of the previous year's financial statements, we indicate that the following reclassifications in the Monnalisa S.p.A. financial statements have been made in reference to the sales returns of the previous years:

Reclassifications	after reclassification 31/12/2016	before reclassification 31/12/2016	Variation
Revenues from sales and services	40,059,780	40,561,506	(501,726)
Other operating costs	(255,295)	(757,021)	501,726
Total	39,804,485	39,804,485	

The valuation criteria used to draw up the financial statements are the following:

Fixed Assets

Intangibles

Intangible fixed assets consist in expenses that refer to more than one year, linked to future benefits that ensure their recovery; they are recognised at purchase cost, inclusive of directly attributable ancillary charges. No financial charges or other charges have been recognised that were not specifically attributable to the same fixed assets.

Intangible fixed assets are recognised at their historical cost of acquisition, and are posted net of amortisation based on a fixed annual rate linked to their estimated useful life.

- Amortisation of intellectual property rights, specifically software costs, has been calculated over 5 years, considering their long-term validity.
- Amortisation of acquisition, registration and protection costs of trademarks has been calculated on the basis of their future value, based on a period of 10 years.
- Goodwill has been recognised upon approval by the Board of Statutory Auditors, at the cost incurred for the acquisition of some retail businesses. With reference to the amortisation of the goodwill, we believe a ten-year period amortisation is fair, considering the business sector, the correlated "image" factor and the specific operational conditions of the acquired businesses.
- Other fixed assets mainly include improvements carried out on third party assets (amortisation is based on the residual possibility of use of the assets), as well as the sample items of previous seasons obtained following merger operations occurred in 2015. Similar to the goodwill, they are amortised based on their future use, estimated over a period of ten years.

Research and development costs have been entirely recognised in the Income statement of the period in which they incurred.

At each date of reference of the financial statements the company evaluates if any indicator of impairment of fixed assets exists.

If such an indicator exists, the company assesses the recoverable amount of the asset (the higher between value in use and fair value) and the asset is written-down if the carrying amount of such asset exceeds the recoverable value. In the absence of such indicators of potential loss in value, the recoverable amount is not calculated. If the reasons of the impairment loss are no longer in place, the original carrying amount is restored (except for goodwill and long-term expenses) net of amortisation not carried out due to said write-down. The amortisation and write-down analytical methodologies used are described below in the explanatory notes.

Tangibles

Tangible assets, representing tangible goods with a long-term use related to future benefits that guarantee their recoverability, are recognised at purchase cost, including any directly attributable ancillary costs net of the estimated residual value and adjusted by the corresponding depreciation.

No financial charges or other charges have been entered that were not specifically attributable to tangible assets. The value at recognition takes into account the ancillary costs and costs for the use of fixed assets, after deducting commercial discounts and other significant cash discounts.

No internally built assets are recognised.

Depreciation amounts recognised in the Income statement have been calculated using fixed rates coherent with the use, destination and obsolescence of the assets, based on the residual possibility of use and in full respect of the actual use of the assets.

Depreciation has been calculated by applying the highest coefficients established by the Ministerial Decree 31.12.88, and can be considered representative of the normal life for tangible assets related to the specific manufacturing sector.

Here below are the applied depreciation rates. Where the use of the asset began during the year, the rate in question has been halved:

Category	%
Industrial buildings	3%
Machinery, tools, equipment	12.5%
Furniture and office equipment	12%
Electromechanical and electronic office machines	20%
Goods transportation vehicles	20%
Vehicles	25%
Photovoltaic systems	9%

Expenses incurred to improve the assets have been recognised at the actual cost of purchase only in the case of a real and measurable increase in productivity or increase of the useful life of the assets and were depreciated based on their remaining possibility of use. All other costs related to those items were entirely recognised to the Income statement.

Given that no reason for write-downs of fixed assets - both tangible and intangible - occurred, no further depreciation related to a reduced capability in determining future economic results, to their estimated useful lives or to their market value, has been applied.

At each date of reference of the financial statements the company evaluates if any indicator of impairment of fixed assets exists. If such an indicator exists, the company assesses the recoverable amount of the asset (the higher between value in use and fair value) and the asset is written-down if the carrying amount of such asset exceeds the recoverable value. In the absence of such indicators of potential loss in value, the recoverable amount is not calculated. If the reasons of the impairment loss are no longer in place, the original carrying amount is restored, net of depreciation not carried out due to said write-down.

There are no assets for which the payment is deferred with respect to normal market conditions.

No discretionary or voluntary revaluations were recognised. The valuations made do not exceed the value in use of the assets, determined objectively.

Capital grants

In the course of the 2017 financial year the company received no capital grants.

Finance leases

The Group has no active finance lease operations.

Equity investments

The investments held in other companies have been recognised at cost. The carrying amount of the investments is in line with any lower value estimated on reasonable expectations for use and recoverability in future years. The carrying amount of said investments has been written down in case of any impairment losses. In case of impairment losses exceeding the carrying amount of the investment, the latter is reduced to zero, recording this variation in the Income statement. Said lower value is not maintained in the following financial statements if the reasons no longer exist.

In the period in which the reasons for the write-downs cease, financial fixed assets are restored recognizing such variation in the Income statement, within the limit of the original carrying amount.

The receivables are either classified among financial fixed assets or recorded in the specific item in current assets, depending on their destination.

Securities

As per accounting principle OIC 20 we decided to not apply the amortized cost method to the securities recognised in the Balance sheet before the year starting 1 January 2016. Consequently, they are recognised at cost of purchase inclusive of directly linked ancillary costs. These securities have not undergone any impairment loss, nor have there been cases of "reversal of impairment losses".

No fixed asset has undergone change in destination and they represent long-term investments made by the company.

The securities have not been written down as they register no loss in value.

Inventory

Raw, ancillary, additional and consumable materials were recorded at the lower between the purchase cost, inclusive of additional charges and valued based on the LIFO method, and the expected realisable value. The value attributed to these categories does not differ significantly from the value that would result using current costs or replacement costs at year-end.

Work in progress goods, semi-finished and finished goods are valued at the lower between the production cost and the estimated realisable value, calculated based on the best possible selling price. Production cost has been determined including the costs directly attributable to the products, depending on the phase reached in the manufacturing process.

As in past seasons, said item includes the remaining collection garments at year-end, calculated on the basis of the lower value between production cost and the estimated realisable value.

The value of the inventory obtained in this way has been written down to take into account the obsolescence of the goods, as well as the real possibility of sale based on the rotation of the same goods.

The value of the inventory has been restored in the fiscal year in which the reasons of the previous write-down ceased to exist, within the limits of the previously recognised cost.

As to products sold to the group companies in storage at year-end, we eliminated the internally generated profit, as such profit had not been realized by the Group, recognising the related deferred tax effects.

The valuation criteria adopted have not changed with respect to the prior year.

Receivables

Receivables are classified as financial assets or in the specific item of current assets, depending on their destination, and are recognised in the financial statements at nominal value.

We specify, as foreseen by the OIC 15 accounting principle, that the amortized cost method has not been applied to receivables recognised into the balance sheet before the year starting 1 January 2016, nor has it been applied to those arising subsequently, because the effects are immaterial to the purpose of giving a true and fair representation.

The accounting policies adopted by the company are the following:

- receivables with a maturity of less than 12 months are not discounted;
- receivables are not discounted when the effective interest rate is not significantly different from the market interest rate;
- the amortised cost method is not applied when the transaction costs, commissions and every other difference between initial value and maturity value are immaterial.

The receivables related to revenues from sale of goods or services are recognised when the production process of goods or services has been completed and the formal and substantial transfer of ownership has occurred. Receivables originating from other sources are entered only when the right to the credit legally exists.

The value of receivables has been reduced to the probable realisable value through a specific "provision" which directly reduces the receivables. The provision is determined by the assessment of each position and by the overall risk of receivables. Such provision aims to cover losses already occurred for which the loss amount is not yet determined, as well as expected future losses on existing receivables based on experience and knowledge of the business sector in which the company operates.

Receivables are eliminated from the financial statements only at expiration of the contractual rights on financial flows or when the ownership is transferred together with all risks linked to the credit.

Accruals and deferrals

Accruals and deferrals have been determined on an accrual basis.

Long-term accruals and deferrals were verified to determine their original conditions, and where necessary, to operate the appropriate variations.

Provisions for risks and charges

Provisions for risks and charges are intended to cover losses or liabilities, already existing or that are likely to arise, of which however, at year-end, the exact amount or the date of occurrence cannot be determined.

These amounts were prudently provided for on an accrual basis and no provision for generic risks was set up in the absence of an economic justification.

Potential liabilities have been recognised in the financial statements under provisions as they are deemed probable and having reasonably estimated the related amount.

Termination indemnity

The indemnity recognised corresponds to the actual amount owed by the company to the employees as at 31/12/2017 net of any amounts already paid. The provision is made under the law and relevant national labour contracts, considering all forms of remuneration of a continued nature, net of advanced payments made, and is equal to the amount that would have been paid to the employees in case of termination of employment at year-end.

The provision does not include the indemnities arising after 1 January 2007. Such indemnities flow into separate pension funds, in accordance with L. Dec. n. 252 of 5th December 2005 (or transferred to the INPS treasury fund). Therefore, the provision at year-end corresponds to the amounts as at 31 December 2006, net of the pre-payments made.

Indemnity for terminated contracts, for which payment expired before 31/12/2017 or will expire in the following year, has been included in the item D.14 other payables of the Balance sheet.

The contract allows workers with seniority of at least 8 years can ask the employer for an advance up to 70% of their indemnity. The request is subordinated to the necessity to incur substantial medical expenses, purchase a primary residence for him/herself or for his/her children, or incur expenses connected to maternity leave or education and training. When possible, Monnalisa advances the payment of the indemnity to all of those who apply, even in a percentage higher than 70%.

Payables

The amortised cost method has not been applied, as the effects are immaterial to a true and fair view presentation.

In particular, payables are not discounted if they expiry within 12 months and/or if the effects are immaterial compared to the non-discounted value. Therefore, the debts are entered at their nominal value.

Income Taxes

Income taxes are recognised according to the principle of accrual. This item includes:

- accruals for taxes paid or to be paid for the year; determined in line with tax rates and laws in force;
- the amount of deferred taxes due to temporary differences arising or cancelled during the year;

Deferred tax assets and deferred tax liabilities have been calculated on temporary differences between the carrying amount of assets and liabilities determined according to financial statements criteria and the corresponding tax base.

The tax liabilities are recognised under Tax payables net of pre-payments, withholding taxes and, in general, of all tax receivables.

Recognition of revenues and costs

Revenues from sales of products are recognized upon transfer of title relating thereto, which normally coincides with the delivery or dispatch of goods.

Financial income and revenues from services rendered are recognised on an accrual basis.

Revenues, proceeds, costs and charges concerning transactions in foreign currencies are recognised according to the exchange rate at the date in which such transactions take place.

Income and expenses related to purchase agreements with obligation of reconveyance, included the difference between the fixed forward price and spot price, are recognised for the amounts related to the year.

The revenues and proceeds, as well as costs and expenses, are recorded net of returns, discounts, allowances and rebates.

In case potential asset are likely to arise, these are not recognised in the financial statements based on principle of prudence; however, the necessary information is disclosed in this document.

Returns of finished products are posted in the year in which the goods are returned by the customer.

We also decided conservatively to recognise a provision of Euros 196,000 for the risk of goods returns related to sales made in 2017.

The purchase costs are recognized based on their occurrence.

The cost of raw materials, auxiliary materials or consumables are inclusive of the accessory costs for purchase (transport, insurance, etc.) if included by the supplier in the purchase price, otherwise they are entered separately in the service costs based on their nature. Costs include not only those with a known value, but also those costs not yet documented and for which the transfer of property has been completed or service has been rendered.

Using the principle of prudence, potential assets or profits are not recognised in the financial statements; the necessary information is disclosed in this document.

Foreign currency transactions

Receivables and payables originally expressed in foreign currency, and recorded using the exchange rate at the date on which they occur, are adjusted to be in line with year-end exchange rates.

Losses and gains on currency exchanges are booked under C.17-bis of the Income statement.

No major effects due to changes in foreign currency exchange rates between year-end and the date of the preparation of the financial statements have been noted.

Derivative financial instruments

Derivative financial instruments are used only with the intent of hedging the financial risks linked to variations in exchange rates on trade transaction in foreign currency.

They have been recognised following the accounting rules set for hedge accounting as:

- At the beginning of the hedging, formal designation and documentation of the hedging documentation is compiled;
- The hedging is expected to be highly effective;
- The effectiveness can be measured reliably;
- The hedging is highly effective during the accounting periods for which it is designated.

All the derivative financial instruments are measured at fair value.

As the derivative financial instruments are designated as hedge of the exposure to fluctuation in the cash flows of an asset or liability, or of a transaction considered to be highly possible, and could have an effect on the Income statement, the effective portion of profits or of losses of the financial instrument is recognised in the equity; profits or losses accumulated are removed from equity and recorded in the Income statement in the same period in which the hedged operation is identified; profit or loss connected to a hedge, or to that portion of the hedge, which has become ineffective, are recognised in the Income statement when the inefficacy is identified.

The company uses cash flow hedge accounting to stabilise the cash flows from revenues denominated in Russian Roubles and purchases denominated in US Dollars. Consequently, the effective portion of the variation of fair value of derivative instruments negotiated to hedge highly probable transactions in foreign currency is presented in a specific equity reserve. When the transaction being hedged is recognised, the amounts recorded in the equity reserve are recorded in the Income Statement under revenues. On the other hand, the ineffective portion of fair value variation is recorded in the Income statement under Financial income and charges. After the recognition of the hedged transactions, the fair value variations are recorded in the Income statement under Financial income and charges, in accordance with the methods used for accounting of hedged items.

Should the conditions for applying hedge accounting not exist, the effects deriving from the valuation of fair value of the derivative financial instrument are recognised in the Income statement.

Derivative financial instruments - even when incorporated in other financial instruments - have been initially recognised when the related rights and obligations are acquired; their measurement has been made at fair value both on the date of initial recognition and at year-end. The fair value variations, compared to the previous year, have been recorded in the Income statement. As for instruments hedging risks in fluctuation of expected cash flows of another financial instrument or of another planned transaction, variations have been recognised in an equity positive reserve.

Derivative financial instruments with a positive fair value have been entered in the balance sheet under assets. Their classification in fixed assets or current assets depends on the nature of the instrument:

- a derivative financial instrument for the hedging of financial flows or of the fair value of an asset follows the classification under current assets or fixed assets of the hedged asset;
- a derivative financial instrument hedging cash flows and the fair value of a liability; an irrevocable commitment or a highly probable planned transaction, is classified among current assets;
- a non-hedging derivative financial instrument is classified in current assets within the following year.

Variations in fair value of the effective component of derivative financial instruments hedging cash flows have been recognised in the equity reserve for hedging operations of expected cash flows.

Derivative financial instruments with a negative fair value have been presented in the financial statements under Provisions for risks and charges.

Commitment, guarantees and contingent liabilities

There are no commitments other than ones presented in the Balance sheet.

Waivers

No waivers have been made to the valuation criteria described above.

Employment data

The following table sets forth the average number of employees of the companies included in the consolidation using the line-by-line method, divided by category.

Staff	31/12/2017	31/12/2016	Variations
Executives			
Managers	6	2	4
Office staff	220	165	55
Workers	38	39	-1
Others			
Total	264	206	58

Notes to the Balance Sheet items

Notes to the balance sheet items - assets

Intangible fixed assets

The breakdown of said item is as follows.

Description	31/12/2016	Increases	Decreases	Exchange rate differences	Other Variations	Depreciation	31/12/2017
Patents and intellectual property rights	301,034	71,821		(2,449)	(6,836)	(177,583)	185,987
Concessions, licences, trademarks	2,268					(1,134)	1,134
Goodwill	662,416	208,365		(18,495)		(154,333)	697,953
Other	1,143,861	1,635,102		(78,939)	(12,213)	(1,041,141)	1,646,670
Total	2,109,579	1,915,288		(99,883)	(19,050)	(1,374,191)	2,531,743

These costs are reasonably connected to a use over more years. They are systematically depreciated in relation to their estimated useful life.

The increase that has occurred is mainly connected to the expenses incurred on third party assets, which are amortized over the lease period.

Based on the trend of the year and future positive results deriving from the company business plans, the Directors do not believe that there are indicators of long-term losses in value in relation to intangible assets. We furthermore specify that a punctual analysis of the recoverable amount of the company branches acquired, inclusive of the goodwill paid, has been performed.

Total revaluations of intangible fixed assets at year-end

Under article 10 of law 72/1983, no monetary revaluations and derogations have been applied according to the criteria set by the Civil Code on intangible fixed assets recognised in the consolidated financial statements as at 31/12/2017.

Capitalized financial expenses

During the year no financial charges have been recognised to any asset.

Tangible assets

The breakdown of the item is as follows.

Description	31/12/2017	31/12/2016	Variations
Land and Buildings	3,309,586	3,427,128	(117,542)
Plants and equipment	750,665	874,092	(123,427)
Industrial and commercial equipment	240,034	225,292	14,742
Other Assets	2,248,172	2,121,982	126,190
Work in progress and advance payments	8,803,434	6,675,342	2,128,092
Total	15,351,892	13,323,836	2,028,056

Land and buildings

Description	Amount
Balance as at 31/12/2016	3,427,128
Other variations	Of which 392,140
Depreciation for the year	(117,542)
Balance as at 31/12/2017	3,309,586

Plants and equipment

Description	Amount
Balance as at 31/12/2016	874,092
Acquisitions during the year	103,654
Depreciation during the year	(227,081)
Balance as at 31/12/2017	750,665

Industrial and commercial equipment

Description	Amount
Balance as at 31/12/2016	225,292
Acquisitions during the year	97,664
Exchange rate differences	(15,973)
Depreciation during the year (Accumulated depreciation and exchange rate adjustments)	(66,948)
Balance as at 31/12/2017	240,034

Other Assets

Description	Amount
Balance as at 31/12/2016	2,121,982
Acquisitions during the year	591,704
Sales/disposals of vehicles in the period, including fund	66,622
Delta currency exchange	6,835
Other variations	(66,622)
Depreciation of the period (Accumulated depreciation)	(472,348)
Consolidation entries	
Balance as at 31/12/2017	2,248,172

Work in progress and advances

Description	Importo
Balance as at 31/12/2016	6,675,342
Acquisitions during the year	2,128,092
Balance as at 31/12/2017	8,803,434

Write-downs and reversal of impairment losses in the year

No write-downs nor reversal of impairment losses have been recorded during the year.

Total revaluations of tangible fixed assets at year-end

In 2008, the Company took advantage of the possibility set by Decree Law 185 and revalued the industrial building situated in the Municipality of Arezzo at Via Madame Curie, 7. Such property forms a single homogeneous category which has been revalued and includes the industrial building (on four levels, comprising offices, workshops, laboratories and warehouses), identified at the New Urban and Building Land Registry of the Municipality of Arezzo under Section A, Sheet 103 Part. 559, Area 2, Class D/7.

The revaluation has been operated following the principle of the "market value" - based on a prudent valuation - as appeared in the report on the present value of goods as at 31 December 2008, which was drawn up by an independent expert.

From the point of view of accounting, the revaluation has been recognised using the accounting method of the increase of the historical cost.

We consequently reviewed the estimate concerning the remaining useful life of the revalued assets.

Therefore, since financial year 2009, depreciations have been operated based on the new useful life and the new value of the assets.

From a fiscal point of view, fiscal relevance was given to the revaluation by paying the Ires and Irap taxes. This tax effect was directly deducted from the Revaluation equity reserve, under tax relief and under the restrictions for availability and distribution of this equity reserve as set by the above mentioned law.

Under article 10 of Law 72/1983, here below are listed the tangible fixed assets recorded in the financial statements as of 31/12/2017 to which monetary revaluations and derogations have been applied according to the criteria set by the Civil Code.

As previously explained, tangible fixed assets were revalued according to the laws (special, general or related to the sector) and no discretionary or voluntary revaluations have been applied, in that the applied ones were made for the maximum value allowed on the asset itself, as determined objectively.

Description	Law revaluation	Economic revaluation	Total revaluations
Land and buildings	3,050,975		3,050,975

As requested by the OIC 16 accounting principle, the amount of the revaluation before depreciation is equal to 3,050,975 and the effect on equity is equal to 2,959,446.

Capitalized financial expenses

During the year no financial charges have been recognised to any asset.

Financial assets: Equity Investments

List of other equity investments

Description	Accounting value	Fair value
CONSORZIO BIMBO ITALIA	1,291	1,291
POLO UNIVERSITARIO ARETINO	510	510
CONAI	23	23
CONSORZIO SVILUPPO PRATACCI	500	500
CONSORZIO TOSCANA LOFT	1,300	1,300
FONDAZIONE MADE IN RUSSEL	5,000	5,000
Total	8,624	8,624

In the financial statements, no financial asset has been recognised at a value higher than its fair value.

Financial assets: receivables

The breakdown of said entry is as follows.

Description	31/12/2016	Increases	Decreases	Consolidation entries	31/12/2017	Fair value
From others	57,500	200,000			257,500	257,500
Total	57,500	200,000			257,500	257,500

Consist of:

Interest-bearing loan Jafin S.p.A.: € 200,000.00;

TFR policy (severance indemnity) Director: € 57.500.00;

In the financial statement, no long-term receivable has been recognised at a value higher than its fair value.

Other securities

They consist in the residual portion of the bond issued by Jafin SpA.

Variations occurred during the year:

Description	Equity investments in other companies	Total Equity Investments	Other securities
Value registered at the beginning of the year	8,624	8,624	1,200,000
Variations			
Value registered at the end of the year	8,624	8,624	1,200,000

No long-term receivables with a higher value than their fair value have been recorded in the financial statements.

As set in accounting principle OIC 20, considering the fact that financing operations are mostly short-term and/or with irrelevant or no transaction costs, it has been decided to take advantage of the option of not applying the amortized cost method to the receivables recognised before the year starting 1 January 2016. The application of such method has been deemed immaterial for the assets recognised in 2017.

Inventory

Description	31/12/2016	Increases	Decreases	Consolidation entries	31/12/2017
Raw, ancillary and consumable materials	1,695,416	327,716			2,023,132
Work-in-progress and semi-finished products	2,121,875		503,336		1,618,539
Finished products and goods	10,110,373	3,805,642		(851,939)	13,064,076
Advances	35,731	32,784			68,515
Total	13,963,395	4,166,142	503,336	(851,939)	16,774,262

Write-downs of inventory have been deemed not necessary, considering that finished products of previous not current seasons are sold at a price higher than production cost, either through directly owned shops or owned by third parties.

During the year no financial charges have been recognised to any of the assets.

Receivables

The consolidated receivable balances, after eliminating intra-group values, are divided per maturity as follows.

Description	Within 12 months	Over 12 months	Over 5 years	Total	Of which related to transactions with conveyance obligations
Due from customers	11,176,718			11,176,718	
Tax receivables	4,246,105			4,246,105	
Deferred tax assets	593,029			593,029	
Due from others	1,644,052	119,593		1,763,645	
Total	17,659,904	119,593		17,779,498	

The adjustment of the nominal value of receivables has been obtained through the specific bad debt allowance that has changed as follows:

Description	Total
Balance as at 31/12/2016	1,120,243
Used in the year	785,737
Provision for the period	370,000
Balance as at 31/12/2017	704,506

Cash and cash equivalents

Description	31/12/2016	Increases	Decreases	Consolidation entries	31/12/2017
Bank and postal deposits	3,976,409		(1,229,433)		2,746,976
Cash and cash on hand	36,678	28,269			64,947
Total	4,013,087	28,269	(1,229,433)		2,811,923

The balance represents the cash and cash equivalents, cash on hand and stamps existing at year-end.

Accrued income and prepaid expenses

These are the period's connecting entries based on accrual. The breakdown of said entry is as follows.

Description	31/12/2017	31/12/2016
Maintenance fees	74,780	50,274
Rent due	24,296	21,965
Sundry	14,375	13,174
Rental fees	12,917	18,783
Derivatives	7,186	104,226
Total	133,554	208,423



Notes to the balance sheet items - liabilities

Shareholders' equity

Reconciliation table between net result and shareholders' equity of the parent company and the results of the consolidated financial statements

The consolidated shareholders' equity of the group and the consolidated financial result of the group as of 31/12/2017 were reconciled with those of the parent company as follows:

Description	Shareholders' equity	Outcome
Shareholders' equity and results of the period as appears in the parent company's financial statements for the year	31,040,730	2,907,606
Adjustments made in application of accounting principles		
Elimination of the book value of consolidated shareholdings:		
a) difference between book value and pro-quota value of the shareholders' equity		
b) pro-quota results of subsidiaries	(1,149,907)	(693,856)
c) gains/losses on the acquisition date of subsidiaries		
d) difference due to conversion	(554,920)	
Elimination of the effects of transactions between consolidated companies	(143,358)	34,466
Group shareholders' equity and profit/loss for the period	29,192,545	2,248,215
Third party shareholders' equity and profit/loss for the period	10,691	5,439
Consolidated shareholders' equity and net profits	29,203,237	2,253,654

Description	Final balance as at 31/12/2017	Final balance as at 31/12/2016
Share capital	2,064,000	2,064,000
Reserves	3,931,023	3,900,508
Translation differences	(554,920)	60,606
Earnings/losses carried forward	21,504,228	19,477,289
Earnings/losses for the year	2,248,215	1,939,330
Group total	29,192,545	27,441,732

Variations in the group's consolidated shareholders' equity

Description	Initial balance as of 01/01/2017	Changes in the year	Operating profit	Difference in exchange rates due to the conversion of financial statements expressed in foreign currency	Other transactions	Final balance as at 31/12/2017
Share capital	2,064,000					2,064,000
Reserves	3,900,506				30,517	3,931,023
Consolidation reserve	0					0
Translation differences	60,606			(615,526)		(554,920)
Earnings/losses carried forward	19,477,289	1,939,330			87,609	21,504,228
Negative treasury stock reserve						
Earnings/losses for the year	1,939,330	-1,939,330	2,248,215			2,248,215
Group Total	27,441,731		2,248,215	(615,526)	118,126	29,192,545

Provisions for risks and charges

The breakdown of said entry is as follows:

Description	31/12/2017	31/12/2016
For pensions and similar obligations	59,621	78,762
For taxes, including deferred	58,658	66,197
Derivative financial instrument liabilities	38,292	313,917
Other	372,855	331,855
Total	526,426	790,731

Provisions for risks and charges are intended to cover losses or liabilities, already existing or that are likely to arise, of which - at year-end - the exact amount or the date of occurrence could not be determined.

In considering these provisions, the general criteria of prudence and accrual were used. No provisions for generic risks were recognised in the absence of a financial justification.

Potential liabilities have been recorded in the financial statements and recorded under provisions as they were deemed probable, and the related amount could be reasonably assessed.

This item consists of:

- € 59,621, Provision for termination indemnities due to agents;
- € 176,855, provision for environmental restoration/reclamation, formed in 2014 and deemed reasonably consistent with OIC 16;
- € 38,292, for the derivative financial instruments representing liabilities which accepts the mark to market of derivative contracts as at 31/12/2017
- € 196,000, provision for charges related to returns, formed on the basis of a joint application of the principles of prudence and accrual, on the condition that the goods are returned by the date in which the financial statements are prepared and that the return involves a decrease in the revenues of the year.

Among the tax funds, under payables, there are also deferred taxes for € 58,658; they refer to temporary taxable differences, the description of which can be found under the relevant paragraph of this note.

Employee termination indemnities

The breakdown of the item is as follows.

Description	31/12/2017	31/12/2016	Variations
Employee termination indemnities of the period	1,426,921	1,330,212	96,709

Payables

Consolidated payables have been valued at their nominal value, after eliminating intra-group values, and their expiration date is as follows:

Description	Within the following year	After the following year	Over 5 years	Total
Payables due to banks	8,278,706	4,199,011		12,477,717
Advances	1,405,190			1,405,190
Trade payables	9,546,033			9,546,033
Tax payables	583,226			583,226
Payables due to social security agencies	395,378			395,378
Other payables	1,169,914	87,804		1,257,718
Total	21,378,447	4,286,815		25,665,262

"Payables due to banks" include loans and reflect the actual debt in terms of capital, interest and additional charges accrued and due as at 31.12.2017;

- The item "Advances" refers to amounts received for goods still to be delivered;
- "Trade payables" are entered net of commercial discounts, while "cash transactions" are entered at the time of payment;
- The item "Tax payables" includes only liabilities. They are net of the related pre-payments and only refer to specific and fixed taxes, as liabilities for probable or uncertain taxes, either in amounts or date to be paid, or for deferred taxes are entered in item B.2 of liabilities (Provisions for taxes, including deferred). They total € 583,226; the value also includes withholding taxes on employees and free lancers, duly paid in 2018.
- "Other payables" are represented mostly by amounts due to agents for outstanding commissions earned, for a total of € 432,262, and by amounts due to employees including additional accruals and monthly wages, amounting to € 632,586, duly paid in 2018; as well as the amount due for the termination of the relationship with the previous administrative body, amounting to € 67,500.

At year-end there were no payables secured by collaterals on company assets (art. 2427. par. 1, no. 6, C.C.).

There were neither operations requiring at-term retro-cession nor any payables to shareholders' for loans that need to be paid back at given due dates and according to contractual endorsement.

There were no debts secured by collateral on the assets of the consolidated companies.

Accrued liabilities and deferred income

These are the period's connecting entries based on accrual. The breakdown of said entry is as follows.

These are the period's connecting entries based on accrual.

For said entries, the criteria adopted for valuation and for the conversion of amounts expressed in foreign currencies are those indicated in the first part of the present notes to the financial statements.

As at 31/12/2017, there are no accruals and deferrals with a term longer than five years.

Notes to the Income statement

Revenues by business segment

The breakdown of said account is as follows.

Category	31/12/2017	31/12/2016	Variations
Sale of goods	76,241	46,337	29,904
Sale of products	46,935,010	40,059,780	6,875,230
Total	47,011,251	40,106,117	6,905,134

As also explained in the report on operations, during the year revenues and margins - both gross and net - continued to increase. Such trends are mainly attributable to retail sales.

Revenues Per Geographical Area

The breakdown of said entry is as follows.

Area	Sales	Services	Total
Italy	15,439,046		
EU	11,508,111		
RoW	20,064,094		
Total	47,011,251		47,011,251

Revenues of exceptional amount or incidence

The other revenues, as per item A 5), for Euro 1,809,136, include operating grants for Euros 932,186, due to tax receivables deriving from Research and Development introduced by art. 3 of Legislative Decree 23.12.2013 no. 145, which replaces art. I, par. 35, Law no. 190/2014- Stability Law 2015. This facilitation is granted with regard to the expenses sustained for the research and development of new products.

Production costs

The breakdown of said account is as follows.

Description	31/12/2016	Increases	Decreases	Consolidation entries	31/12/2017
Raw material, ancillary and goods	13,541,018	7,814,232		(5,453,252)	15,901,998
Services	14,099,331	2,115,939		(28,024)	16,187,247
Use of third-party assets	2,347,566	1,391,054			3,738,620
Wages and salaries	5,147,878	1,337,287			6,485,165
Social security charges	1,360,707	331,572			1,692,279
Staff termination indemnities	324,274		85,191		239,083
Pension and similar obligations	15,901	112,948			128,849
Other personnel costs	372,096		195,947		176,149
Amortisation on intangible fixed assets	681,303	692,888			1,374,191
Depreciation on tangible fixed assets	796,238	87,681			883,919
Write-down of receivables of current assets	200,105	306,657			506,762
Change in inventory of raw materials	125,575		453,886		(328,311)
Other operating costs	255,295	118,702			373,997
Total	39,267,286	14,308,960	735,024	(5,481,276)	47,359,948

Costs for raw, ancillary and consumable materials, goods and costs for services

These costs are closely linked to what is presented in the section of Report on operations and performances at point A (Value of production) of the Income statement and are recorded complying with the principle of matching the revenues for the period. The costs which are necessary for the production of goods representing the company's core business have been included under this account. Costs for purchase of goods are recognised in the Income statement on the date of delivery. Costs for services are recognised in the Income statement on the date of their completion. As for the revenues and proceeds, costs and expenses are recorded net of returns, discounts, allowances and rebates. According to OIC12, fees for bank services of a non-financial nature have been recorded under item B7 (Services).

Moreover, the account includes provisions for termination fees due to agents (Firr and supplementary client indemnity) and provisions for termination indemnities of temporary workers. The account "Service costs" includes:

- costs for outsourced services (sewing, ironing, embroidery, printing and other steps)
- costs for Agents and Reps
- costs for advertising, both nationally and locally
- costs for fashion shows and events, both nationally and locally
- costs for technical, administrative and commercial consultancies.

Personnel Costs

This account includes all expenses sustained for hired personnel, including career improvement for merit, costs for promotions, cost of living increases, unused paid vacation days, funds set aside by law and collective labour agreements.

Other additional personnel costs are recorded in the items B6 and B7, on the basis of their strictly economic nature.

Use of third-party assets

The account includes costs sustained for royalties due for use of cartoon characters, rentals and residents' charges.

Depreciation, amortization and write-downs

Depreciation has been calculated on the basis of the useful life of the asset and its exploitation during the production process. Write-downs of accounts receivables classified as current assets has been recorded in the item B10d).

Other operating costs

The account "Other operating costs" includes: all ordinary operating expenses that cannot be recorded in other items in group b) of the Income statement, accessory operating expenses that are not exceptional in nature and all other tax expenses except income taxes. Specifically:

- Taxes and duties (IMU-TARSU-CCIAA);
- Other administrative expenses;
- Newspaper and magazine subscriptions;
- Losses on receivables not covered by provisions;
- Donations.

Donations to non-profit organization totalled € 10,502

Interest and other financial charges

The breakdown of said account is as follows.

Description	31/12/2016	Increases	Decreases	Consolidation entries	31/12/2017
Interest rates on banks debts	18,914	68,960			87,874
Other financial charges	247,360	75,481			322,841
Total	266,275	144,441			420,715

Items of cost of exceptional amount or incidence

None.

Income tax for the year

Balance as at 31/12/2017	Balance as at 31/12/2016	Variations
891,906	573,208	318,698

Taxes	Balance as at 31/12/2017	Balance as at 31/12/2016	Variations
Current taxes:	1,323,934	617,163	706,771
Deferred tax assets and liabilities	(432,028)	(43,955)	(388,073)
Total	891,906	573,208	318,698

Deferred tax assets and liabilities

Deferred taxes are expressed by the provision for deferred taxes.

Deferred tax liabilities have been calculated according to the principle of the global allocation, considering the cumulative amount of all the temporary differences, on the basis of expected average rates in force at the moment in which said differences will be paid.

Deferred tax assets have been recorded because, in the years in which the deductible temporary differences will be assigned, against which deferred tax assets have been recorded, there is a reasonable certainty of the existence of a taxable income at least equal to the amount of the differences that will be balanced off.

The main temporary differences to bring on the existence of deferred taxes are indicated in the following table together with the relative consequences.

Breakdown of deferred taxes and subsequent effects:

Description	year 31/12/2017				year 31/12/2016		
	Amount IRES temporary differences	IREs tax result	Amount IRAP temporary differences	IRAP tax result	Amount temporary differences	IREs tax result	IRAP tax result
Deferred tax assets:							
Amortization Brands	(1,754)	(421)	(1,436)	(56)	(2,759)	(392)	(56)
Amortization Goodwill	53,057	11,181	53,057	1,985	111,046	13,515	1,917
Provision for risks 2017	196,000	47,040	196,000	7,644			7,644
Write-downs receivables 2015					(161,221)	(38,693)	
Consultancy services 2015	(10,660)	(2,558)	(10,660)	(416)	(10,660)	(2,932)	(416)
Provision for risks 2015					(105,000)	(28,875)	(4,095)
Provision for risks 2016	(155,000)	(37,200)	(155,000)	(6,045)	155,000	37,200	6,045
Write-downs receivables 2016	(785,737)	(188,576)			140,841	33,802	
Isc Provision	7,103	1,707	7,103	277	15,919	3,821	621
Exchange rate losses	107,589	25,821			22,379	5,371	
ISC settlement	(6,712)	(1,611)	(6,712)	(262)			
Write-downs receivables 2017	312,209	74,930					
Total	(283,905)	(69,687)	82,352	3,127	165,545	22,817	4,016
Deferred tax liabilities:							
Revaluation of buildings					73,795	(23,172)	
Sale of company branch	(54,110)	(12,987)			(54,111)	(14,880)	
Gains on currency exchanges	19,003	4,561			109,517	26,285	
Total	(35,107)	(8,426)			129,201	(11,767)	
Net Deferred tax liabilities/(assets)		61,261		(3,127)		(34,584)	(3,127)
Total							
Recoverable losses							
Temporary differences excluded from deferred taxes							

Description	31/12/2017	31/12/2017
Deferred tax assets on 2017 Derivatives	38,292	9,190
2016 Derivatives	(189,403)	(45,457)
Deferred tax liabilities on 2017 Derivatives	2,553	613
Total	(148,558)	(35,654)

Breakdown of deductible temporary differences

Description	Amount at the end of the previous year	Changes occurred in the year	Amount at the end of the year	IRES tax result	IRAP tax result
Amortization Brands	(1,013)	(1,746)	(2,759)	(392)	(56)
Amortization goodwill	(291,528)	402,574	111,046	13,515	1,917
Directors remuneration	(5,065)	5,065			
Write-downs receivables 2015	1,031,984	(1,193,205)	(161,221)	(38,693)	
Consulting services 2015	42,640	(53,300)	(10,660)	(2,932)	(416)
Provision for risks 2015	105,000	(210,000)	(105,000)	(28,875)	(4,095)
Provision for risks 2016		155,000	155,000	37,200	6,045
Write-downs receivables 2016	140,841	140,841	33,802		
Provision for supplementary client indemnity		15,919	15,919	3,821	621
Losses on unrealised exchange rates		22,379	22,379	5,371	
Settlement ISC		(6,712)	(6,712)	(1,611)	(262)
Write-downs receivables 2017		312,209	312,209	74,930	
Derivatives	26,705	26,705			
Derivatives		189,403	189,403	46,457	
Goods in stock at subsid.	246,635	615,996	851,939	204,465	31,478

Breakdown of taxable temporary differences

Description	Amount at the end of the previous year	Changes occurred in the year	Amount at the end of the year	IRES rate	IRES tax result	IRAP rate	IRAP tax result
Revaluation of buildings	(126,383)	200,178	73,795	(31.40)	(23,172)		
Sale of company branch	216,443	(270,554)	(54,111)	27.50	(14,880)		
Unrealised gains on exchange rates		109,517	109,517	24	26,285		

Other information

Information on the fair value of the financial derivatives

Derivative financial instruments are only used with the intent of hedging financial risks related to changes in exchange rates when commercial transactions are made in foreign currency. Please refer to the first section of this Explanatory note for all that concerns the accounting method applied. Here below we indicate the fair value and information on the entity and nature of each category of derivative financial instruments introduced by the company; they are divided per class, keeping in mind aspects such as the characteristics of the same instruments and the purpose of their use. Hedging transactions existing as at 31 December 2017 and financial counterparties consist in:

Flexible forward on purchase of USD	
Contract ID	311017-0054
Date of transaction	31/10/2017
Counterparty	Unicredit S.p.A.
Maturity date	03/05/2018
Exchange rate	1.1638 €/USD
Notional Amount (in foreign currency)	1,500,000USD
Customer Amount	1,288,881.25€
Underlying Amount	€/€ exchange rate

The contract is operational from 03/01/2018 to 30/04/2018 with a minimum of 50,000 USD.

Flexible forward on sale of RUB	
Contract ID	231017-0025
Date of transaction	23/10/2017
Counterparty	Unicredit S.p.A.
Maturity date	27/04/18
Exchange rate	70.69 €/RUB
Bank Amount	990,239.07€
Notional Amount (in foreign currency)	70,000,000 RUB
Underlying Amount	€/RUB exchange rate

Interest Rate Cap	
Contract ID	271017-0191
Date of transaction	31/10/2017
Counterparty	Unicredit S.p.A.
Maturity date	31/10/2021
Notional Amount	2,000,000 euro
Premium	15,000 euro
Bank Parameter Rate	Euribor 3 mesi
Customer Parameter Rate	Euribor 3 mesi
Cap rate	0%

As at 31/12/2017, the mark to market of the two transactions was equal to:

- -38,292.27 for flexible on USD
- +2,552.64 on roubles
- + 5,114.46 on Interest Rate Cap

Information concerning financial fixed assets with carrying amount higher than fair value

No financial fixed assets with a higher value than their fair value have been recorded.

Information concerning loans for a specific business

Pursuant to art. 2427, no. 21), C.C., we declare that there are no loans for a specific business.

Information concerning transactions with related parties

We specify here below, the amount, nature of the amount and any further information deemed necessary to understand the financial statements in relation to said operations, in that they are relevant and concluded at arm's length.

Information concerning single transactions has been grouped per nature, except where separate information has been deemed necessary for understanding the effects of the related transactions on the consolidated financial statements.

Company	Other payables	Equity investments	Other receivables	Trade receivables	Trade payables	Sales	Purchases
Jafin SpA	0	0	1,400,000	14,830	0	12,630	0
PJ Srl	0	0	200,000	6,100	6,631	0	690,192
Monnalisa&Co.Srl	0	0	0	7,320	0	3,000	0
Total	0	0	1,600,000	28,250	6,631	15,630	690,192

Information on agreements that do not appear in the Balance sheet

There are no agreements that do not appear in the Balance sheet.

Information on the remuneration due to the Independent Auditor

In accordance with the law, we indicate the amounts pertaining to this period for the services rendered to the group by the Independence Auditor/or Audit firm and by entities which are part of their network;

- charges for the audit of the parent company: Euros 34,000, and of the other companies of the Group (Russia subsidiary): Euros 14,160.

Information on directors and statutory auditors remunerations

In compliance with the law, the total remuneration due to the Directors and members of the Board of Statutory Auditors of the parent company - including those for carrying out the same assignments at other companies included in the consolidated area - are recorded here below:

Title	Remuneration
Directors	439,400
Board of Statutory Auditors	65,800
Total	505,200

Significant events after year end

In the first months of 2018, the partners streamlined the ownership of the shares of the Parent company into a single legal entity.

The expansion of the retail area continued through the acquisition of a new business branch in Florence.

These Consolidated Financial Statements, consisting of: Balance sheet, Income statement, Cash flow statement and the Explanatory note to the financial statements, provides a truthful and accurate view of the equity and financial position as well as the results of operations for the year and correlate to the accounting records and to the information communicated by the companies included in the consolidation area.

*Chairman of the
Board of Directors
Piero Iacconi*

Monnalisa S.p.A.

Consolidated financial statements as at December 31 2017

Independent auditor's report pursuant to article 14 of
Legislative Decree n. 39, dated 27 January 2010

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

To the Shareholders of
Monnalisa S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Monnalisa Group (the Group), which comprise the balance sheet as at December 31 2017, the income statement and consolidated cash flow statement for the year then ended, and explanatory notes. In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31 2017, and of its financial performance and its cash flows for the year then ended in accordance with the Italian regulations governing financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Monnalisa S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the Italian regulations governing financial statements, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Monnalisa S.p.A. or to cease operations, or have no realistic alternative but to do so. The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on compliance with other legal and regulatory requirements

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

The Directors of Monnalisa S.p.A. are responsible for the preparation of the Report on Operations of Group Monnalisa as at December 31 2017, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 7208, in order to express an opinion on the consistency of the Report on Operations, with the consolidated financial statements of Monnalisa Group as at December 31 2017 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of Monnalisa Group as at December 31 2017 and comply with the applicable laws and regulations.

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

Florence, April 16 2018

EY S.p.A.
Signed by: Lorenzo Signorini, partner

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

FINANCIAL STATEMENTS

as at 31/12/2017



BALANCE SHEET - ASSETS

31/12/2017 31/12/2016

A) Subscribed Capital Unpaid (including recalled section)		
B) Fixed Assets		
<i>I. Intangible Assets</i>		
1) Start-up and expansion costs		
2) Development costs		
3) Industrial patent and intellectual property rights	169,309	242,887
4) Concessions, licences, trademarks and similar rights	1,134	2,268
5) Goodwill	517,201	662,416
6) Work in progress and advance payments		
7) Other	498,924	554,487
	1,186,568	1,462,058
<i>II. Tangible Assets</i>		
1) Land and buildings	3,309,586	3,427,128
2) Plants and equipment	750,665	874,092
3) Industrial and commercial equipment	14,963	10,757
4) Other assets	2,143,847	2,097,583
5) Work in progress and advance payments	8,803,434	6,675,342
	15,022,495	13,084,902
<i>III. Financial assets</i>		
1) Equity investments in:		
a) Subsidiary companies	4,520,452	3,742,258
b) Associated companies		1,457
c) Parent companies		
d) Companies controlled by parent companies		
d-b) Other companies	8,624	8,624
	4,529,076	3,752,339
2) Receivables		
a) due from subsidiary companies		
- within 12 months	2,118,073	155,000
- beyond 12 months		
	2,118,073	155,000
b) due from associated		
- within 12 months		
- beyond 12 months		
c) due from parent companies		
- within 12 months		
- beyond 12 months		
d) due from companies controlled by parent companies		
- within 12 months		
- beyond 12 months		
d-bis) due from others		
- within 12 months		
- beyond 12 months	257,500	57,500
	257,500	57,500
	2,375,573	212,500
3) Other securities	1,200,000	1,200,000
4) Derivative financial instrument assets		
	8,104,649	5,164,839
Total fixed assets	24,313,712	19,711,799

C) Current assets

<i>I. Inventory</i>		
1) Raw, supplies and consumable materials	2,023,132	1,694,821
2) Work in progress and semi-finished products	1,618,539	2,121,875
3) Work in progress on order		
4) Finished products and goods	11,212,336	9,472,583
5) Advances	68,515	35,731
	14,922,522	13,325,010
<i>II. Receivables</i>		
1) Due from Customers		
- within 12 months	9,091,708	10,313,869
- beyond 12 months		
	9,091,708	10,313,869
2) Due from subsidiary companies		
- within 12 months	3,100,031	1,208,045
- beyond 12 months		
	3,100,031	1,208,045
3) Due from associated companies		
- within 12 months		
- beyond 12 months		
4) Due from Parent companies		
- within 12 months		
- beyond 12 months		
5) Due from Companies controlled by parent companies		
- within 12 months		
- beyond 12 months		
5-bis) Tax receivables		
- within 12 months	3,357,486	3,028,679
- beyond 12 months		
	3,357,486	3,028,679
5-ter) Deferred tax assets		
- within 12 months	171,597	173,743
- beyond 12 months	180,859	281,542
	352,456	455,285
5-quater) Due from others		
- within 12 months	730,491	254,636
- beyond 12 months	119,593	64,384
	850,084	319,020
	16,751,765	15,324,898
<i>III. Financial assets (other than fixed assets)</i>		
1) Equity investments in subsidiary companies		
2) Equity investments in associated companies		
3) Equity investments in parent companies		
3-b) Equity investments in companies controlled by parent companies		
4) Other equity investments		
5) Derivative financial instrument assets	7,667	
6) Other securities		
7) Financial operations for centralised treasury management		
	7,667	
<i>IV. Cash and cash equivalents</i>		
1) Bank and postal deposits	1,524,060	2,977,145
2) Checks		
3) Cash on hand	55,845	33,226
	1,579,905	3,010,371
Total current assets	33,261,859	31,660,279

	31/12/2017	31/12/2016
D) Accrued income and prepaid expenses	133,554	208,423
Total assets	57,709,125	51,580,501
BALANCE SHEET - LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/2017	31/12/2016
A) Shareholders' equity		
I. Share capital	2,064,000	2,064,000
II. Share premium reserve		
III. Revaluation reserve	2,959,446	2,959,446
IV. Legal reserve	943,276	943,276
V. Statutory reserve		
VI. Other reserves, indicated separately		
Extraordinary reserve		
Reserve from waiver, ex-art.C		
Reserve for shares of the parent company		
Reserve from equity investments revaluation		
Advance payments for capital increase		
Advance payments for future capital increase		
Capital account payments		
Payments for losses		
Reserve from capital share reduction		
Reserve for merger surplus		
Reserve for unrealised currency exchange		87,137
Current profits equalization reserve		
Other reserves		
Deposits towards share capital account (art. 55 T.U.)		
Reserve for suspended tax		
Reserve for capital grants (Law 576/1975)		
Capital gains reserve, art. 2, Law 168/1992		
Capital gains reserve, Legislative Decree 124/1993		
Non-distributable reserve, art. 2426		
Reserve for Euro conversion		
Remission reserve		
Reserve according to L.R. 28/1977	51,576	51,576
Non-distributable reserve for curr. exchange difference		
Difference from rounding to the Euro	(1)	2
Other		
	51,575	51,578
	51,575	138,715
VII. Cash flow hedge reserve	(23,275)	(140,928)
VIII. Profit (loss) carried forward	22,138,102	19,554,986
IX. Profit for the period	2,907,606	2,495,978
IX. Loss for the period	()	()
Advanced payments on dividends	()	()
Loss balanced during the year		
X. Negative reserve for own shares in portfolio		
Total Shareholders' equity	31,040,730	28,015,473
B) Provisions for risks and charges		
1) Provisions for pensions and similar obligations	59,621	78,762
2) Provisions for tax, including deferred	58,658	66,197
3) Derivative financial instrument liabilities	38,292	313,917
4) Other	522,855	331,855
Total provisions for risks and charges	679,426	790,731
C) Employee termination indemnities	1,426,921	1,330,212
D) Payables		
1) Bonds		
- within 12 months		
- beyond 12 months		
2) Convertible bonds		
- within 12 months		
- beyond 12 months		
3) Payable to Shareholders for loans		
- within 12 months		
- beyond 12 months		

	31/12/2017	31/12/2016
4) Payables due to banks		
- within 12 months	8,278,706	6,508,681
- beyond 12 months	4,199,012	840,499
	12,477,718	7,349,180
5) Payable due to other financial institutions		
- within 12 months		
- beyond 12 months		
6) Advances		
- within 12 months	838,370	817,106
- beyond 12 months		
	838,370	817,106
7) Trade payables		
- within 12 months	8,831,630	9,742,641
- beyond 12 months		
	8,831,630	9,742,641
8) Debt for securities issued		
- within 12 months		
- beyond 12 months		
9) Payables to non-consolidated subsidiary companies		
- within 12 months	263,160	1,611,658
- beyond 12 months		
	263,160	1,611,658
10) Payables to associated companies		
- within 12 months		
- beyond 12 months		
11) Payables to parent companies		
- within 12 months		
- beyond 12 months		
11-bis) Payables due to companies controlled by parent companies		
- within 12 months		
- beyond 12 months		
12) Tax payables		
- within 12 months	564,975	256,261
- beyond 12 months		
	564,975	256,261
13) Payables to pension funds and social security agencies		
- within 12 months	395,380	376,156
- beyond 12 months		
	395,380	376,156
14) Other payables		
- within 12 months	1,101,876	1,218,279
- beyond 12 months	87,804	72,804
	1,189,680	1,291,083
Total Payables (D)	24,560,913	21,444,085
E) Accrued liabilities and deferred income	1,135	
Total liabilities and shareholders' equity	57,709,125	51,580,501
INCOME STATEMENT	31/12/2017	31/12/2016
A) Value of production		
1) Revenues from sales and services	42,272,824	38,993,302
2) Changes in inventories of work in progress, semi-finished goods and finished products	1,236,418	395,814
3) Change in work in progress on order		
4) Capitalisation of internal work		
5) Other revenues and income with separate indication of capital grants		
- Miscellaneous	661,139	380,216
- Operating grants	1,147,997	734,061
	1,809,136	1,114,277
Total value of production	45,318,378	40,503,393

	31/12/2017	31/12/2016
B) Production costs		
6) Raw materials, consumables and goods for resale	15,177,893	13,303,339
7) Services	14,356,249	13,455,877
8) Use of third-party assets	2,029,249	1,709,285
9) Personnel costs		
a) Wages and salaries	5,142,106	4,589,780
b) Social security charges	1,468,572	1,336,121
c) Termination indemnities	239,083	324,274
d) Pension and similar obligations	128,849	15,901
e) Other costs	90,998	362,837
	7,069,608	6,628,913
10) Amortization, depreciation and write-downs		
a) Amortization of intangible fixed assets	487,274	457,787
b) Depreciation of tangible fixed assets	778,337	786,942
c) Other write-downs of fixed assets		
d) Write-downs of receivables in current assets and cash equivalents	370,000	200,105
	1,635,611	1,444,834
11) Change in inventory of raw, ancillary, consumable materials and goods	(328,311)	125,575
12) Provisions for risks		
13) Other provisions		
14) Miscellaneous operating costs	285,551	240,020
Total production costs	40,225,850	36,907,843
Difference between value and production cost (A-B)	5,092,528	3,595,550
C) Financial income and expenses		
15) Income from equity investments		
- From subsidiary companies		
- From associated companies		
- From parent companies		
- From companies controlled by parent companies		
- Others		
16) Other financial income		
a) From receivables classified as fixed assets		
- From subsidiary companies		
- From associated companies		
- From parent companies		
- From companies controlled by parent companies		
- Others		
b) From securities classified as fixed assets other than equity investments	30,000	62,500
c) From securities classified as short-term assets other than equity investments		
d) Income other than the above		
- From subsidiary companies		
- From associated companies		
- From parent companies		
- From companies controlled by parent companies		
- Others	21,586	22,757
	21,586	22,757
	51,586	85,257
17) Interest and other financial charges		
- Towards subsidiary companies		
- Associated companies		
- Towards parent companies		
- Companies controlled by parent companies		
- Others	363,067	250,183
	363,067	250,183
17-b) Losses and gains on currency exchange	(557,548)	(154,214)
Financial income and expenses	(869,029)	(319,140)
D) Value adjustments to financial assets		
18) Write-backs		
a) Equity investments		
b) Financial fixed assets other than equity investments		
c) Securities under current assets other than equity investments		
d) Financial derivative instruments	23,952	

	31/12/2017	31/12/2016
e) Financial operations for centralised treasury management		
	23,952	
19) Write-downs		
a) Equity investments	150,000	
b) Financial fixed assets other than equity investments		
c) Securities under current assets other than equity investments		
d) Financial derivative instruments	625	
e) Financial operations for centralised treasury management		
	150,625	
Total value adjustments to financial assets (D)	(126,673)	
Profit/(Loss) before taxes (A-B±C±D)	4,096,826	3,276,410
20) Income, current and deferred taxes		
a) Current taxes	1,131,084	819,033
b) Taxes related to previous years		
c) Deferred taxes		
Deferred tax assets	(8,426)	(11,768)
Deferred tax liabilities	66,561	(26,832)
	58,136	(38,601)
d) Revenues (charges) from adhering to consolidated/transparent fiscal regime		
	1,189,220	780,432
21) Profit (loss) for the year	2,907,606	2,495,978

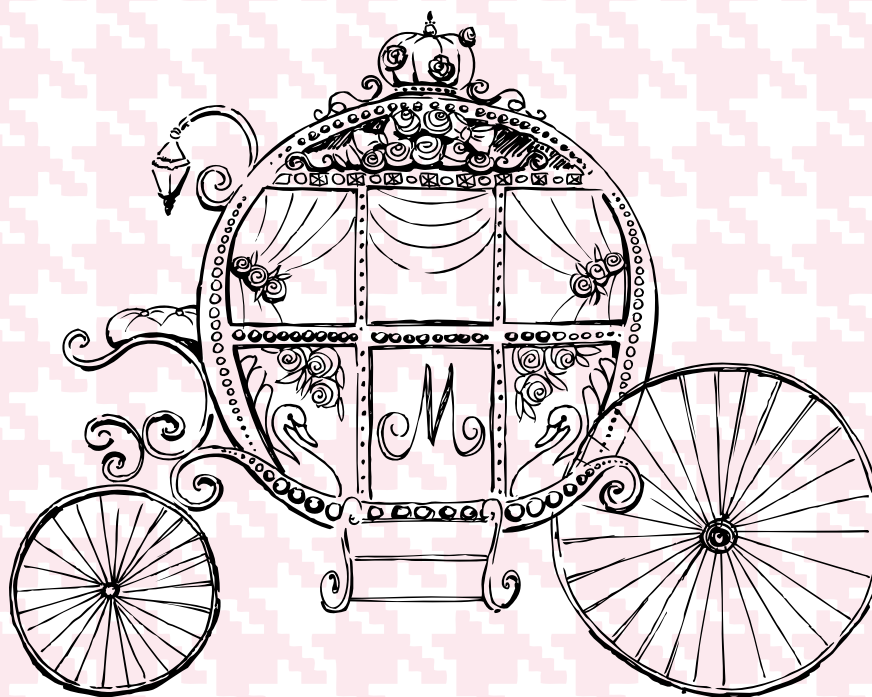
*Chairman
of the Board of Directors
Piero Jacomoni*

CASH FLOW STATEMENT

AS AT 31/12/2017

Description	year 31/12/2017	year 31/12/2016
A. Cash flows from operating activity		
Profit (loss) for the year	2,907,606	2,495,978
Income Tax	1,189,220	780,432
Interest expense (interest incomex)	311,481	164,926
(Dividends)		
(Capital gains)/Capital losses from asset disposals	(32,945)	(3,779)
Of which tangible fixed assets		
Of which intangible fixed assets		
Of which financial fixed assets		
1. Profit (loss) of the year before taxes, interests, dividends and capital gains/losses on disposals	4,375,362	3,437,557
Adjustments for non-monetary items that did not have any counterpart in net working capital		
Provisions	436,696	396,774
Amortization of fixed assets	1,265,611	1,244,729
Write-downs for long-term losses in value		
Adjustment of the value of financial assets and liabilities of derivative financial instruments that do not involve monetary movements	(23,327)	
Other adjustments, either increasing or decreasing, of non-monetary items		
2. Cash flows before changes in net working capital	6,054,342	5,079,060
Variations in net working capital		
Decrease/(increase) in inventory	(1,597,512)	(226,052)
Decrease/(increase) in trade receivables	1,222,161	(1,004,245)
Increase/(decrease) in trade payables	(911,011)	1,716,065
Decrease/(increase) in accrued income and prepaid expenses	(29,357)	22,299
Increase/(decrease) in accrued liabilities and deferred income	1,135	
Other decrease/(other increase) in net working capital	(4,536,742)	(1,847,119)
3. Cash flows after changes in net working capital	203,016	3,740,008
Other adjustments		
Interests collected/(paid)	(311,481)	(164,926)
Paid Income taxes	(447,831)	(756,555)
Collected dividends		
(Use of provisions)	(168,062)	(242,950)
Other collections/(payments)		
Total other adjustments		
CASH FLOWS FROM OPERATING ACTIVITIES (A)	(724,424)	2,575,578

B) Cash flows from investment activities		
Tangible fixed assets	(2,682,985)	(7,110,950)
(Investments)	(2,715,930)	(7,110,950)
Disposals	32,945	
Intangible fixed assets	(211,784)	(203,233)
(Investments)	(211,784)	(203,233)
Disposals		
Financial fixed assets	(2,939,810)	(2,268,715)
(Investments)	(2,939,810)	(3,693,715)
Disposals		1,425,000
Non-fixed financial assets		
(Investments)		
Disposals		
(Purchase of subsidiaries net of Cash and cash equivalents)		
Divestment of subsidiaries net of Cash and cash equivalents		
CASH FLOWS FROM INVESTMENT ACTIVITIES (B)	(5,834,579)	(9,582,919)
C. Cash flows from financing activities		
Third party resources		
Increase (Decrease) in short-term bank loans	1,770,025	5,876,534
New loans	3,358,513	
(Repayments of loans)		(582,875)
Own resources		
Capital increases against payment		
(Repayment of capital)		
Sale (purchase) of treasury stocks		
(Dividends and pre-payments on paid dividends)		(1,350,000)
CASH FLOWS FROM FINANCING ACTIVITIES (C)	5,128,538	3,943,659
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	(1,430,466)	(3,063,682)
Exchange rate consequence on cash and net cash equivalents		
Initial cash and cash equivalents		
Bank and postal deposits	2,977,145	6,036,359
Checks		
Cash on hand	33,226	37,693
Total initial cash and cash equivalents	3,010,371	6,074,052
Final cash and cash equivalents		
Bank and postal deposits	1,524,060	2,977,145
Checks		
Cash on hand	55,845	33,226
Total Cash and cash equivalents at year-end	1,579,905	3,010,371



Explanatory notes to the Financial Statements as at 31/12/2017

Dear Shareholders,
This annual report, presented for your analysis and approval, shows a net profit of Euros 2,907,606.

Directors' assessment on going concern assumption

Based on the economic performances, the soundness of equity and financial position, the Directors believe there are no significant uncertainties that may compromise the company's capacity to continue as a going concern, for a period of at least 12 months, from the date of reference of the financial statements. Therefore, they have drawn up the financial statements as at 31 December 2017, on the assumption that the business is a going concern.

Significant events of the period

In 2017, we continued to implement what had been decided in the 2016-2018 industrial plan, approved by the Board of Directors on 1 February 2016 and shared with all shareholders, in order to maximise the value of shares over a short and medium-term period.

We boosted the reorganization of the company started in 2015, aimed at improving the operating efficiency and rationalising the presence of the company in international markets, by setting up subsidiaries in Russia, Korea, China, Brazil, Hong Kong and the U.S.A. For detailed information, please refer to the paragraph on the investments of the company.

Further investments were made on both personnel and premises. The continuation of the construction of the new building adjacent to registered offices is an example. The new building should be completed by the second half of 2018. This will meet the needs of the company in terms of logistics, production and distribution following the implementation of the industrial plan.

Following the process developed under the Élite Project, an in-depth analysis regarding the possibility of listing the company on the AIM market, as one of the solutions to help achieve the goals set by the 2018-2010 industrial plan was explored.

Significant events after the reporting period

At the beginning of 2018, the shareholders reorganized the ownership of Monnalisa into a single legal entity. The expansion of the retail area also continued through the acquisition of a new business in Florence.

Accounting criteria

These financial statements include Balance sheet, Income statement, Cash flow statement and Explanatory notes to the financial statements; it gives a true and fair view of the financial position of the company, as well as the results for the year. The presentation of the financial statements complies with the provisions set in articles 2423 ter, 2424, 2424 bis, 2425, 2425 bis, 2425 ter of the Civil Code.

The financial statements values are expressed in Euros. The amounts have been rounded off where appropriate. Possible differences due to rounding off have been recorded under "Difference from rounding to the Euro unit" reserve in Shareholders' equity. Pursuant to article 2423, par. 5, C.C., the explanatory note to the financial statements have been drawn up in Euros.

The explanatory notes to the financial statements set forth the information regarding the items in the Balance sheet and Income statement following the order in which each item is listed in the respective financial statements. These explanatory notes to the financial statements and related attachments include further information, not expressly required by law, in order to provide the full picture of the company.

It should be noted that:

- Items of either the balance sheet and income statement have not been grouped;
- These financial statements' accounts are comparable with those from the prior year financial statements.

In accordance with art. 2424 of Civil Code, no item of the assets or liabilities has been presented under multiple line items of the balance sheet.

Valuation criteria

The valuation of the items in the financial statements has been made following the general criteria of prudence and accrual, on a going concern basis. According to the principle of prudent valuation, each assets and liabilities item was examined on an individual basis to avoid a set-off between losses that should have been recognized and earnings that should not have been recognized, as they had not been realized.

According to the principle of accrual for the period, the effect of transactions and other events was recorded in the accounts and was attributed to the year to which such transactions/events relate rather than to the year in which the cash movements (collections and payments) occurred.

In applying the concept of materiality, we did not comply with the requirements on recognition, measurement, presentation or disclosure when such non-compliance was immaterial in giving a true and fair view, as in the case of the receivables and payables with maturity of less than 12 months.

The application of the same valuation criteria over time represents an essential element with reference to the comparability of the Company's financial statements year after year.

The recognition and presentation of the items of the financial statements has taken into consideration the substance of the transactions or agreements.

In order to make the 2017 financial statements items fully comparable with the corresponding items of the previous year's financial statements, we have reclassified returns on sales of previous years as follows:

	31/12/2016 after reclassification	31/12/2016 before reclassification	Variation
Revenues from sales and services	38,993,302	39,495,029	(501,726)
Miscellaneous operating costs	(240,020)	(741,747)	501,726
Total	38,753,282	38,753,282	

Waivers

No exceptional cases requiring any waiver - pursuant to article 2423 comma 5 of the Italian Civil Code - have occurred.

Fixed Assets

Intangible assets

Intangible fixed assets consist in expenses that refer to more than one year, linked to future benefits that ensure their recovery. They are recognised at purchase cost, inclusive of directly attributable ancillary charges. No financial charges or other charges that were not specifically attributable to the same fixed assets have been recognised.

Intangible fixed assets are recognised at their historical cost of acquisition, and are posted net of amortisation, based on a fixed annual rate linked to their estimated useful life.

- Amortisation of intellectual property rights, specifically, software costs, has been calculated over 5 years, considering their long-term validity.
- Amortisation of acquisition, registration and protection costs of trademarks has been calculated, based on their future value, over a period of 10 years.
- Goodwill has been recognised upon approval by the Board of Statutory Auditors, at the cost incurred upon purchasing some retail businesses and following merger operations occurred in 2015. With reference to the amortisation of the goodwill, we believe a ten-year period amortisation is fair, in consideration of the business sector, the correlated "image" factor and the specific operational conditions of the acquired businesses.
- The other fixed assets mainly include improvements to third party assets (amortisation is based on the residual possible use of the assets) as well as the sample items produced in previous seasons, obtained after merging with Babalai Srl. Those garments, forming the historical archive of the company, are a real asset and intellectual heritage of those who have created it over time. The "Intangible" component of this element is to be considered predominant. As done for goodwill, they are amortised based on their future use, estimated over a period of ten years.

Research and development costs have been entirely recognised in the Income statement of the period in which they incurred.

At each date of reference of the financial statements the company evaluates if any indicator of impairment of fixed assets exists.

If such an indicator exists, the company assesses the recoverable amount of the asset (the higher between value in use and fair value) and the asset is written-down if the carrying amount of such asset exceeds the recoverable value. In the absence of such indicators of potential loss in value, the recoverable amount is not calculated. If the reasons of the impairment loss are no longer in place, the original carrying amount is restored (except for goodwill and long-term expenses) net of amortisation not carried out due to said write-down. The amortisation and write-down analytical methodologies used are described below in the explanatory notes.

Tangible assets

Tangible assets, representing tangible goods with a long-term use related to future benefits that guarantee their recoverability, are recognised at purchase cost, including any directly attributable ancillary costs net of the estimated residual value and adjusted by the corresponding depreciation.

No financial charges or other charges have been entered that were not specifically attributable to tangible assets. The value at recognition takes into account the ancillary costs and costs for the use of fixed assets, after deducting commercial discounts and other significant cash discounts.

No internally built assets are recognised.

Depreciation amounts recognised in the Income statement have been calculated using fixed rates coherent with the use, destination and obsolescence of the assets, based on the residual possibility of use and in full respect of the actual use of the assets.

No changes, with respect to the prior year, were made; where the use of the asset began during the year, the depreciation rate is halved:

Category	%
Industrial buildings	3%
Machinery, tools, equipment	12.5%
Furniture and office equipment	12%
Electromechanical and electronic office machines	20%
Goods transportation vehicles	20%
Vehicles	25%
Photovoltaic systems	9%

Expenses incurred to improve the assets have been recognised at the actual cost of purchase only in the case of a real and measurable increase in productivity or increase of the useful life of the assets and were depreciated based on their remaining possibility of use. All other costs related to those items were entirely recognised to the Income statement.

Given that no reason for write-downs of fixed assets - both tangible and intangible - occurred, no further depreciation related to a reduced capability in determining future economic results, to their estimated useful lives or to their market value, has been applied.

In 2008, the Company took advantage of the possibility set by Decree Law 185 and revalued the industrial building situated in the Municipality of Arezzo at Via Madame Curie, 7. Such property forms a single homogeneous category which has been revalued and includes the industrial building (on four levels, comprising offices, workshops, laboratories and warehouses), identified at the New Urban and Building Land Registry of the Municipality of Arezzo under Section A, Sheet 103 Part. 559, Area 2, Class D/7.

The revaluation has been operated following the principle of the "market value" - based on a prudent valuation - as appeared in the report on the present value of goods as at 31 December 2008, which was drawn up by an independent expert.

From the point of view of accounting, the revaluation has been recognised using the accounting method of the increase of the historical cost.

We consequently reviewed the estimate concerning the remaining useful life of the revalued assets.

Therefore, since financial year 2009, depreciations have been operated based on the new useful life and the new value of the assets.

From a fiscal point of view, fiscal relevance was given to the revaluation by paying the Ires and Irap taxes. This tax effect was directly deducted from the Revaluation equity reserve, under tax relief and under the restrictions for availability and distribution of this equity reserve as set by the above mentioned law.

At each date of reference of the financial statements the company evaluates if any indicator of impairment of fixed assets exists. If such an indicator exists, the company assesses the recoverable amount of the asset (the higher between value in use and fair value) and the asset is written-down if the carrying amount of such asset exceeds the recoverable value. In the absence of such indicators of potential loss in value, the recoverable amount is not calculated. If the reasons of the impairment loss are no longer in place, the original carrying amount is restored, net of depreciation not carried out due to said write-down.

If the payment is deferred, with respect to the normal market conditions for similar or comparable transactions, the asset is recognised in the Balance sheet at the present value of future contractual payments.

No discretionary or voluntary revaluations were recognised. The valuations made do not exceed the value in use of the assets, determined objectively. There are no mortgages or guarantees on the assets.

Capital grants

In the course of the financial year ended on 31/12/2017, the company received no capital grants.

Finance leases

The company has no active finance lease operations.

Equity investments

Equity investments in subsidiaries and associated companies classified as fixed assets are a strategic and long-term investment to the company:

- such equity investments are recognised under financial fixed assets;
- the equity investments are measured at acquisition cost at recognition, including ancillary costs directly attributable to the investment. The carrying amount is adjusted to consider any impairment losses. It also includes advance payments for future capital increases and waived receivables converted to equity.

The carrying amount of the investments is in line with any lower value estimated on reasonable expectations for use and recoverability in future years. The carrying amount of said investments has been written down in case of any impairment losses. In case of impairment losses exceeding the carrying amount of the investment, the latter is reduced to zero, recording this variation in the Income statement. Said lower value is not maintained in the following financial statements if the reasons no longer exist.

In the period in which the reasons for the write-downs cease, financial fixed assets are restored recognizing such variation in the Income statement, within the limit of the original carrying amount.

All investments have been recognized at purchase cost, as they did not suffer any permanent loss in value during the period, and have not been written down.

Equity investments are either classified among financial fixed assets or recorded in the specific item in current assets, depending on their destination. Dividends are recognised in the Income statement at the time in which the related right arises, following the resolution for the distribution of dividends made by the subsidiary. Following the distribution of dividend, the existence of the recoverability of the carrying amount of the investment is tested.

No dividends were received during the period.

A provision for subsidiary losses has been posted under Provisions or risks and charges. This decision has been made under the assumption that there are no permanent losses in value and that the Company intends to support these subsidiaries in their growth process.

Securities

As set by principle OIC 20, we decided not to apply the amortized cost method to securities recognised in the Balance sheet before the year beginning on 1 January 2016, which in any case continue to be measured at the cost of underwriting/purchase.

The securities have not been written down, as they registered no permanent loss.

Inventory

The valuation criteria adopted have not changed with respect to the prior year.

The carrying amount is aligned to the realisable value of these assets.

Raw, ancillary, additional and consumable materials are measured at the lower between the purchase costs, included of additional charges and valued applying the LIFO method, and the expected realisable value. The value attributed to these categories does not differ significantly from the value that would result using current costs or replacement costs at year-end.

Work in progress goods, semi-finished and finished goods are valued at the lower between the production cost and the estimated realisable value, calculated based on the best estimate of net selling price. Production cost has been determined including the costs directly attributable to the products, depending on the phase reached in the manufacturing process.

As in past seasons, said item includes the remaining collection garments at year-end, calculated considering the lower value between sustained production cost and the estimated realisable value.

The value of the inventory obtained in this way has been written down to take into account the obsolescence of the goods, as well as the real possibility of sale based on the rotation of the same goods.

The value of inventories is reversed in the period when the reasons for previous write down no longer exist, within the limits of the previously recognised cost.

For fluctuations of each category, please refer to the Income statement.

Receivables

Receivables are classified as financial assets or in the specific item of current assets, depending on their destination, and are recognised in the financial statements at nominal value.

We specify, as foreseen by the OIC 15 accounting principle, that the amortized cost method has not been applied to receivables recognised into the balance sheet before the year starting 1 January 2016, nor has it been applied to those arising subsequently, because the effects are immaterial to the purpose of giving a true and fair representation.

The accounting policies adopted by the company are the following:

- receivables with a maturity of less than 12 months are not discounted;
- receivables are not discounted when the effective interest rate is not significantly different from the market interest rate;
- the amortised cost method is not applied when the transaction costs, commissions and every other difference between initial value and maturity value are immaterial.

The receivables related to revenues from sale of goods or services are recognised when the production process of goods or services has been completed and the formal and substantial transfer of ownership has occurred. Receivables originating from other sources are entered only when the right to the credit legally exists.

The value of receivables has been reduced to the probable realisable value through a specific "provision" which directly reduces the receivables. The provision is determined by the assessment of each position and by the overall risk of receivables. Such provision aims to cover losses already occurred for which the loss amount is not yet determined, as well as expected future losses on existing receivables based on experience and knowledge of the business sector in which the company operates.

Receivables are eliminated from the financial statements only at expiration of the contractual rights on financial flows or when the ownership is transferred together with all risks linked to the credit.

Accruals and deferrals

Accruals and deferrals have been determined on an accrual basis.

Provisions for risks and charges

Provisions for risks and charges are intended to cover losses or liabilities, already existing or that are likely to arise, of which however, at year-end, the exact amount or the date of occurrence cannot be determined.

These amounts were prudently provided for on an accrual basis and no provision for generic risks was set up in the absence of an economic justification.

Potential liabilities have been recognised in the financial statements under provisions as they are deemed probable and having reasonably estimated the related amount.

Payables

The amortised cost method has not been applied, as the effects are immaterial to a true and fair view presentation.

In particular, payables are not discounted if they expiry within 12 months and/or if the effects are immaterial compared to the non-discounted value. Therefore, the debts are entered at their nominal value.

Recognition of revenues and costs

Revenues from sales of products are recognized upon transfer of title relating thereto, which normally coincides with the delivery or dispatch of goods.

Financial income and revenues from services rendered are recognised on an accrual basis.

Revenues, proceeds, costs and charges concerning transactions in foreign currencies are recognised according to the exchange rate at the date in which such transactions take place.

Income and expenses related to purchase agreements with obligation of conveyance, included the difference between the fixed forward price and spot price, are recognised for the amounts related to the year.

The revenues and proceeds, as well as costs and expenses, are recorded net of returns, discounts, allowances and rebates.

Returns of finished products are posted in the year in which the customer returns the goods. We wish to point out that we have decided conservatively to recognise a provision of € 196,000 for the risk of goods returns related to sales made in 2017.

Purchase costs are recognised on their occurrence.

Costs for raw, ancillary or consumable materials and goods are inclusive of ancillary purchase costs (transport, insurance...) if these have been included by the supplier; if not they are entered separately under costs for services according to type.

Specified costs and costs for occurred services or sale, although not yet documented, are entered as costs.

In line with the accounting principle of prudence, potential assets or profits are not recognised in the financial statements, although the necessary information is disclosed in this document.

Income Taxes

Income taxes are recognised according to the principle of accrual. This item includes:

- accruals for taxes paid or to be paid for the year, determined in line with tax rates and laws in force;
- the amount of deferred taxes due to temporary differences arising or cancelled during the year;
- Adjustments made to the deferred tax balances to take into consideration variations in tax rates..

The tax liabilities are recognised under Tax payables net of pre-payments, withholding taxes and, in general, of all tax receivables.

Deferred tax assets and deferred tax liabilities have been calculated on temporary differences between the carrying amount of assets and liabilities determined according to financial statements criteria and the corresponding tax base.

Current and deferred IRAP is determined only with reference to the company.

Foreign currency transactions

Receivables and payables originally expressed in foreign currency, and recorded considering the exchange rate on the date in which they occur, are adjusted to be in line with year-end exchange rates.

Unrealised gains and losses from valuation at year-end currency rates are booked under the entry C17-bis of the Income statement.

The unrealised exchange gains and losses amount respectively to € 19,003 and € 151,886.

No major effects due to changes in the following foreign currency exchange rates between year-end and the date of preparation of the financial statements have been noted (article 2427, par. 1, no. 6-bis, C.C.).

Derivative financial instruments

Derivative financial instruments are used only with the intent of hedging the financial risks linked to variations in exchange rates on trade transaction in foreign currency.

They have been recognised following the accounting rules set for hedge accounting as:

- At the beginning of the hedging, formal designation and documentation of the hedging documentation is compiled;
- The hedging is expected to be highly effective;
- The effectiveness can be measured reliably;
- The hedging is highly effective during the accounting periods for which it is designated.

All the derivative financial instruments are measured at fair value.

As the derivative financial instruments are designated as hedge of the exposure to fluctuation in the cash flows of an asset or liability, or of a transaction considered to be highly possible, and could have an effect on the Income statement, the effective portion of profits or of losses of the financial instrument is recognised in the equity; profits or losses accumulated are removed from equity and recorded in the Income statement in the same period in which the hedged operation is identified; profit or loss connected to a hedge, or to that portion of the hedge, which has become ineffective, are recognised in the Income statement when the inefficacy is identified.

The company uses cash flow hedge accounting to stabilise the cash flows from revenues denominated in Russian Roubles and purchases denominated in US Dollars. Consequently, the effective portion of the variation of fair value of derivative instruments negotiated to hedge highly probable transactions in foreign currency is presented in a specific equity reserve. When the transaction being hedged is recognised, the amounts recorded in the equity

reserve are recorded in the Income Statement under revenues. On the other hand, the ineffective portion of fair value variation is recorded in the Income statement under Financial income and charges. After the recognition of the hedged transactions, the fair value variations are recorded in the Income statement under Financial income and charges, in accordance with the methods used for accounting of hedged items.

Should the conditions for applying hedge accounting not exist, the effects deriving from the valuation of fair value of the derivative financial instrument are recognised in the Income statement.

Derivative financial instruments - even when incorporated in other financial instruments - have been initially recognised when the related rights and obligations are acquired; their measurement has been made at fair value both on the date of initial recognition and at year-end. The fair value variations, compared to the previous year, have been recorded in the Income statement. As for instruments hedging risks in fluctuation of expected cash flows of another financial instrument or of another planned transaction, variations have been recognised in an equity positive reserve.

Derivative financial instruments with a positive fair value have been entered in the balance sheet under assets. Their classification in fixed assets or current assets depends on the nature of the instrument:

- a derivative financial instrument for the hedging of financial flows or of the fair value of an asset follows the classification under current assets or fixed assets of the hedged asset;
- a derivative financial instrument hedging cash flows and the fair value of a liability; an irrevocable commitment or a highly probable planned transaction, is classified among current assets;
- a non-hedging derivative financial instrument is classified in current assets within the following year.

Variations in fair value of the effective component of derivative financial instruments hedging cash flows have been recognised in the equity reserve for hedging operations of expected cash flows.

Derivative financial instruments with a negative fair value have been presented in the financial statements under Provisions for risks and charges.

Notes to the Balance Sheet items

Notes to the balance sheet items - assets

Intangible fixed assets

Balance as at 31/12/2017	Balance as at 31/12/2016	Variations
1,186,568	1,462,058	(275,490)

Intangible fixed assets movements

	Start-up and expansion costs	Development costs	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Goodwill	Work in progress and advance payments	Other	Total intangible fixed assets
Values registered at the beginning of the year								
Cost			242,887	2,268	662,416		554,487	1,462,058
Balance sheet value			242,887	2,268	662,416		554,487	1,462,058
Changes in the year								
Increases due to acquisitions			39,640				172,144	211,784
Depreciation during the year			113,218	1,134	145,215		227,707	487,274
Total variations			(73,578)	(1,134)	(145,215)		(55,563)	(275,490)
Value registered at the end of the year								
Cost			169,309	1,134	517,201		498,924	1,186,568
Balance sheet value			169,309	1,134	517,201		498,924	1,186,568

These costs are reasonably connected to a use over more years. They are systematically depreciated in relation to their estimated useful life. The increase that has occurred is mainly connected to the expenses incurred on third party assets, which are amortized over the lease period. Based on the trend of the year and future positive results deriving from the company business plans, the Directors do not believe that there are indicators of long-term losses in value in relation to intangible assets. We furthermore specify that a punctual analysis of the recoverable amount of the company branches acquired, inclusive of the goodwill paid, has been performed.

Tangible assets

Balance as at 31/12/2017	Balance as at 31/12/2016	Variations
15,022,495	13,084,902	1,937,593

Tangible fixed assets movements

	Land and buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Work in progress and advance payments	Total tangible fixed assets
Value registered at the beginning of the year						
Cost	4,350,308	4,627,399	163,016	5,737,278	6,675,342	21,553,343
Amortizations (Accumulated depreciation)	923,180	3,753,307	152,259	3,639,695		8,468,441
Balance sheet value	3,427,128	874,092	10,757	2,097,583	6,675,342	13,084,902
Changes in the year						
Increases due to acquisitions		103,654	9,694	474,490	2,128,092	2,715,930
Decreases for sale of assets and disposals (of Balance sheet value)				66,622		66,622
Depreciation during the year	117,542	227,081	5,488	428,226		778,337
Other variations				66,622		66,622
Total variations	(117,542)	(123,427)	4,206	46,264	2,128,092	1,937,593
Value registered at the end of the year						
Cost	4,350,307	4,731,052	172,711	6,145,069	8,803,434	24,202,573
Amortizations (Accumulated depreciation)	1,040,721	3,980,387	157,748	4,001,222		9,180,078
Balance sheet value	3,309,586	750,665	14,963	2,143,847	8,803,434	15,022,495

Total revaluations of tangible fixed assets at year-end

In accordance with article 10 of law 72/1983, the table below sets forth the tangible fixed assets recorded in the company's financial statements as at 31/12/2017 to which revaluations have been applied.

As explained in the premise to this Note to the financial statement, only the tangible fixed assets were revalued according to the laws (special, general or related to the sector) and no discretionary or voluntary revaluations have been applied, in that the applied ones were made for the maximum value allowed on the asset itself, as determined objectively.

Description	Law revaluation	Economic revaluation	Total revaluations
Land and buildings	3,050,975		3,050,975

As requested by the OIC 16 accounting principle, the amount of the revaluation before depreciation is equal to 3,050,975 and the effect on equity is equal to 2,959,446.

Financial leases

The company has no active finance lease operations.

Financial fixed assets

Balance as at 31/12/2017	Balance as at 31/12/2016	Variations
8,104,649	5,164,839	2,939,810

Movements of investments, securities and derivative financial instruments - fixed assets

	Equity investments in subsidiary companies	Equity investments in associated companies	Equity investments in parent companies	Investment in companies controlled by parent companies	Equity investments in other companies	Total Equity Investments	Other securities	Derivative financial instruments
Value at the beginning of the year								
Cost	3,742,258	1,457			8,624	3,752,339	1,200,000	
Carrying amount	3,742,258	1,457			8,624	3,752,339	1,200,000	
Changes in the year								
Increases due to acquisitions	776,737					776,737		
Reclassifications (carrying amount)	1,457	(1,457)				0		
Total variations	778,194	(1,457)				776,737		
Value at the end of the year								
Cost	4,520,452				8,624	4,529,076	1,200,000	
Carrying amount	4,520,452				8,624	4,529,076	1,200,000	

Equity investments

No long-term equity investment has changed its destination.

Our subsidiaries are listed below:

Monnalisa Hong Kong

set up on 25 August 2015, with headquarters in Hong Kong; 100% owned by Monnalisa Spa and aimed at developing the local retail market.

Monnalisa Rus LLC

set up on 14 January 2016; 99% owned by Monnalisa S.p.A. and 1% by Jafin Spa. The intent of the operation is to manage the local wholesale market more efficiently and to enter the retail market by opening direct single brand stores.

Monnalisa China Ltd

set up on 17 February 2016 and the headquarters of the company are in Shanghai. It is 100% owned by Monnalisa S.p.A. The incorporation of this new company aims at managing the quality control of products purchased in China and developing the local retail market, by opening single-brand stores in the most prestigious malls of Shanghai, Peking and other important Chinese cities.

ML Retail Usa, Inc.

set up on 22 September 2016. Monnalisa S.p.A. owns 100%, and it was set up to manage the retail market in Miami and the new New York and Los Angeles sales points, acquired at the beginning of 2018. For this reason, we deemed it necessary to carry out a further increase in the share capital, increasing it by Euros 280,033, bringing it to Euros 591,156, in addition, and for the same purpose, Monnalisa S.p.A. has granted the subsidiary interest-bearing loans for a total of Euros 1,618,073.

Monnalisa Korea Ltd

set up in December 2016, 100% owned by Monnalisa S.p.A. The aim of this company is to enter the Korean retail market and manage it more efficiently.

Monnalisa Brazil Participacoes, LTDA

set up on 22 December 2016, to manage the retail business in the Brazilian market at the sales point in Sao Paulo. Following the increase in capital specifically carried out, the shareholding increased from 50% to 99%, reclassifying it from associated to subsidiary.

With respect to equity investments booked as fixed assets, there are no restrictions on the investing company's availability and there are no option rights or other claims.

No significant operations with subsidiaries have taken place, excepting the equity increase operations mentioned above, of normal supply and those linked to the related financing, which occurred at standard market conditions.

Here below is the detail of equity investments in other companies:

- CONAI pursuant to art. 38 D. L.g.s. 22/1997: €23
- Polo Universitario Aretino with Head office in Arezzo: €510
- Consorzio Bimbo Italia with Head office in Arezzo: € 1,291
- Consorzio Sviluppo Pratacci with Head office in Arezzo: €500
- Consorzio Toscana Loft with Head office in Florence: € 1,300
- Foundation Made in Italy Tuscany Academy with Head office in Scandicci (FI): € 5,000

Other equity investments are listed at cost of purchase or underwriting. Equity investments entered at the cost of acquisition have not undergone a permanent impairment of value and there have been no cases of "value restoration".

Variations and maturity of long-term receivables

In the financial statements, no long-term receivables with a higher value than their fair value have been recorded.

As set by accounting principle OIC20, and considering that loans are usually short term and/or with little or no transaction costs, we decided to not to apply the amortized cost method to receivables recognized in the Balance sheet before the year starting 1 January 2016. On the other hand, the application of said method has been deemed immaterial for receivables generated in 2017.

	Long-term receivables from				Total
	subsidiary companies	associated companies	parent companies	others	
Value at the beginning of the year	155,000			57,500	212,500
Changes in the year	1,963,073			200,000	2,163,073
Value at the end of the year	2,118,073			257,500	2,375,573
Amount due within one year	2,118,073				2,118,073
Amount due beyond one year				257,500	257,500

Variations occurred during the year:

Description	31/12/2016	Increases	Decreases	Write-downs	31/12/2017
Subsidiary companies	155,000	2,118,073	155,000		2,118,073
Others	57,500	300,000	100,000		257,500
Total	212,500	2,418,073	255,000		2,375,573

Consist of:

- Interest-bearing loan Monnalisa Korea Ltd: € 100,000.00;
- Interest-bearing loan Monnalisa Brazil: € 400,000.00;
- Interest-bearing loan Monnalisa ML Retail: € 1,618,073.00;
- Interest-bearing loan Jafin S.p.A.: € 200,000.00;
- TFR policy (severance indemnity) Director: € 57,500.00;
- Bond loan Jafin S.p.A.: € 1,200,000.00;

Details on fixed investments in subsidiaries

Below is the information concerning equity investments directly or indirectly owned, regarding the subsidiary companies.

Name	City, whether in Italy, or foreign country	Share capital in Euros	Profits (losses) for last year in Euros	Equity in Euros	Shares owned in Euros	Shares owned in %	Carrying amount or related receivable
Monnalisa Hong Kong Ltd	HONG KONG	50,000	(19,761)	29,122	50,000	100	50,000
Monnalisa China Llc	CHINA	3,300,000	(767,281)	1,989,137	3,300,000	100	3,300,000
Monnalisa Russia Llc	RUSSIA	137	809,832	819,411	136	99	136
Monnalisa Retail Usa Inc	USA	591,156	(321,837)	187,216	591,156	100	591,156
Monnalisa Korea Ltd	KOREA	(81,000)	(180,592)	(107,373)	81,000	100	81,000
Monnalisa Brasil	BRAZIL	504,588	(208,778)	233,013	498,160	99	498,160
Total							4,520,452

The financial statements does not include investments in subsidiaries affected by permanent losses. As regards Monnalisa China, the share capital has not yet been fully paid in; therefore, a liability of Euros 260,000 towards the subsidiary has been recognised.

We do not believe there are indicators of significant permanent losses in equity investments in subsidiaries. The higher carrying amount of the investments compared to the respective portion of net equity resulting from the last financial statements of the subsidiary company is a consequence of the startup stage the subsidiaries are experiencing. Furthermore, the plans approved by the Board of Directors anticipate positive results from all subsidiaries in the period 2018-2020.

Long-term receivables per geographical area

The breakdown of receivables as at 31/12/2017 by geographical areas is as follows:

Geographical area	Long-term receivables from				Total
	subsidiary companies	associated companies	parent companies	others	
Italy				257,500	257,500
Abroad	2,118,073				2,118,073
Total	2,118,073			257,500	2,375,573

Long-term receivables relative to operations with reconveyance obligation

There are no long-term receivables relative to transactions with reconveyance obligations.

Value of financial fixed assets

Other securities

Balance as at 31/12/2017	Balance as at 31/12/2016	Variations
1,200,000	1,200,000	

As per accounting principle OIC 20, we decided not to apply the amortized cost method to the securities recognised in the Balance sheet before the year starting 1 January 2016. Consequently, they are measured at cost of purchase inclusive of directly linked ancillary costs. Neither have they undergone write-downs for long-term losses in value nor have there been cases of "reversal of impairment losses". No securities with a higher value than their fair value are recorded in the financial statements.

No fixed asset has undergone change in destination and they represent long-term investments made by the company. Specifically, this refers to bonds issued by Jafin S.p.A.

Analysis of the value of financial fixed-assets

Description	Carrying amount	Fair value
Equity investments in other companies	8,624	8,624
Receivables from subsidiary companies	2,118,073	2,118,073
Receivables from others	257,500	257,500
Other securities	1,200,000	1,200,000

Detail of the value of long-term investments in other companies

Description	Carrying amount	Fair value
CONSORZIO BIMBO ITALIA	1,291	1,291
POLO UNIVERSITARIO ARETINO	510	510
CONAI	23	23
CONSORZIO SVILUPPO PRATACCI	500	500
CONSORZIO TOSCANA LOFT	1,300	1,300
FONDAZIONE MADE IN RUSSEL	5,000	5,000
Total	8,624	8,624

Detail of the value of long-term receivables towards subsidiaries

Description	Carrying amount	Fair value
Subsidiary companies	2,118,073	2,118,073
Total	2,118,073	2,118,073

Detail of the value of long-term receivables towards others

Description	Carrying amount	Fair value
Subsidiary companies	200,000	200,000
Other receivables	57,500	57,500
Total	257,500	257,500

Detail of the value of other long-term securities

Description	Carrying amount	Fair value
Others (Jafin bonds)	1,200,000	1,200,000
Total	1,200,000	1,200,000

Current assets

Inventory

Balance as at 31/12/2017	Balance as at 31/12/2016	Variations
14,922,522	13,325,010	1,597,512

Description	Value registered at the beginning of the year	Changes in the year	Value registered at the end of the year
Raw, ancillary and consumable materials	1,694,821	328,311	2,023,132
Work in progress and semi-finished products	2,121,875	(503,336)	1,618,539
Finished products and goods	9,472,583	1,739,753	11,212,336
Advances	35,731	32,784	68,515
Total inventory	13,325,010	1,597,512	14,922,522

Write-downs of inventory have been deemed not necessary, considering that finished products of previous not current seasons are sold at a price higher than production cost, either through directly owned shops or owned by third parties.

Receivables classified as current assets

II. Receivables

Balance as at 31/12/2017	Balance as at 31/12/2016	Variations
16,751,765	15,324,898	1,426,867

Variations and maturity of receivables posted as current assets

	Value registered at the beginning of the year	Changes in the year	Value registered at the end of the year	Amount due within the financial year	Amount due after the financial year
Receivables from customers classified as current assets	10,313,869	(1,222,161)	9,091,708	9,091,708	
Receivables from subsidiary companies classified as current assets	1,208,045	1,891,986	3,100,031	3,100,031	
Tax credits classified as current assets	3,028,679	328,807	3,357,486	3,357,486	
Deferred tax assets classified as current assets	455,285	(102,829)	352,456		
Receivables from others classified as current assets	319,020	531,064	850,084	730,491	119,593
Total receivables classified as current assets	15,324,898	1,426,867	16,751,765	16,279,716	119,593

Deferred tax assets are temporary deductible differences, please refer to the related paragraph in the final part of the explanatory notes.

The adjustment of the nominal value of receivables has been obtained through the specific bad debt allowance, which has changed as follows:

Description	Total
Balance as at 31/12/2016	1,120,243
Used in the year	785,737
Provision for the period	370,000
Balance as at 31/12/2017	704,506

Receivables classified as current assets per geographical area

The breakdown of receivables as at 31/12/2017 by geographical areas is as follows.

Geographical area	Receivables from customers	Receivables from subsidiary companies	Receivables from associated companies	Receivables from parent companies	Receivables from companies subject to control of parent company	Tax Receivables	Deferred tax assets	Receivables from others	Total Receivables
classified as current assets									
Italy	4,355,156					3,329,314	352,456	724,783	8,761,709
World	3,105,621	3,100,031						44,493	6,250,145
Europe	2,178,631					28,172		80,808	2,287,611
Other European countries	156,806								156,806
Provision for amortization	(704,506)								(704,506)
Total	9,091,708	3,100,031				3,357,486	352,456	850,084	16,751,765

Receivables classified as current assets, relative to operations with reconveyance obligation

Receivables posted as current assets relative to transactions with reconveyance obligation are not present.

Financial assets not classified as fixed assets

Variation in financial activities not classified as fixed assets

Balance as at 31/12/2017	Balance as at 31/12/2016	Variations
7,667		7,667

	Value at the beginning of the year	Changes in the year	Value at the end of the year
Derivative financial instruments, not capitalised		7,667	7,667
Total financial assets not classified as fixed assets		7,667	7,667

Cash and cash equivalents

Balance as at 31/12/2017	Balance as at 31/12/2016	Variations
1,579,905	3,010,371	(1,430,466)

	Value at the beginning of the year	Changes in the year	Value at the end of the year
Bank and postal deposits	2,977,145	(1,453,085)	1,524,060
Cash and cash on hand	33,226	22,619	55,845
Total cash and cash equivalents	3,010,371	(1,430,466)	1,579,905

The balance represents the Cash and cash equivalents, cash on hand and stamps existing at year-end. Bank, post office deposits and cheques are measured at their estimated realizable value, while cash and cash on hand are measured at nominal value. No escrow accounts exist. Balances in foreign currency are measured at the year-end exchange rate.

Accrued income and prepaid expenses

Balance as at 31/12/2017	Balance as at 31/12/2016	Variations
133,554	208,423	(74,869)

Accruals and prepayments refer to income and charges whose occurrence is advanced or delayed, with respect to financial transactions, regardless of the payment date or collection of the relative income and charges. Such assets are common to two or more years and distributable according to the period involved.

The criteria adopted for valuation and for the conversion of amounts expressed in foreign currencies are those indicated in the first part of the present explanatory notes to the financial statements. As at 31/12/2017, there are no accruals and deferrals with a term longer than five years.

	Accrued income	Prepayments	Total accrued income and prepayments
Value at the beginning of the year		208,423	208,423
Changes in the year		(74,869)	(74,869)
Value at the end of the year		133,554	133,554

The breakdown of said item is as follows.

Description	Amount
Maintenance fees	74,780
Rent due	24,296
Sundry	21,561
Rental fees	12,917
Total	133,554

Capitalised Financial Charges

The company has not capitalised any financial charges to the assets.

Notes to the balance sheet items - liabilities

Shareholders' equity

Balance as at 31/12/2017	Balance as at 31/12/2016	Variations
31,040,730	28,015,473	3,025,257

Changes in the shareholders' equity

	Value at the beginning of the year	Earnings allocations of prior financial year		Other variations		Earnings of the year	Value at the end of the year
		Allocation of dividends	Other allocations	Increases	Decreases	Reclassifications	
Share capital	2,064,000						2,064,000
Revaluation reserve	2,959,446						2,959,446
Legal reserve	943,276						943,276
Reserve for unrealised currency exchange	87,137					87,137	
Other reserves	51,578		(3)				51,575
Total other reserves	138,715		(3)			87,137	51,575
Reserve for Cash flow hedge reserve	(140,928)			149,773	32,120		(23,275)
Profit (loss) carried forward	19,554,986					2,583,116	22,138,102
Profit (loss) for the year	2,495,978		1			(2,495,977)	2,907,606
Total Shareholders' equity	28,015,473	(2)	149,773	(32,120)		2,907,606	31,040,730

Detail of other reserves

Description	Amount
13) Reserve according to L.R. 28/1977	51,576
Difference from rounding to the Euro unit	(1)
Total	51,575

Possibility of use of shareholders' equity

The entries under net equity are classified according to their origin, possibility of use, distribution, and actual utilization during the three previous years (article 2427, par. 1, no. 7-bis, C.C.)

	Amount	Possibility of use	Available quota	Utilization during the 3 previous years	
				for loss coverage	for other reasons
Share capital	2,064,000	B			
Revaluation reserve	2,959,446	A, B	2,959,446		
Legal reserve	943,276	A, B			
Other reserves					
Reserve for unrealised currency exchange	87,137	A, B, C, D			
Other reserves	51,575		51,576		
Total other reserves	51,575		51,576		
Cash flow hedge reserve	(23,275)	A, B, C, D			
Profit (loss) carried forward	22,138,102	A, B, C, D	22,138,102		
Total	28,133,124		25,149,124		
Residual distributable quota			25,149,124		

Key: A: for share capital increase B: to cover losses C: for shareholder distribution D: for other statutory restrictions E: other

Origin, useful life and distribution of various other reserves

	Amount	Possibility of use	Available quota	Summary of uses during the 3 previous years	
				to cover losses	for other reasons
13) Fund pursuant to L.R. 28/1977	51,576	A, B, C, D	51,576		
Difference from rounding to the Euro unit	(1)	A, B, C, D			
Total	51,575				

Key: A: for share capital increase B: to cover losses C: for shareholder distribution D: for other statutory restrictions E: other

Variations of cash flow hedge reserve

The changes in cash flow hedge reserve is the following (art. 2427 bis, comma 1, n. 1 b) quater:

Reserve for hedge operations on expected cash flow	
Value at the beginning of the year	(140,928)
Changes in the year	
Increase for change in fair value	117,653
Value at the end of the year	(23,275)

Formation and use of the items

	Share capital	Legal reserve	Other reserves	Profit (loss) for the year	Total
At the beginning of the previous year	2,064,000	943,276	21,080,495	2,895,942	26,983,713
Allocations of earnings for the year					
- dividend attribution					
- other allocations			5		5
Other variations					
- Increases			1,613,325	2,495,978	4,109,303
- Decreases			181,606	2,895,942	3,077,548
Previous year results				2,495,978	
At the end of the previous year	2,064,000	943,276	22,512,219	2,495,978	28,015,473
Allocations of earnings for the year					
- dividend attribution					
- other allocations			(3)		(3)
Other variations					
- Increases			2,732,889	2,907,606	5,640,495
- Decreases			119,257	2,495,978	2,615,235
Current year results				2,907,606	
At the end of current year	2,064,000	943,276	25,125,848	2,907,606	31,040,730

In conformity with accounting principle no. 28 on the shareholders' equity, we confirm that reserves from revaluation exist for total Euros 2,959,446. There are no statutory reserves.

We also confirm that the Revaluation reserve, totalling €2,959,446, only refers to revaluations pursuant to D.L. 185/2008.

Under shareholders' equity we have included:

- reserves that in case of distribution are taken into account for the purposes of determining the taxable income of the company, are formed by Reserve fund pursuant to Regional Law 28/77 for €51,576 and by the revaluation fund pursuant to Decree Law 185/2008;
- reserves that in case of distribution are not taken into account for the purpose of determining the taxable income of the shareholders, irrespective of the period in which they were formed, from earnings of previous unlimited partnership for € 128.

Provisions for risks and charges

Balance as at 31/12/2017	Balance as at 31/12/2016	Variations
679,426	790,731	(111,305)

	For pension and similar obligations	Taxes, including deferred	Derivative financial instruments liabilities	Other provisions	Total provisions for risks and charges
Value at the beginning of the year	78,762	66,197	313,917	331,855	790,731
Changes in the year					
Yearly allocation	11,391	6,401	41,004	346,000	404,796
Used in the year	30,532	13,940	316,629	155,000	516,101
Total variations	(19,141)	(7,539)	(275,625)	191,000	(111,305)
Value at the end of the year	59,621	58,658	38,292	522,855	679,426

Provisions for risks and charges are intended to cover losses or liabilities, already existing or that are likely to arise, of which - at year-end - the exact amount or the date of occurrence could not be determined.

These amounts were prudently recorded on an accrual basis and no provisions for generic risks were recognised in the absence of a financial justification.

Potential liabilities have been recorded in the financial statements and recorded under provisions, as they are deemed probable and having reasonably estimated the related amount.

This item consists of:

- provision for termination indemnities due to agents of Euros 59,621;
- provision for environmental restoration/reclamation, set up in 2014 and deemed reasonably consistent with OIC 16 for € 176,855;

- the derivative financial instruments representing liabilities which accepts the mark to market of derivative contracts as at 31/12/2017, for € 38,292;
 - € 196,000, provision for charges related to returns, formed on the basis of a joint application of the principles of prudence and accrual, on the condition that the goods are returned by the date in which the financial statements are prepared and that the return involves a decrease in the revenues of the year;
 - the provision for subsidiaries losses for € 150,000, previously mentioned.
- Among the tax funds, under payables, there are also deferred taxes for € 58,658; they refer to temporary taxable differences, the description of which can be found under the relevant paragraph of this note.

Employee termination indemnities

Balance as at 31/12/2017	Balance as at 31/12/2016	Variations
1,426,921	1,330,212	96,709

Staff severance provision	
Value at the beginning of the year	1,330,212
Changes in the year	
Yearly allocation	234,492
Used in the year	137,783
Total variations	96,709
Value at the end of the year	1,426,921

The indemnity recognised corresponds to the actual amount owed by the company to the employees as at 31/12/2017 net of any amounts already paid. The provision is made under the law and relevant national labour contracts, considering all forms of remuneration of a continued nature, net of advanced payments made, and is equal to the amount that would have been paid to the employees in case of termination of employment at year-end.

The provision does not include the indemnities arising after 1 January 2007. Such indemnities flow into separate pension funds, in accordance with L. Dec. n. 252 of 5th December 2005 (or transferred to the INPS treasury fund). Therefore, the provision at year-end corresponds to the amounts as at 31 December 2006, net of the pre-payments made.

Indemnity for terminated contracts, for which payment expired before 31/12/2017 or will expire in the following year, has been included in the item D.14 other payables of the Balance sheet.

The contract allows workers with seniority of at least 8 years can ask the employer for an advance up to 70% of their indemnity. The request is subordinated to the necessity to incur substantial medical expenses, purchase a primary residence for him/herself or for his/her children, or incur expenses connected to maternity leave or education and training. When possible, Monnalisa advances the payment of the indemnity to all of those who apply, even in a percentage higher than 70%.

Payables

Balance as at 31/12/2017	Balance as at 31/12/2016	Variations
24,560,913	21,444,085	3,116,828

Variations and maturity of payables

The maturity date of payables is as follows (art. 2427, par. 1, no. 6, C.C.).

	Value at the beginning of the year	Changes in the year	Value at the end of the year	Amount due within the financial year	Amount due after the financial year	Of which having a residual period of over 5 years
Payables due to banks	7,349,180	5,128,538	12,477,718	8,278,706	4,199,012	
Advances	817,106	21,264	838,370	838,370		
Trade payables	9,742,641	(911,011)	8,831,630	8,831,630		
Payables to subsidiaries	1,611,658	(1,348,498)	263,160	263,160		
Tax payables	256,261	308,714	564,975	564,975		
Payables due to social security agencies	376,156	19,224	395,380	395,380		
Other payables	1,291,083	(101,403)	1,189,680	1,101,876	87,804	
Total payables	21,444,085	3,116,828	24,560,913	20,274,097	4,286,816	

In detail:

- "Payables due to banks" include loans and reflect the actual debt in terms of capital, interest and additional charges accrued and payable as at 31.12.2017;
- The item "Advances" refers to amounts received for goods still to be delivered;
- "Payments to suppliers" are entered net of commercial discounts, while "cash transactions" are entered at the time of payment;
- "Tax payables" includes only liabilities. They are net of the related pre-payments and only refer to specific and fixed taxes, as liabilities for probable or uncertain taxes are presented under item B.2 in the liabilities (Provisions for taxes, including deferred), totalling €564,975; in particular it includes the withholding taxes of employees and self-employed workers duly paid in 2018.

- “Other payables” are represented mostly by amounts due to agents for outstanding commissions earned for € 432,262, and by amounts due to employees including additional accruals and monthly wages for € 632,586, regularly paid in 2018, as well as what was due for the termination of the relationship with the previous administrative body, amounting to € 67,500.

At year-end there were no payables secured by collaterals on company assets. There were no operations requiring at-term retro-cession nor any debts for shareholders' loans that need to be paid back at given due dates and according to contractual endorsement. There are no significant variations for the item “Tax liabilities”.

Payables per geographical area

The breakdown of payables as at 31/12/2017 by geographic areas is as follows.

Geographical area	Payables to banks	Advances	Payables to suppliers	Payables to subsidiaries	Tax payables	Payables due to social security agencies	Other payables	Payables
Italy	12,477,718		7,619,534		521,400	380,165	1,183,695	22,182,512
Europe		275,177	171,578		43,575	15,215	5,985	511,530
Outside Europe		10,000	339,523					349,523
World		553,193	700,995	263,160				1,517,348
Total	12,477,718	838,370	8,831,630	263,160	564,975	395,380	1,189,680	24,560,913

Debts secured by collaterals on company assets

At year-end there were no payables secured by collateral on company assets:

	Debts secured by collateral				Debts not secured by collateral	Total
	Debts secured by mortgages	Debts secured by pledges	Debts secured by special liens	Total debts secured by collateral		
Payables due to banks					12,477,718	12,477,718
Advances					838,370	838,370
Payables to suppliers					8,831,630	8,831,630
Payables to subsidiaries					263,160	263,160
Tax payables					564,975	564,975
Payables due to social security agencies					395,380	395,380
Other payables					1,189,680	1,189,680
Total payables					24,560,913	24,560,913

Accrued liabilities and deferred income

Balance as at 31/12/2017	Balance as at 31/12/2016	Variations
1,135		1,135

Description	Accrued liabilities	Deferred income	Total accrued expenses and deferred income
Value at the beginning of the year			
Changes in the year	1,135		1,135
Value at the end of the year	1,135		1,135

The breakdown of said item is as follows.

Description	Amount
Rent due	1,135
Total	1,135

These are the period's connecting entries based on accrual. For said entries, the criteria adopted for valuation and for the conversion of amounts expressed in foreign currencies are those indicated in the first part of the present note to the financial statement. As at 31/12/2017, there are no accruals and deferrals with a term longer than five years.

Notes on the items of the Income statement

Notes to the Income statement

Value of Production

Balance as at 31/12/2017	Balance as at 31/12/2016	Variations
45,318,378	41,005,120	4,313,258

Description	31/12/2017	31/12/2016	Variations
Revenues from sales and services	42,272,824	38,993,302	3,279,522
Change in value of inventory	1,236,418	395,814	840,604
Other revenues and profits	1,809,136	1,114,277	694,859
Total	45,318,378	40,503,393	4,814,985

As clearly explained in the Report on Operations, to which we refer you, the positive trend continued in the course of the year, mainly in the retail area, showing increase in revenues and margins (gross and net).

Revenues by business segment

Type of activity	Value current year
Sale of goods	76,241
Sale of products	42,196,583
Total	42,272,824

Revenues per geographical area

Geographical area	Value current year
Italy	15,439,046
Europe	11,508,111
World	15,325,667
Total	42,272,824

Production costs

Balance as at 31/12/2017	Balance as at 31/12/2016	Variations
40,225,850	37,409,570	2,816,280

Description	31/12/2017	31/12/2016	Variations
Raw materials, ancillary and goods	15,177,893	13,303,339	1,874,554
Services	14,356,249	13,455,877	900,372
Use of third-party assets	2,029,249	1,709,285	319,964
Wages and salaries	5,142,106	4,589,780	552,326
Social security charges	1,468,572	1,336,121	132,451
Termination indemnities employees	239,083	324,274	(85,191)
Pension indemnities and similar obligations	128,849	15,901	112,948
Other personnel costs	90,998	362,837	(271,839)
Depreciation on intangible fixed assets	487,274	457,787	29,487
Amortisation on tangible fixed assets	778,337	786,942	(8,605)
Write-down of receivables current assets	370,000	200,105	169,895
Change in inventory of raw materials	(328,311)	125,575	(453,886)
Other operating costs	285,551	240,020	45,531
Total	40,225,850	36,907,843	3,318,007

Costs for raw, ancillary and consumable materials, goods and costs for services

These costs are closely linked to what is presented in the section of Report on operations and performances at point A (Value of Production) of the Income statement and are recorded complying with the principle of matching the revenues for the period.

The costs which are necessary for the production of goods, representing the company's core business, have been included under this account.

Costs for purchase of goods are recognised in the Income statement on the date of delivery.

Costs for services are recognised in the Income statement on the date of their completion.

As for the revenues and proceeds, costs and expenses are recorded net of returns, discounts, allowances and rebates.

According to OIC12, fees for bank services of a non-financial nature have been recorded under item B7 (Services).

Moreover, the account includes provisions for termination indemnities due to agents (Firr and supplementary client indemnity) and provisions for termination of temporary workers.

The account “Service costs” includes:

- costs for outsourced services (sewing, ironing, embroidery, printing and other steps), totalling € 5,089,993
- costs for agents and sales personnel, totalling € 905,115;
- costs for advertising, both nationally and locally, totalling € 152,061
- costs for fashion shows and events, both nationally and locally, totalling € 441,209
- costs for commercial, administrative and technical consultancies, totalling € 2,689,298.

Personnel Costs

This account includes all expenses sustained for hired personnel, including career growth for merit, costs for promotions, cost of living increases, unused paid vacation days, funds set aside by law and collective agreements.

Other additional personnel costs are recorded in the items B6 and B7, on the basis of their strictly economic nature.

Use of third-party assets

The account includes costs sustained for royalties due for cartoon characters, totalling € 424,167, rentals and residents' charges for € 1,381,225.

Depreciation, amortization and write-downs

Depreciation has been calculated on the basis of the asset's useful life and its exploitation during the production process. Write downs of receivables classified as current assets has been recorded under the item B10d).

Other operating costs

The account "Other operating costs" includes all ordinary operating expenses that cannot be recorded in other items in group b) of the Income statement, accessory operating expenses that are not exceptional in nature and all other tax expenses except income taxes. Specifically:

- Taxes and duties (IMU-TARSU-CCIAA);
- Other administrative expenses;
- Newspaper and magazine subscriptions;
- Losses on receivables not covered by provisions;
- Donations.

Donations to non-profit organization totalled € 10,502

Financial income and charges

Balance as at 31/12/2017	Balance as at 31/12/2016	Variations
(869,029)	(319,140)	(549,889)

Description	31/12/2017	31/12/2016	Variations
Income from securities classified as fixed financial assets	30,000	62,500	(32,500)
Income other than the above	21,586	22,757	(1,171)
(Interest and other financial charges)	(363,067)	(250,183)	(112,884)
Profits (Losses) on currency exchanges	(557,548)	(154,214)	(403,334)
Total	(869,029)	(319,140)	(549,889)

We wish to point out that the loss on exchange rates is to be considered exceptional and is mainly due to the settlement of commercial receivables from previous periods.

Breakdown of income from equity investments

Other financial income

Description	Subsidiary companies	Associated companies	Parent companies	Companies controlled by parent companies	Other	Total
Interests on bonds					30,000	30,000
Bank and postal interests					4,202	4,202
Other income					17,384	17,384
Total					51,586	51,586

Breakdown of interests and other financial charges per type of debt

Description	Interest and other financial charges
Bank loans	339,264
Others	23,803
Total	363,067

Description	Other	Total
Bank interests	64,570	64,570
Interests on suppliers payables	574	574
Interest on medium-term loans	38,927	38,927
Discount and financial charges	235,767	235,767
Interests on loans	23,229	23,229
Total	363,067	363,067

Value adjustments of financial assets and liabilities

Balance as at 31/12/2017	Balance as at 31/12/2016	Variations
(126,673)		(126,673)

Revaluations

Description	31/12/2017	31/12/2016	Variations
Financial derivative instruments	23,952		23,952
Total	23,952		23,952

Write-downs

Description	31/12/2017	31/12/2016	Variations
Equity investments	150,000		150,000
Financial derivative instruments	625		625
Total	150,625		150,625

Write-downs of equity investments refer to allocation in provision for losses previously mentioned.

Value and nature of income/costs of exceptional amount or incidence

Income of exceptional amount or incidence

We wish to point out that € 932.186, have been entered in 2017, as operating grants in relation to tax receivable for research and development as set by art. 3 Decree law 23.12.2013 no. 145, in substitution of art. I, par. 35, Law no. 190/2014- Stability Law 2015. This facilitation is granted with regard to the expenses sustained for the research and development of new products.

Income tax for the year, current, deferred tax assets and liabilities

Balance as at 31/12/2017	Balance as at 31/12/2016	Variations
1,189,220	780,432	408,788

Taxes	Balance as at 31/12/2017	Balance as at 31/12/2016	Variations
Current taxes:	1,131,084	819,033	312,051
IRES	876,357	629,281	247,076
IRAP	254,727	189,752	64,975
Taxes related to previous years			
Deferred tax payables (assets)	58,136	(38,601)	96,737
IRES	61,262	(34,584)	95,846
IRAP	(3,126)	(4,016)	890

Revenues (charges) from adhering to consolidated/transparent fiscal regime

Total	1,189,220	780,432	408,788
--------------	------------------	----------------	----------------

The year's taxes have been recorded.

Income Tax

Taxes are recognised on accrual basis, therefore they represent:

- Provisions for taxes paid or to be paid for the year, determined in line with tax rates and laws in force;
- The amount of deferred tax liabilities or assets due to temporary differences arising or cancelled during the year;
- Adjustments made to the deferred tax accounts to take into consideration variations in tax rates

The tax debt is recorded in the account "Deferred Taxes", net of advances, withholding tax and, in general, of all tax receivables.

Deferred Ires tax liabilities and assets has been calculated on temporary differences among the values of assets and liabilities determined according to statutory criteria and the related fiscal values only with reference to the company.

Current and deferred Irap tax assets and liabilities is determined only with reference to the company.

Reconciliation between profit for the year and taxable income

IRES	
Profit (loss) before taxes	4,096,826
Increases	
Non-deductible taxes	65,439
Donations	10,502
Non-deductible expenses for transportation	173,457
Contingent liabilities	25,853
Write-downs receivables	312,209
Exchange rate losses	107,589
Non-ded. amortisations	120,693
Other increases	417,966
Capital gain on sale of company branch 2015	54,110
Total increases	1,287,818
Decreases	
Contingencies	48,716
Exchange rate differences	19,003
Higher value amortisation	64,703
Deductible Irap	69,448
Deferred tax assets	-66,561
20% Imu	10,770
Deferred tax liabilities	8,425
Other decreases	1,564,816
Total decreases	1,719,320
Ires taxable income	3,651,485
Ires 2017 (24%)	876,357
IRAP	
Total revenues	45,318,378
Total expenses	-32,786,242
Variations	
Depreciation	119,563
Personnel	-3,193,242
Third-parties remunerations	408,968
Imu	53,851
Variations due to returns	41,000
Contingent assets	-48,783
Other	-3,509,107
Total Variations	-6,127,750
Value of net production	6,404,386
Irap due for the year	254,727

In accordance with art. 2427, par. 1, no. 14, C.C., we highlight the required information concerning deferred tax liabilities or assets.

Deferred tax assets and liabilities

Deferred tax liabilities have been calculated according to the principle of the global allocation, considering the cumulative amount of all the temporary differences, based on expected average rates currently in force, in which said differences will be paid.

Deferred tax assets have been recorded in that, in the years in which the deductible temporary differences will be assigned, based on which deferred tax assets have been made, there is a reasonable certainty of the existence of a taxable income at least equal to the amount of the differences that will be balanced off.

The main temporary differences to bring on the existence of deferred taxes are indicated in the following table together with the relative consequences.

Breakdown of deferred taxes and subsequent effects

Description	Year 31/12/2017				Year 31/12/2016			
	Amount IRES temporary differences	IREs tax result	Amount IRAP temporary differences	IRAP tax result	Amount temporary differences	IREs tax result	IRAP tax result	
Deferred tax assets:								
Depreciation Brands	(1,754)	(421)	(1,436)	(56)	(2,759)	(392)	(56)	
Depreciation Goodwill	53,057	11,181	53,057	1,985	111,046	13,515	1,917	
Provisions for risks 2017	196,000	47,040	196,000	7,644				
Write-downs of receivables 2015					(161,221)	(38,693)		
Consulting services 2015	(10,660)	(2,558)	(10,660)	(416)	(10,660)	(2,932)	(416)	
Provision for risks 2015					(105,000)	(28,875)	(4,095)	
Provision for risks 2016	(155,000)	(37,200)	(155,000)	(6,045)	155,000	37,200	(6,045)	
Write-downs of receivables 2016	(785,737)	(188,576)			140,841	33,802		
Isc Provision	7,103	1,707	7,103	277	15,919	3,821	621	
Exchange rate losses	107,589	25,821			22,379	5,371		
ISC settlement	(6,712)	(1,611)	(6,712)	(262)				
Write-downs of receivables 2017	312,209	74,930						
Total	(283,905)	(69,687)	82,352	3,127	165,545	22,817	4,016	
Deferred tax liabilities:								
Revaluation of buildings					73,795	(23,172)		
Sale of company branch	(54,110)	(12,987)			(54,111)	(14,880)		
Gains on currency exchanges	19,003	4,561			109,517	26,285		
Total	(35,107)	(8,426)			129,201	(11,767)		
Net Deferred tax liabilities/assets		61,261		(3,127)		(34,584)	(3,127)	
Recoverable losses								
Tax rate	24				24			
Temporary differences excluded from deferred taxes								
	31/12/2017	31/12/2016						
Temporary differences excluded from deferred taxes	38,292	9,190						
2016 Derivatives	(189,403)	(45,457)						
Deferred tax liabilities on 2017 Derivatives	2,553	613						
Total	(148,558)	(35,654)						

Description	IREs	IRAP
A) Temporary differences		
Total deductible temporary differences	(283,905)	82,352
Total taxable temporary differences	(35,107)	
Net temporary differences	248,798	(82,352)
B) Fiscal effects		
Provisions for deferred tax liabilities (assets) at beginning of the year		
Deferred tax liabilities (assets) for the year	61,261	
Provisions for deferred tax liabilities (assets) at year-end	61,261	(3,127)

Breakdown of deductible temporary differences

Description	Amount at the end of the previous year	Changes occurred in the year	Amount at the end of the year	IREs rate	IREs tax result	IRAP rate	IRAP tax result
Brands Amortisation	(2,759)	1,005	(1,754)	24	(421)	3,90	(56)
Goodwill Amortisation	111,046	(57,989)	53,057	21,07	11,181	3,74	1,985
Provisions for risks 2017		196,000	196,000	24	47,040	3,90	7,644
Write-down of receivables 2015	(161,221)	161,221					
Consulting services 2015	(10,660)		(10,660)	24	(2,558)	3,90	(416)
Provision for risks 2015	(105,000)	105,000					
Provision for risks 2016	155,000	(310,000)	(155,000)	24	(37,200)	3,90	(6,045)
Write-down of receivables 2016	140,841	(926,578)	(785,737)	24	(188,576)		
Isc Provision	15,919	(8,816)	7,103	24,03	1,707	3,90	277
Exchange rate losses	22,379	85,210	107,589	24	25,821		
ISC settlement		(6,712)	(6,712)	24	(1,611)	3,90	(262)
Write-down of receivables 2017		312,209	312,209	24	74,930		

Breakdown of taxable temporary differences

Description	Amount at the end of the previous year	Changes occurred in the year	Amount at the end of the year	IREs rate	IREs tax result	IRAP rate	IRAP tax result
Revaluation of buildings	73,795	(73,795)					
Sale of company branch	(54,111)	1	(54,110)	24	(12,987)		
Gains on currency exchanges	109,517	(90,514)	19,003	24	4,561		

Breakdown of temporary differences excluded from calculation of deferred taxes

Description	Amount at the end of the previous year	Changes occurred in the year	Amount at the end of the year	IREs rate	IREs tax result	IRAP rate	IRAP tax result
Deferred tax assets on 2017 Derivatives		38,292	38,292	24	9,190		
2016 Derivatives		(189,403)	(189,403)	24	(45,457)		
Deferred tax liabilities on 2017 Derivatives		2,553	2,553	24,01	613		

Other information

Employment data

The average company staff - divided per category - has recorded the following changes compared to the previous year:

Staff	31/12/2017	31/12/2016	Variations
Executives			
Managers	6	2	4
Office staff	142	124	18
Workers	38	39	-1
Others			
Total	186	165	21

For the retail staff (sales assistants and store managers), the employment contract applied is that of commerce renewed on 1 April 2015. As for the remaining collaborators, the applied contract is that of the textile and clothing industry, formally renewed on 4 February 2014 and valid from 1 April 2013-31 March 2016, now being renegotiated by the unions Filtem-Cgil, Femca-Cisl, Uiltec-Uil, together with SMI (Sistema Moda Italia), the association of textile entrepreneurs who have joined Confindustria.

Description	Executives	Managers	Office staff	Workers	Other staff	Total staff
Average number		3	142	33		178

Remuneration, advance payments and receivables granted to directors and statutory auditors, and commitments made on their behalf

Pursuant to the law, we indicate the remuneration due to the Directors and the Board of Statutory Auditors.

	Directors	Statutory Auditors
Remuneration	439,400	65,800
Commitments made on their behalf by virtue of guarantees provided		

Remuneration Independent Auditor or Audit firm

Pursuant to the law, we indicate the amounts pertaining to this year for the services offered by the Independent Auditor /or Audit firm and by entities part of their network:

	Value
Independent audit of the annual accounts	20,000
Total amount of fees received by Independent Auditor or Audit firm	20,000

Categories of shares issued by the company

The share capital is as follows.

Shares	Number	Nominal value in Euro
Ordinary shares	400,000	5
Total	400,000	

Description	Shares subscribed in the year, number	Shares subscribed in the year, nominal value	Initial amount, number	Final amount, number	Initial amount, nominal value	Final amount, nominal value
Shares			400,000	400,000	2,064,000	2,064,000
Total			400,000	400,000	2,064,000	2,064,000

As at 31.12.17 the outstanding shares consists in 400,000 ordinary shares.

Details on other financial instruments issued by the Company

The Company has issued no financial instruments

Information on the fair value of the financial derivatives

Derivative financial instruments are only used to hedge the exposure to financial risks in currency exchange fluctuations linked to commercial transactions in foreign currencies, please refer to the beginning of this note for the accounting method applied.

Here below we indicate the fair value and information on the entity and nature of each category of derivative financial instruments introduced by the company; they are divided per class, keeping in mind aspects such as the characteristics of the same instruments and the purpose of their use.

Hedging transactions existing as at 31 December 2017 with financial counterparties consist in:

1) Flexible forward on purchase of USD	
Contract ID	311017-0054
Date of transaction	31/10/2017
Counterparty	Unicredit S.p.A.
Maturity Date	03/05/2018
Exchange rate	1.1638 €/USD
Notional Amount (in foreign currency)	1,500,000 USD
Customer Amount	€1,288,881.25
Underlying Amount	€/€ exchange rate

The contract is operational from 03/01/2018 to 30/04/2018 with a minimum of 50,000 USD.

2) Flexible forward on sale of RUB	
Contract ID	231017-0025
Date of transaction	23/10/2017
Counterparty	Unicredit S.p.A.
Maturity Date	27/04/18
Exchange rate	70.69 €/RUB
Bank amount	€ 990,239.07
Notional Amount(in foreign currency)	70,000,000 RUB
Underlying Amount	€/RUB exchange rate

3) Interest Rate Cap	
Contract ID	271017-0191
Date of transaction	31/10/2017
Counterparty	Unicredit S.p.A.
Maturity Date	31/10/2021
Notional Amount	€ 2,000,000
Premium	€ 15,000
Bank Parameter Rate	Euribor 3 months
Customer Parameter Rate	Euribor 3 months
Cap rate	0%

As at 31/12/2017, the mark to market of the three transactions was equal to:

- -€ 38,292.27 for flexible on USD
- +2,552.64 on roubles
- + 5.114,46 on Interest Rate Cap

Commitments, guarantees and contingent liabilities not indicated in the Balance sheet

There are no commitment, guarantees nor contingent liabilities not indicated in the Balance sheet.

Information concerning transactions with related parties

On the closing date of the financial statement, there are no assets or investments aimed at a specific business.

Information concerning transactions with related parties

As for transactions with related parties, please note that they cannot be qualified either as atypical or unusual as they are part of the normal business activities. Said transactions, including those with group companies, are concluded at arm's length.

Company	Other debts	Equity investments	Other Re- ceivables	Trade re- ceivables	Trade payables	Sales	Purchases
Jafin SpA	0	0	1,400,000	14,830	0	12,630	0
PJ Srl	0	0	200,000	6,100	6,631	0	690,192
Monnalisa&Co. Srl	0	0	0	7,320	0	3,000	0
Monnalisa China Ltd	260,000	3,300,000	0	2,070,385	0	1,361,199	0
ML Retail USA Inc.	0	591,156	1,618,073	178,937	0	291,389	0
Monnalisa Rus LLC	0	136	0	0	0	2,957,184	0
Monnalisa Brasil LTDA	3,160	498,160	400,000	16,823	0	17,263	0
Monnalisa Korea Ltd	0	81,000	100,000	137,017	0	137,017	0
Monnalisa HK Ltd	0	50,000	0	695,441	0	609,595	0
Total	263,160	4,520,452	3,718,073	3,126,853	6,631	5,389,277	690,192

Information on agreements that do not appear in the Balance sheet

There are no agreements that do not appear in the balance sheet, as set out in no. 22-ter of art. 2427 of the C.C.

Summary of the financial statements of the company responsible for management and coordination

In the course of the period ended on 31.12.2017, the company did not experience management or coordination activities by other bodies.

We wish to stress that in the first half of this period, following a complex reorganization operation, all of the company shares have been attributed to JAFIN Due S.p.A. set up following the demerger occurred in 2018.

Proposal for the allocation of profits or loss coverage

We suggest the Shareholders' Meeting to allocate the annual profit as follows:

Year's profit as at 31/12/2017	2,907,606
5% to legal reserve	
to profits carried forward	2,907,606
For dividends	

These Financial Statements, consisting of: Balance sheet, Income statement, Cash flow statement and the Explanatory note to the financial statements, provides a truthful and accurate view of the equity and financial position as well as the results of operations for the year and correlate to the accounting records.

Chairman of the Board of Directors
Piero Iacomoni

**BOARD OF AUDITORS' REPORT
TO THE SHAREHOLDERS' MEETING**
Pursuant to art. 2429, par. 2, Civil Code

*To the Shareholders' Meeting
of Monnalisa S.p.A.*

We wish to state that the Board of Statutory Auditors and the Shareholders have renounced to the terms pursuant to art. 2429, Civil Code, par. first and third. We also wish to point out that your company has assigned to the Board of Statutory Auditors only administrative supervision, while the legal statutory audit has been assigned to Ernst & Young S.p.A; having said that, we proceed to report on our work for the year ended on 31.12.2017.

In the course of the financial year ended on 31 December 2017, we followed the Board of Auditors Code of Conduct as recommended by the National Council of Financial Advisers and Accountants in respect of which we have carried out a self-evaluation, with a positive result for each component of the Board of Statutory Auditors.

Surveillance pursuant to art. 2403 and following C.C.

We have supervised the company's compliance with the law and company by-laws as well as the observance of the principles of proper management.

We attended the members' assemblies and Board of Directors' meetings. Based on the information received in relation to these, we can reasonably assure that the deliberated actions comply with the law and with the company by-laws. No operations openly imprudent, risky, in a potential conflict or such to jeopardize the integrity of the social wealth were carried out.

During the meetings we collected information from the directors on the general trend of the management and its foreseeable evolution as well as on the most important operations carried out by the company and its subsidiaries - based on dimension and characteristics, concerning which we have no particular observation to report.

We met with audit body appointed on 20.12.2017

We valued and kept an eye on what is our competence, concerning the adequacy and operation of the company organisation, also collecting information from the managers of each area. Concerning such we have no particular observations to report.

We achieved and invigilated over what is our competence on the adequacy and operation of the administrative and accounting systems as well as on the reliability of this last one to correctly represent the management facts. This was carried out by obtaining information from those responsible of the corresponding functions and from the person in charge of the legal audit of accounts, and through the exam of company documentation. Concerning such we have no particular observations to report.

We have verified the respect of the law regulations concerning the preparation of the management report and in this case we have no specific comments to make received in the year, in compliance with art. 2408, Civil Code.

The Board of Statutory Auditors did not issue opinions as set by the law during the year.

In the course of the supervision activity no other significant facts have emerged worth mentioning in this report.

Financial statement

To our knowledge, in the editing of the balance sheet, the administrative body did not derogate to the law in compliance with art. 2423, par. 4, Civil Code.

Consolidated Financial Statement

The Board of Statutory Auditors acknowledges that the company has - for the first time - presented a consolidated financial statement, and has assigned the auditing firm Ernst & Young S.p.A. to perform the audit.

The Board of Statutory Auditors has supervised the consolidated financial statements and the consolidated report on operations through the same supervising actions used on the financial statement, and more specifically it has monitored - for those aspects under its jurisdiction - compliance with the law and statutes, compliance with the principles of proper administration, adequacy of the organisation, of the internal control system and of the accounting and administrative system, the reliability of the latter in providing a correct representation of the company's operations. In this respect, we have no particular remark to make.

Remarks and proposals concerning the approval of the annual report

Considering the results of the activity carried out by the auditing firm Ernst & Young S.p.A in relation to the statutory audit contained in the report pursuant to art. 14 Legislative Decree 27 January 2010, no. 39, the report does not show remarks concerning significant deviations or negative considerations, neither does it show the impossibility to express an evaluation or issue a request of information; therefore the issued comment is positive. The Board of Auditors asks the Shareholders' meeting to approve the financial statements for the year ended on 31.12.2016 and as drawn up by the Directors.

The Board of Auditors agrees with the proposal of allocation of the operating income presented by the Directors in the Notes to the Financial Statements.

Arezzo, 16.04.2018

The Auditors:
Badiali Micaela
Nardi Gabriele
Sgrevi Susanna



MONNALISA®

Via Madame Curie, 7 - Z.I. Pratacci B/4 - 52100 Arezzo
Ph. +39 0575 9850.1 - Fax +39 0575 9850.20
monnalisa.eu - info@monnalisa.eu