MONNALISA

Half-Year Report
at June 30, 2018

Blank page

Contents

Directors' Report at June 30, 2018

1.	Corporate Boards	pag.	5
2.	Group structure	pag.	6
3.	H1 2018 operating performance and significant events	pag.	8
4.	Subsequent events and outlook	pag.	10
5.	Earnings and financial overview	pag.	11
6.	Reclassified income statement	pag.	11
7.	Reclassified balance sheet	pag.	13
8.	Outline of the main risks and uncertainties	pag.	14
9.	Research and development	pag.	17
10.	Transaction with subsidiaries, associates, parent companies and companies subject to the common control of these latter	pag.	17
11.	Other information	pag.	18

Consolidated Financial Statements at June 30, 2018

H1 2018 income statement	pag.	20
Balance sheet at June 30, 2018	pag.	22
H1 2018 consolidated cash flow statement	pag.	25

Explanatory Notes

1.	Introduction	pag.	28
2.	Consolidation scope and methods	pag.	28
3.	Guarantees, commitments and contingent liabilities	pag.	30
4.	Exceptions	pag.	30
5.	Explanatory Notes to the H1 2018 income statement	pag.	30
6.	Explanatory Notes to the balance sheet at June 30, 2018	pag.	34
7.	Other information	pag.	42

Blank page

MONNALISA

Directors' Report
at June 30, 2018

Blank page

1. Corporate Boards

Board of Directors

The Shareholders' Meeting of June 15, 2018 approved a new version of the By-Laws, required for the listing on the AIM Italia - Alternative Capital Market multi-lateral trading system, organised and managed by Borsa Italia S.p.A. ("AIM Italia"). On the same date, the Board of Directors was appointed, remaining in office for three financial years until the approval of the 2020 Annual Accounts. The new Board of Directors comprises:

Chairman	**Piero Iacomoni**
Chief Executive Officer	**Christian Simoni**
Directors	**Pierangelo Arcangioli** **Simone Pratesi (independent director)** **Matteo Tugliani**

Board of Statutory Auditors

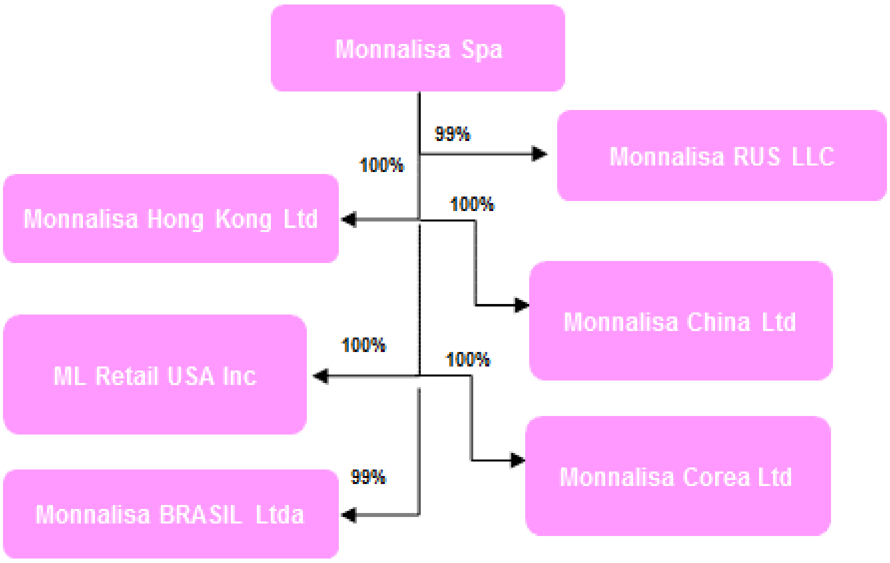
Chairperson	**Micaela Badiali**
Statutory Auditors	**Gabriele Nardi** **Susanna Sgrevi**
Alternate Auditors	**Patrizia Belli** **Gianni Papi**

Independent Audit Firm

EY S.p.A.

2. Group Structure

The Monnalisa Group structure at June 30, 2018, unchanged on December 31, 2017 and matching also the consolidation scope, is presented below.



Blank page

3. H1 2018 operating performance and significant events

Company operations

Founded in Arezzo in 1968 by Piero Iacomoni – current Chairman of the Board of Directors - Monnalisa designs, manufactures and distributes through a range of channels high-end childrenswear for 0-16-year-olds under the brand of the same name. Since its foundation, the company has married entrepreneurship, innovation, new market research, original styling and a particular focus on developing personnel and talent. The Monnalisa Group's (hereafter the "Group" or "company") centralised structure oversees almost all operations, except for the distribution and management of retail sales points in the various regions, directly handled by the individual Group commercial entities in each market.
Monnalisa is therefore an operating holding company which - in addition to holding investments in the overseas commercial companies - manages the entire production process, from product conception and creation to marketing, outsourcing only certain production stages.
In-house creation and manufacturing – while also a clearly original aspect of the Monnalisa Group - serves the key objective of closely-controlled product industrialisation. The Group in fact oversees in-house all strategic processes, with knock-on benefits for revenues and margins.
The Group's model closely links product strategies and communication to ensure the consistency of Monnalisa's brand image and style. Continuous and close control over the value chain is at the core of the company's approach.

Admission to the AIM Italia / Alternative Capital Market

On July 10, 2018, the ordinary shares of the company were admitted to trading on the AIM Italia / Alternative Capital Market, multi-lateral trading system organised and managed by Borsa Italia S.p.A.. Trading of ordinary company shares began on July 12, 2018.
The admission to listing followed the placement of 1,290,800 ordinary shares, of which 1,236,300 shares related to the paid-in share capital increase, placed principally with qualifying Italian and overseas institutional investors, and with 54,500 shares submitted for sale by the majority shareholder, Jafin Due S.p.A.

The ordinary share placement price was fixed at Euro 13.75, resulting in an initial trading date capitalisation of Euro 72 million and a free float of approx. 25% of the share capital, assuming the full exercise of the greenshoe option for an additional 54,500 shares. The IPO Price was set by the company, together with the Global Coordinator CFO SIM S.p.A., in consideration of the quantity and features of the manifestations of interests received as part of the placement and in order to favour a book composed prevalently of high-standing investors with a medium/long-term investment outlook. The global offer, concluding on July 6, 2018, in fact saw a significant number of bids from approx. 30 Italian and overseas institutional investors. Monnalisa's ownership includes nearly all of the largest Italian funds by managed capital.

For 50 years now, Monnalisa has operated according to an original combination of entrepreneurship, innovation, new market research and original styling. The company now distributes in over 60 countries, both through direct flagship stores and at the world's best-known Department Stores and at over 750 multibrand sales points. The listing seeks to further boost the growth and global reach of the Group, particularly on the retail and e-commerce channels.

According to Article 18 of the AIM Italia Issuers' Regulation, updated to January 3, 2018, the company is required to publish the half-year report within three months of period-end.

Therefore, the Board of Directors of Monnalisa S.p.A. approved on September 28, 2018 its first half-year report for the period ending June 30, 2018, with publication in the Investor Relations section of Monnalisa S.p.A.'s website and on the Borsa Italiana required channels.

The H1 2017 figures were drawn up and presented in this half-year report only for comparative purposes, as required by applicable accounting standards.

Operating performance

In the first half of 2018, in line with the development plan - although the IPO had not yet been defined or executed - the company drew on own funds to continue rolling out its retail expansion project.

We present below the new sales points opened or due to open shortly, in addition to the H1 2018 operating performance compared to H1 2017 for the income statement and year-end 2017 for the balance sheet.
The following sales points were opened in the first half of 2018.

Type	**Country**	**City**	**Location**
DOS	USA	New York	Street
DOS	USA	Beverly Hills	Street
DOS	Hong Kong	Hong Kong	Dept Store
DOS	Russia	Moscow	Mall
DOS	Russia	Moscow	Street
DOS	China	Xian	Dept Store
DOS	China	Shenzhen	Mall
DOS	China	Wuhan	Mall
DOO	UK	Bicester	Mall

As planned, three low traffic sales points in China (Yintai, Grand Gateway and Scitech) were closed in the period.
The Monnalisa Group therefore at the end of H1 2018 owned thirty-one direct sales points between DOS and DOO.

Contracts were also concluded in the first half of the year for the opening of an additional two stores, one in Philadelphia and one in Guam, scheduled for opening respectively in October 2018 and in the initial months of 2019.

Monnalisa reported revenues of Euro 25 million, up 6% on the same period of the previous year (+9% at like-for-like exchange rates) and EBITDA of Euro 2.3 million (9% compared to 14% in the comparative half-year). After amortisation, depreciation and provisions of Euro 1.2 million (reducing Euro 0.3 million), EBIT was Euro 1.1 million (Euro 1.8 million in the comparative half-year).
After income taxes of Euro 0.2 million (Euro 0.5 million), the profit was Euro 0.6 million (Euro 1.1 million).

The new openings, still in the full start-up phase, curtailed margins, absorbing resources and particularly overheads (staff and leases) in excess of the increase in revenues. In addition, a number of new openings and restructurings were postponed - therefore continuing to incur costs while not returning the expected revenues.

Monnalisa H1 2018 adjusted EBITDA amounts to approx. 3.1 million, in line with 2017 adjusted EBITDA of Euro 3.2 million.

The adjustments on reported EBITDA of Euro 0.8 million concern:

- one-off stock clearance: on transfer to a new warehouse in H1 2018 to facilitate improved logistical flows and a better use of space, some of the older sample collections and second choices were sold;
- one-off costs related to the New York DOS restructuring;
- one-off marketing and promotion costs for the company's 50th anniversary which were fully expensed.

Adjusted EBITDA at like-for-like exchange rates was Euro 3.5 million, up 10% on Adjusted EBITDA for H1 2017.

In 2017 however, for the first time a summer pre-collection creation and sale project was undertaken, in the final quarter of the year. This alteration to the production and sales process means that the H1 2018 results are not fully comparable with those for H1 2017. Adjusting this impact, H1 2018 EBITDA would amount to approx. Euro 3.9 million.

The balance sheet at June 30, 2018 is particularly solid, with total capital employed of Euro 60.4 million, covered for Euro 29.8 million by own funds and for Euro 14.1 million by net financial debt.

Shareholders' equity, therefore, in addition to ensuring the full coverage of assets of Euro 22 million, funds approx. 60% of net working capital of Euro 13 million, which in turn is covered by the net financial debt of Euro 14.1 million. Finally, the residual comprises the provisions for risks and employee termination indemnities for a total of Euro 2 million.

Net working capital, typically higher at the end of June due to seasonality, was Euro 19 million (Euro 16 million, +20%), as a consequence, in terms of capital employed, of revenue growth and increased inventory (invoiced in subsequent months) and, on the sources front, by the reduction in current liabilities to Euro 9 million, compared to Euro 10.4 million at June 30, 2017.

In terms of cash flows, during the period the company absorbed cash from operations of approx. Euro 0.4 million which, despite reduced self-financing (net profit plus amortisation and depreciation), reduced on an absorption of Euro 2 million in H1 2017, thanks to improved working capital movements.

Investment activities absorbed approx. Euro 4 million, of which Euro 2.5 million on intangible assets, specifically comprising goodwill from the acquisition of business units (two stores in the USA and a store in Florence) and leasehold improvements.
Financing activities generated net cash of Euro 4.2 million.

The net financial debt at June 30, 2018, was Euro 12.7 million (Euro 8.2 million at December 31, 2017), comprising non-current financial payables of Euro 3.5 million (Euro 4.1 million) and gross current financial payables of Euro 13.1 million (Euro 8.2 million) and, subtracting the above liquidity of Euro 2.6 million (Euro 2.8 million), net for Euro 10.5 million (Euro 5.4 million).

4. Outlook

Industrial investments covered by own funds from the AIM Italia market listing continue to be rolled out as per the industrial plan. In particular, in the second half of 2018 the incorporation of companies in Turkey and Taiwan is scheduled to support the opening of direct sales points on these markets. Further to these initiatives, we consider the new opening at Marcianise and those planned for the La Reggia outlet for the end of September, in Philadelphia for the middle of October, in Istanbul at the new airport in November and at Sawgrass (Miami) in December.
A share capital increase of the Chinese subsidiary is currently being considered for approval, in support of further growth in the country, and the opening of two new sales points (one in Shenzhen and one in Tianjin).

Finally, additional funding was provided to the US subsidiary. The US expansion project was in fact significantly stepped up in 2018, with the acquisition of two sales points in New York and Beverly Hills and negotiations concluding to establish stores and at the King of Prussia (Philadelphia) and Sawgrass Mill (Miami) malls.

5. Subsequent events

In accordance with point 5), paragraph three, Article 2428 of the Civil Code, no events subsequent to period-end which may significantly impact the Group performance are reported.

6. Earnings and financial overview

The earnings and financial overview is based on the reclassified Balance Sheet, drawn up as per Articles 2424 and 2424-*bis* of the Civil Code and the reclassified Income Statement, drawn up as per Articles 2425 and 2425-*bis* of the Civil Code. For complete disclosure, the breakdowns for Monnalisa individually and the Group are reported.
The Monnalisa Group in addition utilises alternative performance indicators which are not recognised under Italian GAAP to better assess developments. The criterion applied by the Group and the relative results may therefore not be uniform and comparable with those of other groups. These indicators exclusively refer to the historic Group figures for the present and comparative periods and not to the forecast performance of the Group and must not be considered as replacements for the indicators set out by the accounting standards (Italian GAAP).

The alternative performance indicators utilised are the following:

EBITDA (Earnings Before Interest, Taxes, Depreciation, Amortization): The results before financial income and expenses, income taxes, amortisation and depreciation and non-recurring costs (non-recurring doubtful debt provision and non-recurring exchange gains/losses). EBITDA so defined is used by Monnalisa's directors to monitor and assess the company's operating performance. As EBITDA is not indicated as an accounting measure as per Italian GAAP, it should not be considered as an alternative method to assess the company's operating results. As the composition of EBITDA is not regulated by the applicable accounting standards, the criterion used by Monnalisa in the calculation of EBITDA may not be uniform with that adopted by other entities and, therefore, may not be comparable.

EBIT (Earnings Before Interest and Taxes): EBIT is the result before financial income and expenses, income taxes and non-recurring doubtful debt provisions. EBIT so defined is used by Monnalisa's directors to monitor and assess the company's operating performance. As EBIT is not indicated as an accounting measure as per Italian GAAP, it should not be considered as an alternative method to assess the Monnalisa's operating results. As the composition of the EBIT is not regulated by the applicable accounting standards, the criterion used in the calculation by the Company may not be uniform with that adopted by other entities and, therefore, may not be comparable.

Net Capital Employed: Net capital employed is the sum of net working capital, fixed assets, other liabilities, including the provisions for pensions and similar obligations, deferred tax provisions, other provisions and doubtful debt provisions. Net capital employed is not an accounting measure recognised by the applicable accounting standards. The criterion applied by Monnalisa may not be uniform with that adopted by other entities and these values may not be comparable with that determined by such entities.

Net Financial Debt: As per CONSOB communication No. DEM/6064293 of July 28, 2006, the net financial debt is the sum of cash and cash equivalents, current financial assets and short and long-term financial liabilities (current and non-current liabilities).

7. Reclassified Income Statement

The income statement is reclassified to indicate both the ordinary operating result and the financial and extraordinary result.

	30/06/2018		30/06/2017		31/12/2017	
Revenues from sales	24,938,575		23,471,461		47,011,251	
Profit/(loss) non-core income	478,53		321,497		684,342	
Total Revenues	**25,417,105**	**100%**	**23,792,959**	**100%**	**47,695,593**	**100%**
Product Manufacturing Costs	-10,814,346		-9,848,423		-19,832,715	
Costs for raw materials and finished products	-7,394,249		-6,147,902		-12,703,550	
Costs for production services	-3,420,097		-3,700,521		-7,129,165	
Costs for use of third-party assets	-2,213,410		-1,636,815		-3,314,110	
Marketing Costs	-1,164,099		-1,023,146		-1,751,943	
Costs for other services	-3,585,650		-3,554,260		-6,875,626	
ADDED VALUE	**7,639,600**	**30%**	**7,730,315**	**32%**	**15,921,199**	**33%**
Personnel Costs	-4,956,243		-4,018,668		-8,721,525	
Miscellaneous operating costs	-301,978		-552,784		-450,67	
Provisions for bad and doubtful accounts	-47,902		-175,2		-170	
EBITDA	**2,333,477**	**9%**	**2,983,663**	**13%**	**6,579,004**	**14%**
Amortization tangibles	-465,187		-420,663		-883,919	
Amortization intangibles	-764,811		-693,061		-1,374,191	
EBIT	**1,103,479**	**4%**	**1,869,938**	**8%**	**3,519,151**	**7%**
Financial Management (ex, Currency)	-218,724		-178,702		-373,591	
Profit/(Loss) before taxes	**884,755**	**3%**	**1,691,237**	**7%**	**3,145,560**	**7%**
Taxes	-245,217		-569,241		-891,906	
Consolidated Net Profit	**639,538**	**3%**	**1,121,996**	**5%**	**2,253,654**	**5%**

For reclassification purposes, financial interest income charges and banking expenses are included in the financial management result.

Revenues by distribution channel

Revenues by distribution channel saw significant growth on the retail and B2C channels, respectively +35% and +54% at current exchange rates and +39% and +54% at like-for-like exchange rates. This performance reflects the Group's growth strategy focused on developing the retail channel, which accounted for 4% more of consolidated revenues, through the opening of new direct sales points, mainly overseas. The drop in wholesale channel sales relates to the interruption of business with a Russian customer who had 4 TPOS (*Third Party Operated Stores*) in the city of Moscow, three of which were reopened as DOS (*Directly Operated Stores*) in recent months, and by the acquisition of a business unit of a US customer, consisting of two Monnalisa monobrand sales points.

	Six months ended 30 June					
in thousands of €	2018	% on revenues	2017	% on revenues	Var %	Var % at constant exchange rates
Retail	5,554	22%	4,128	18%	34%	39%
Wholesale	17,071	69%	17,842	76%	-4%	-1%
B2C (direct and indirect)	2,314	9%	1,502	6%	53%	53%
Total	24,939	100%	23,471	100%	6%	9%

Revenues by region

Revenues grew in Italy, principally based on the retail channel performance, and in Europe, up respectively 13% and 18%, converting sales in currencies other than the Euro at like-for-like exchange rates.
The slight contraction in the Rest of the World, which however grew 1% at like-for-like exchange rates, relates both to the previously stated performance of the channel in Russia and in the United States, in addition to currency movements.

	Six months ended 30 June					
in thousands of €	2018	% on revenues	2017	% on revenues	Var %	Var % at constant exchange rates
Italy	8,336	33%	7,380	31%	13%	13%
Europe	6,571	26%	5,598	24%	18%	18%
Rest of the world	10,032	40%	10,494	45%	-5%	1%
Total	24,939	100%	23,471	100%	6%	9%

8. Reclassified balance sheet

The balance sheet reclassified according to the financial criterion breaks down the composition of uses and sources and the construction of the short and long-term financial equilibrium indicators.
The balance sheet reclassified by operating segment however breaks down funding requirements and the financial structure, correlating the uses and sources categories, which compared with the corresponding earnings margins facilitate the construction of specific earnings indicators.

Funding balance sheet

Assets	*30/06/2018*	%	*31/12/2017*	%	*30/06/2017*	%
Subscribed capital unpaid	-		32		34	
FIXED ASSETS	**22,085,322**	**36,54%**	**19,349,759**	**34,03%**	**18,646,398**	**35,19%**
Intangible assets	4,299,359		2,531,744		2,781,997	
Tangible assets	16,319,839		15,351,891		14,298,277	
Financial assets	1,466,124		1,466,124		1,566,124	
CURRENT ASSETS	**38,350,874**	**63,46%**	**37,506,903**	**65,97%**	**34,347,644**	**64,81%**
Inventory	16,540,937		16,774,262		15,867,867	
Deferred cash	19,212,507		17,920,718		16,869,831	
Cash on hand	2,597,430		2,811,923		1,609,946	
INVESTED CAPITAL	**60,436,196**	**100%**	**56,856,694**	**100%**	**52,994,077**	**100%**
Liabilities						
EQUITY	**29,793,504**	**49,30%**	**29,203,237**	**51,36%**	**27,989,303**	**52,82%**
Share Capital	2,064,000		2,064,000		2,064,000	
Reserves	27,089,966		24,885,583		24,803,307	
Profit/(loss) for the period	642,242		2,248,215		1,119,866	
Profit/(loss) attributable to minority interest	-2,704		5,439		2,13	
CONSOLIDATED LIABILITIES	**5,619,807**	**9,30%**	**6,243,163**	**10,98%**	**5,051,493**	**9,53%**
Financial	3,549,754		4,199,012		3,090,284	
Non financial	2,070,053		2,044,151		1,961,209	
CURRENT LIABILITIES	**25,022,885**	**41,40%**	**21,410,295**	**37,66%**	**19,953,281**	**37,65%**
Financial	13,165,105		8,278,706		6,945,133	
Non financial	11,857,780		13,131,589		13,008,148	
FINANCING CAPITAL	**60,436,196**	**100%**	**56,856,694**	**100%**	**52,994,077**	**100%**

Operating balance sheet

CONSOLIDATED BALANCE SHEET BY FUNCTIONAL AREAS	30/06/2018		31/12/2017		30/06/2017	
OPERATING INVESTED CAPITAL/EQUITY	58,967,610		55,382,871		51,369,745	
- Operating liabilities	13,927,834		15,175,780		14,969,359	
NET OPERATING INVESTED CAPITAL/EQUITY	45,039,776	96,84%	40,207,091	96,46%	36,400,386	95,73%
NON-OPERATING INVESTMENTS	1,468,586	3,16%	1,473,823	3,54%	1,624,331	4,27%
NET INVESTED CAPITAL/EQUITY	46,508,362	100%	41,680,915	100%	38,024,717	100%
Sources						
EQUITY	29,793,504	64,06%	29,203,197	70,06%	27,989,302	73,61%
FINANCIAL LIABILITIES	16,714,859	35,94%	12,477,718	29,94%	10,035,417	26,39%
FINANCING CAPITAL	46,508,362	100%	41,680,915	100%	38,024,717	100%

Net Financial Position
The net financial position, presented according to the format set out in Consob Communication No. DEM/6064293 of July 28, 2006, at June 30, 2018 and at December 31, 2017 was as follows:

	in thousands of €	30/06/2018	31/12/2017
A	Cash on hand	76	65
B	Bank and postal deposits	2,500	2,747
D	**Cash and Cash equivalents (A+B)**	**2,576**	**2,812**
E	**Other current financial assets**	**1,400**	**1,400**
F	Current bank payables	9,163	4,276
G	Current part of non-current debt	4,002	4,002
I	**Current Financial Debt (F+G)**	**13,165**	**8,278**
J	**Net Current Financial Debt (I-E-D)**	**9,189**	**4,066**
K	Non-current bank payables	3,549	4,199
N	**Non-current financial debt (K)**	**3,549**	**4,199**
M	**Net Financial Debt or NFP (J+K)**	**12,738**	**8,265**

9. Outline of the main risks and uncertainties

In managing operations and executing its strategy, the Group is naturally exposed - as all companies are - to a series of risks which, where not correctly managed and contained, may impact earnings and current and future equity and financial conditions.
Monnalisa S.p.A. has drawn up procedures to manage the risks impacting those areas with greatest exposure in order to eliminate or reduce possible consequences for the company's financial statements.

Market risks
The Monnalisa Group operates on the luxury fashion market, which features significant levels of competition, particularly from adult brands operating on the children's' markets, and volatility, with very short product life cycles and quickly revolving new products and brands. This risk is accompanied by that relating to the countries in which the company operates, each featuring their own individual economic and political situations, particularly for those countries in which the Group is directly present. These risks are managed by investing in innovation and research, thus supporting creativity through ongoing stimuli and challenges. In addition, its broad presence on a significant number of markets globally permits the Group to offset the risk from any deterioration in the economic or political situation of particular markets.

Image-related risks
The market on which the Monnalisa Group operates is influenced by the perception of the retail client and of the end consumer, not just with regards to the stylistic range, but also in terms of intrinsic product quality and brand reputation. In order to offset these risks, the product and brand image is closely managed (brand, product, company, group communication). Public relations is carried out in-house in order to ensure more effective control of the message to be communicated externally, guaranteeing consistency in terms of brand and Group identity. In protection of the end consumer and to control the consequent reputational risk, a close focus is placed on the safety of the product and the materials utilised, through quality control, chemical and physical tests on specific products and compliance with the Reach regulation and with the highly restrictive requirements imposed by the Chinese and Korean malls, through specific product certifications.

Distribution network risks
The risks deriving from the retail and wholesale channel concern customer solvency and solidity, which are regularly monitored on the one hand, prudently assessing the credit lines to be granted, and on the other by relying on a credit insurance and management service. An additional service is used to acquire commercial information online in real time in order to monitor over time compliance with the credit lines granted.
It is also essential in this type of market to access and maintain over time the best locations in the world's major cities and at the best-known department stores. The risk most associated to this type of channel concerns the duration of lease contracts, options for their renewal and any reviews to the conditions applied.
The Group consistently invests in the distribution channel as a win-win for both customer and supplier, through customised support for the layout and the fitting out of the sales point, support in preparing the start-up order, the monitoring of the mix, the training of sales staff, visual merchandising support, the management and co-management of in-store events, the merchandise exchange service and modular support for the management of unsold goods.

Risks related to relations with manufacturers and suppliers
Production is outsourced to small local factories (façon) and to manufacturers of marketed items, located in Italy and overseas (China, Turkey and Egypt). With the main suppliers, collaboration takes the form of a long-term partnership type approach, based on the sharing of objectives and tools to identify high quality professional solutions and achieve results to the satisfaction of both, with the focus on stable relationships while at the same time containing the risk of dependence of key suppliers in terms of work undertaken or the type of product/service offered. Although the Group does not significantly depend on any supplier, the risk of the conclusion for any reason of relations with existing suppliers may not be excluded and therefore the workloads at each supplier are constantly monitored and intensive scouting of new suppliers is undertaken worldwide.

Risks related to the loss of know-how and talent
The success of the Group strongly depends on its staff and their skills and professionalism. A focus is therefore placed on preventing the loss of talent by ensuring a stimulating and challenging work environment, with opportunities for learning and growth. At the same time, the sharing of knowledge among colleagues is encouraged through promoting comprehensive growth and the sharing of skills through the direct training of colleagues and the publication on the server of all procedures and instructions.
With the opening of new branches overseas in countries with profoundly differing cultures from that of the parent company, it has become crucial also to understand the working dynamics and motivations of personnel in other countries, developing ad hoc policies and taking account of differing attitudes to company loyalty over time.

Risks related to the loss of information and data
Although there is no longer an obligation to prepare and update the data protection policy, the Monnalisa Group included the data back-up management procedures in the ISO 9001 instructions manual of the parent company. No complaints have thus far been made concerning privacy violations and data loss. One of the three IT office staff is dedicated to continuously updating the IT devices, in order to offset obsolescence risk, while a management committee is responsible for developing SW level technology. For the online product sales system, secure payment systems managed by certified companies utilising the leading security protocols are used. Its controls ensure the formal and substantial correctness of transactions.
The BoD meeting of May 21, 2018 formalised the company privacy roles (owner, manager, DPO) as per Regulation EC 2016/679.

Liquidity risks
The Monnalisa Group plans its funding requirements in order to reduce liquidity risk. On the basis of funding needs, the credit lines guaranteed by the banking systems are used, relying on the most suitable sources in terms of duration with regards to the related uses. In order to offset the absorption of liquidity caused by working capital movements, the volumes and composition are constantly monitored, seeking to contain it or however create uniformity among the various components (receivables, payables, inventories), both in terms of volume and duration. At the same time, the Group's various offices check the value of its stock, aligning it to expected realisable prices, identifying means and channels to fill the remaining items.

Equity risks
Equity risks, i.e. the possibility that the Group is not capable of dealing with "negative" events, both internal and external, is comprehensively offset by the company policy which for some time has provisioned the profits achieved, while further increasing the legal reserve, despite reaching the limit established by the Civil Code. This was confirmed by the shareholders' equity increase following the AIM Italia market listing.

Exchange rate risk
The Group undertakes purchases and sales on international markets in currencies other than the Euro. As for the parent company the timing of the volumes acquired in US dollars differs from the setting of the sales prices, where appropriate exchange rates are hedged, fixed on compiling the bill of materials through the use of flexible forwards, which are never for speculative purposes but only for insurance in guarantee of the planned margin. According to the same principle, and where the conditions are met, payments in foreign currencies for sales on overseas markets are hedged.

Corruption related risks
The Group does not work with the public sector or with major distribution chains. Therefore, the risk of corruption is considered low. The governance system and company processes, involving the separation of functions, and the Board of Statutory Auditors undertaking a controlling role, contribute to maintaining this risk at a low level. The monitoring of corruption risk management activities was considered on preparing the 231/01 system, consisting of general and special sections, which together with the ethics code were approved by the BoD on December 2017. The voluntary adoption of an Organisation, Management and Control Model as per Legislative Decree 231/2001 has furthered risk analysis, examining in particular those of criminal relevance as per the Decree. The reporting mechanisms within the organisation contribute to mitigating the risk, which extend also externally, through the possibility to directly contact the outside Certification Body or the SA8000 accreditation body. During the period, as in previous years, no reports regarding possibly corrupt conduct or events were received.

Governance risks
The parent company is a family-run first generation company in which the founders are still actively involved in day-to-day and management roles. Potential continuity risks are therefore evident. In order to offset this type of risk, in 2010 a Board of Directors was established, reappointed in 2018, on which - in addition to the Chairman Piero Iacomoni - three outside members sit, including the Chief Executive Officer Christian Simoni and an independent member. The possibility of extending the Board with the introduction of new members may be assessed.

Accounting activity risks
The accounting activity of the parent company is undertaken internally and overseen by personnel with on average twenty-years' experience in the role. This staff undertake ongoing professional updates and are supported by highly-qualified outside consultants. The legally-required audit of company accounts was assigned to the independent audit firm EY SpA, who have also been appointed to certify the statutory financial statements of the parent company and the consolidated financial statements. For the subsidiaries, accounting responsibilities are assigned to local consultancy companies with international experience. The subsidiaries with the highest revenues (Russia, China, Hong Kong) are subject to audit by local auditors or local offices of EY.
No monetary or non-monetary penalties for non-compliance with statutory or regulatory rules have been issued.
At year-end, no disputes with the tax authorities were in progress.

10. Research and development

In accordance with that reported at point 1) of paragraph three of Article 2428 of the Civil Code, in the first half of 2018 research and development on particularly innovative projects continued, undertaken both internally and by outside consultants.
Process and product research and development costs are not capitalised, but included by type in operating costs and therefore entirely recharged to the income statement. R&D costs incurred in the period amount to Euro 1,309,829.

11. Transactions with subsidiaries, associates, parent companies, with companies subject to the common control of these latter and with related parties

Transactions with Group companies and with related parties are outlined in the following table. These transactions do not include atypical and/or unusual transactions and are governed at market conditions:

Company	Misc. payables	Misc. receivables	Trade receivables	Trade payables	Sales	Purchases
Jafin SpA	0	1,400,000	14,830	0	0	0
PJ Srl	0	60,000	6,100	575	0	159,722
Monnalisa & Co srl	0	0	0	0	0	0
Monnalisa China Ltd	160,000	3,300,000	2,501,332	0	438,925	0
ML Retail USA Inc	0	591,156	417,159	0	172,201	0
Monnalisa Rus LLC	0	136	690,701	0	1,393,904	0
Monnalisa Brasil LTDA	0	500,036	96,563	0	78,286	0
Monnalisa Korea Ltd	0	81,000	97,296	0		0
Monnalisa HK Ltd	0	50,000	1,032,618	0	191,475	0
Monnalisa&Co. Srl	0	0	7,320	0	0	0
Jafin DUE SpA	0	0	0	0	0	0
Hermes& Athena Consulting S.r.l	0	0	0	120,000	0	100,000
Didj S.r.l.	0	0	0	61,000	0	4,448
Total	**160,000**	**5,982,328**	**4,863,919**	**181,575**	**2,274,791**	**264,170**

12. Other information

The company does not hold other treasury shares.

The company has not introduced specific environmental impact policies as not required in view of the operations undertaken.

The company adopts all appropriate measures to protect workplace health and safety through the application of traditional procedures (risks assessment, health monitoring plans) and with the support of qualified personnel (Executives, Managers, Competent Doctor and Prevention and Protection Service Manager as per Legislative Decree 81/2008).

The prevention of work-related risks is a core company principle and is viewed as an opportunity to improve the quality of life at the company's facilities and offices; in this regard, training and education initiatives continued to target personnel and all workers in general regarding workplace safety issues. These activities were supported by training and communication actions (through specific courses), the implementation of a health monitoring plan and the circulation of notices and circulars as per the applicable regulations. In fulfilment of Legislative Decree No. 81 of 2008, additional investments were made to improve plant and equipment to meet the requirements of the stated regulation.

In order to comply with the AIM Italia / Alternative Capital Market Issuers' Regulation updated to January 3, 2018, the company has adopted appropriate corporate governance policies, such as the:

- Internal Dealing policy to govern disclosure obligations regarding certain transactions undertaken by company directors;
- Regulation for the management and processing of company information and for the outside communication of inside information;
- Related party transactions policy governing the identification, approval and execution of transactions by the company with related parties, in order to guarantee both the substantial and procedural transparency and correctness of such transactions;
- Fulfilment of Nomad communication obligations policy.

for the Board of Directors of Monnalisa S.p.A.

The Chairman
Piero Iacomoni

H1 2018 Income Statement

	30.06.2018	30.06.2017
A) Value of Production		
1) Revenues from sales	24,938,575	23,471,461
2) Changes in inventories of work in progress, semi-finished goods and finished products	(449,31)	1,582,132
4) Capitalization of internal work	12,31	38,033
5) Other revenues and income	1,008,297	868,573
Total value of production	**25,509,873**	**25,960,199**
B) Costs of Production		
6) Raw materials, consumables and goods for resale	7,203,179	8,263,239
7) Services	8,127,479	8,564,668
8) Use of third-party assets	2,581,231	1,813,643
9) Personnel Costs		
a) Wages and salaries	3,768,521	3,049,072
b) Social security charges	852,215	769,012
c) Termination indemnities	135,809	96,02
d) Pensions and similar obligations	62,895	72,589
e) Other costs	138,803	31,975
Total personnel Costs	4,956,243	4,018,668
10) Amortization, depreciation and write-downs		
a) Amortization of intangible fixed assets	764,811	693,061
b) Depreciation of tangible fixed assets	465,187	420,663
d) Write-downs of receivables in current assets and cash and cash equivalents	47,902	175,2
Totale amortization, depreciation and write-downs	1,277,901	1,288,924
11) Change in inventory of raw, ancillary, consumable materials and goods	(41,617)	(411,666)
14) Other operating costs	363,691	194,924
Total production costs	**24,468,107**	**23,732,400**
Difference between value and production cost (A-B)	**1,041,766**	**2,227,799**
C) Financial income and expenses		
16) Other financial income:		
b) from securities classified as fixed assets	15	15
d) others	9,854	13,838
Totale financial income	24,854	28,838
17) Interests and other financial expenses		
- other	243,578	207,539
Total financial expenses	243,578	207,539
17-bis) Losses and gains on currency exchange	49,763	(381,812)
Total financial income and expenses	**(168,961)**	**(560,513)**
D) Value adjustments to financial assets		
18) Write-backs:		
d) financial derivative instruments	37,095	23,952
Totale write-backs	37,095	23,952
19) Write-downs:		
d) financial derivative instruments	25,145	
Total write-downs	25,145	
Total value adjustments to financial assets (D)	**11,95**	**23,952**
Profit/(Loss) before taxes (A-B±C±D)	**884,755**	**1,691,238**
a) Current taxes	543,012	777,984
b) Deferred taxes	(297,795)	(208,743)
Total Income, current, deferred taxes	245,217	569,241
21) Profit (loss) for the year	**639,538**	**1,121,997**
Profit (loss) attributable to the Group	*642,242*	*1,119,867*
Profit (loss) attributable to minority interests	*(2,704)*	*2,130*

Balance Sheet at June 30, 2018

ASSETS	30.06.2018	31.12.2017
A) Subscribed capital unpaid		32
B) Fixed Assets		
I - Intangibles Assets		
3) Industrial Patent and Intellectual Property Rights	127,925	185,987
4) Concessions, licences, trademarks and similar rights	572	1,134
5) Goodwill	2,305,906	697,953
6) Work in progress and advance payments	211,487	
7) Other	1,653,469	1,646,670
Total Intangible assets	**4,299,359**	**2,531,744**
II - Tangible Assets		
1) Land and Buildings	3,271,150	3,309,586
2) Plants and equipment	2,186,961	750,665
3) Industrial and Commercial Equipment	243,034	240,034
4) Other Assets	2,451,742	2,248,172
5) Work in progress and advance payments	8,166,952	8,803,434
Total Tangible Assets	**16,319,839**	**15,351,891**
III - Financial Assets		
1) Equity investments in:		
D bis) other companies	8,624	8,624
Total Equity Investments	**8,624**	**8,624**
2) Receivables		
d bis) due fom others		
beyond 12 months	257,5	257,5
3) Other Securities	1,200,000	1,200,000
Total Financial Assets	**1,466,124**	**1,466,124**
B) Total Fixed Assets	**22,085,321**	**19,349,759**
C) Current Assets		
I - Inventory		
1) Raw, supplies and consumable materials	2,064,749	2,023,132
2) Work in progress and semi-finished products	1,718,964	1,618,539
4) Finished products and goods	12,677,674	13,064,076
5) Advances	79,55	68,515
Total inventory	**16,540,937**	**16,774,262**
II - Receivables		
1) Due from customers		
- within 12 months	11,884,748	11,107,829
Total Due from customers	**11,884,748**	**11,107,829**
5-bis) Tax Receivables		
- within 12 months	3,896,391	4,314,994
Total Tax Receivables	**3,896,391**	**4,314,994**
5-ter) Deferred tax assets		
- within 12 months	1,333,140	593,029
Total Deferred tax assets	**1,333,140**	**593,029**
5-quater) Due from others		
- within 12 months	1,387,558	1,644,052
- beyond 12 months	153,03	119,593
Total Due from others	**1,540,589**	**1,763,645**
Total Receivables	**18,654,867**	**17,779,497**
III - Financial Assets (other than fixed assets)		
5) Derivative financial instrument assets	2,462	7,667
Total financial assets (other than fixed assets)	**2,462**	**7,667**
IV - Cash and cash equivalents		
1) Bank and postal deposits	2,521,925	2,746,976
3) Cash on hand	75,505	64,947
Total cash and cash equivalents	**2,597,430**	**2,811,923**
C) Totale current assets	**37,795,697**	**37,373,349**
D) Accrued income and prepaid expenses		
Prepaid expenses	555,178	133,554
D) Total accrued income and prepaid expenses	**555,178**	**133,554**
TOTAL ASSETS	**60,436,196**	**56,856,694**

LIABILITIES AND SHAREHOLDERS' EQUITY	30.06.2018	31.12.2017
A) Shareholders' equity		
I Share capital	2,064,000	2,064,000
III Revaluation reserve	2,959,446	2,959,446
IV Legal reserve	943,276	943,276
VI - Other reserves, indicated separately		
Translation differences	(627,007)	(554,92)
Other reserves	51,576	51,576
Total other reserves	(575,431)	(503,344)
VII - Cash flow hedge reserve	1,258	(23,275)
VIII Profit (loss) carried forward	23,752,443	21,504,228
IX Profit (loss) for the period	642,242	2,248,215
Total Group Shareholders' equity	**29,787,233**	**29,192,546**
Minority and shareholders' assets		
Third party capital and reserves	8,974	5,252
Profit (loss) attributable to minority interests	(2,704)	5,439
Total Minority shareholders' assets	**6,270**	**10,691**
Total Shareholders' equity	**29,793,503**	**29,203,237**
B) Provisions for risks and charges		
1) Provisions for pensions or similar obligations	50,165	59,621
2) Provisions for taxes, including deferred	45,035	58,658
3) Derivative financial instrument liabilities	-	38,292
4) Other	256,855	372,855
Total provisions for risks and charges	**352,054**	**529,426**
C) Employee termination indemnities	**1,530,523**	**1,426,921**
D) Payables		
4) Payables due to banks		
- within 12 months	13,165,105	8,278,706
- beyond 12 months	3,549,754	4,199,011
Total payables due to banks	**16,714,859**	**12,477,717**
6) Advances		
- within 12 months	1,186,900	1,405,190
Total advances	**1,186,900**	**1,405,190**
7) Trade payables		
- within 12 months	7,848,412	9,546,033
Totale trade payables	**7,848,412**	**9,546,033**
12) Tax payables		
- within 12 months	1,092,587	583,226
Total tax payables	**1,092,587**	**583,226**
13) Payables to pension funds and social security agencies		
- within 12 months	345,828	395,378
Total payables to pension funds and social security funds	**345,828**	**395,378**
14) Other payables		
- within 12 months	1,260,488	1,169,914
- beyond 12 months	187,475	87,804
Total other payables	**1,447,963**	**1,257,718**
Total payables	**28,636,548**	**25,665,262**
E) Accrued liabilities and deferred income		
Accrued liabilities	123,566	31,848
Total accrued liabilities and deferred income	**123,566**	**31,848**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**60,436,196**	**56,856,694**

Consolidated Cash Flow Statement

Description	30/06/2018	30/06/2017
A) Cash flows from operating activities (indirect method)		
Profit/(loss) for the period	639,538	1,121,996
Income tax	245,217	569,241
Interest expenses/(income)	218,724	178,702
(Dividends)		
(Gains)/losses on asset disposals		
1) Profit (loss) for the period before taxes, interest, dividends and capital gains/losses on disposals	**1,103,479**	**1,869,939**
Non-cash adjustments not impacting working capital		
Provisions	217,751	180,451
Amortisation & depreciation	1,229,998	1,113,724
Impairments		
Adjustments to non-cash financial instrument assets and liabilities	(10,250)	(8,294)
Other non-cash increases/(decreases)		
Total non-cash adjustments not impacting working capital	1,437,499	1,285,881
2) Cash flow before working capital changes	**2,540,978**	**3,155,820**
Change in net working capital		
Decrease/(Increase) in inventor	233,234	(1,904,473)
Decrease/(Increase) in trade receivables	(776,919)	(186,701)
Increase/(Decrease) in trade payables	(1,697,621)	(913,191)
Decrease/(Increase) in accrued income and prepaid expenses	(421,624)	(315,943)
Increase/(Decrease) in accrued liabilities and deferred income	91,718	6,117
Other Decreases/(Other Increases) in net working capital	(74,504)	(767,041)
Total changes in net working capital	(2,496,617)	(4,081,232)
3) Cash flow after net working capital changes	**44,361**	**(925,412)**
Other adjustments		
Interest received/(paid)	(218,724)	(178,702)
(Income taxes paid)		
Dividends received		
(Utilisation of provisions)	(239,606)	(244,213)
Other receipts/(payments)	(72,109)	(680,466)
Total other adjustments	(530,439)	(1,103,381)
Cash flow from operating activities (A)	**(486,077)**	**(2,028,793)**
B) Cash flow from investment activities		
Tangible fixed assets		
(Investments)	(1,473,134)	(1,395,105)
Divestments	40,484	
Intangible assets		
(Investments)	(2,532,427)	(1,365,479)
Divestments		
Financial fixed assets		
(Investments)		(300,000)
Divestments		
Current financial assets		
(Investments)		
Divestments		
(Acquisition of subsidiaries net of cash and cash equivalents)		
(Disposal of subsidiaries net of cash and cash equivalents)		
Cash flow from investing activities (B)	**(3,965,561)**	**(3,060,584)**
C) Cash flow from financing activities		
Third party funds		
Increase/(Decrease) in short-term bank loans	4,886,399	436,452
New loans	1,500,000	2,249,785
(Repayment of loans)	(2,149,257)	
Own funds		
Paid-in share capital increase		
(Repayment of share capital)		
Disposal/(Acquisition) of treasury shares		
(Dividends and advances on dividends paid)		
Cash flow from financing activities (C)	**4,237,142**	**2,686,237**

Increase (decrease) in cash and cash equivalents (A ± B ± C)	(214,493)	(2,043,142)
Currency effect on cash and cash equivalents		
Opening cash and cash equivalents	**2,811,923**	**4,013,087**
Bank and postal deposits	2,746,976	3,976,409
Checks		
Cash on hand	36,678	36,678
Closing cash and cash equivalents	**2,597,430**	**1,609,645**
Bank and postal deposits	2,521,925	1,555,134
Checks		1,717
Cash on hand	75,505	53,095

Explanatory Notes to the Consolidated Financial Statements at June 30, 2018

1.Introduction

Monnalisa S.p.A., hereafter the “company” or the “parent company”, is a company incorporated and domiciled in Italy according to Italian Law with registered office in Arezzo, Via Madame Curie No. 7. These consolidated financial statements comprising the balance sheet, the income statement, the cash flow statement and the explanatory notes were prepared in accordance with Article 29 of Legislative Decree 127/91, as reported in these Explanatory Notes, prepared in accordance with Article 38 of the same Decree.
In addition to the various annexes as required by law, reconciliation schedules are also included of the net result and equity of the parent company and of the consolidated financial statements.
The financial statements are expressed in Euro to the nearest unit. Any rounding differences are indicated in the account “Euro rounding reserve” under Shareholders’ Equity.
The explanatory notes outline the Balance Sheet and Income Statement accounts on the basis of the order in which they appear in the respective financial statements.
In accordance with Article 29, paragraph 4 of Legislative Decree 127/91, it has not been necessary to apply exceptions to the provisions of the Decree. Additional information is reported in the Explanatory Notes and in the annexes, even where not expressly required by the statutory provisions, as considered useful to provide a complete overview of the company’s situation.
It is noted that:

- no grouping of items in the Balance Sheet or Income Statement was undertaken;
- the financial statement items are comparable between the reporting period and the preceding period.

In accordance with article 2424, there are no items in the assets or liabilities that could fall under more than one account.
On July 10, 2018, the ordinary shares of the company were admitted to trading on the AIM Italia / Alternative Capital Market, multi-lateral trading system organised and managed by Borsa Italia S.p.A. Trading of ordinary company shares began on July 12, 2018.
According to Article 18 of the AIM Italia Issuers’ Regulation, updated to January 3, 2018, the company is required to publish the half-year report within three months of period-end.
Therefore, the Board of Directors of Monnalisa S.p.A. approved on September 28, 2018 its first half-year report for the period ending June 30, 2018, with publication in the Investor Relations section of Monnalisa S.p.A.’s website and on the Borsa Italiana required channels.

The H1 2017 figures were therefore drawn up and presented in this half-year report only for comparative purposes, as required by applicable accounting standards.
The consolidated financial statements at June 30, 2018, of which these notes form an integral part, have been drawn up in accordance with OIC 30.

2.Consolidation scope and methods

The consolidated financial statements are based on the financial statements of Monnalisa SpA (parent company) and the companies in which the parent company directly or indirectly holds a controlling interest. The financial statements of companies included in the consolidated financial statements are incorporated on a line-by-line basis. The list of these companies follows:

Company	Registered Office	Share capital		Shareholders	% Owned	% Consolidated
		currency	foreign currency value			
Monnalisa Brazil Ltda	Sao Paolo (Brazil)	Real	1,680, 390	Monnalisa SPA; Jafin SPA	99%	100%
Monnalisa China LLC	Shanghai (China)	Yuan	23,460,799	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%

No companies were consolidated proportionally.
Companies in which less than the 20% threshold is held and which constitute fixed assets are valued at cost or subscription value.
For the consolidation, the financial statements at June 30, 2018 of the individual companies were used, reclassified and adjusted in line with the accounting standards and policies adopted by the Group.
In accordance with Article 30, paragraph 1 of Legislative Decree No. 127 of April 9, 1991, the reporting date of these consolidated financial statements is June 30, 2018.

The subsidiaries are presented below:

- **Monnalisa Hong Kong**: incorporated on 25.08.2015, with registered office in Hong Kong and wholly-owned by Monnalisa Spa, engaged in local retail market development;
- **Monnalisa Rus LLC**: incorporated on January 14, 2016, held 99% by Monnalisa S.p.A. and 1% by Jafin Spa, to improve the efficiency of local wholesale market management and for retail market operations through the direct opening of monobrand stores;
- **Monnalisa China Ltd**: incorporated on February 17, 2016, with registered office in Shanghai and wholly-owned by Monnalisa S.p.A. The company was established to control the quality of products procured in China and to develop the local retail market through the opening of monobrand stores in the best-known malls in Shanghai, Beijing and other major cities.
- **ML Retail Usa, Inc**.: incorporated on September 22, 2016, wholly-owned by Monnalisa S.p.A., managing retail operations in Miami and at the nine sales points in New York and Los Angeles, acquired in 2018. It was decided to provide the subsidiary with an additional interest-bearing loan in the first half of 2018 totalling Euro 240 thousand;
- **Monnalisa Korea Ltd**: incorporated in December 2016, wholly-owned by Monnalisa S.p.A. This company was established to operate on the Korean retail market and improve operating efficiency.
- **Monnalisa Brazil Participasoes, LTDA**: incorporated on December 22, 2016 to manage retail market operations at the Sao Paolo sales point in Brazil. Following the share capital increase, the investment increased from 50% to 99% in 2017 and was therefore reclassified as a subsidiary rather than an associate.

In terms of the consolidation criteria, as the parent company directly promoted and participated in the incorporation of the individual consolidated companies, with the subscription of the nominal share capital, on elimination of the value of investments, no consolidation difference arose.
The minority interests' share in equity is shown separately in the balance sheet. Their portion of the result for the period is likewise shown separately in the income statement.
Transactions and balances between consolidated companies were fully eliminated.

Gains and losses from transactions between consolidated companies not arising through transactions with third parties are eliminated.
The interim financial statements of the companies included in the consolidation scope prepared for approval by the competent company bodies were utilised. These financial statements, where necessary, were appropriately adjusted to align with Italian GAAP.
The conversion of overseas subsidiary and associate company financial statements was undertaken at the reporting date exchange rate for assets and liabilities and at the average exchange rate for the income statement items. The net effect of the translation of the investee financial statements to the functional currency is recorded in the *"Translation reserve"*.

For the conversion of the financial statements in foreign currencies, the exchange rates reported on the official Bank of Italy website were utilised, as indicated in the following table. The H1 2018 average is calculated as the average of the individual month average exchange rates:

Currency	Exchange rate	
	at 30/06/2018	**H1 2018**
US Dollar	1.16580	1.210800
Chinese Yuan	7.71700	7.710000
Hong Kong Dollar	9.1468	9.4902
South Korean Won	1,296.72	1,302.94
Russian Ruble	73.15820	71.9802
Brazilian Real	4.4876	4.1414

The accounting policies applied to the consolidated financial statements at June 30, 2018 are in line with those utilised to prepare the consolidated financial statements at December 31, 2017.

3. Guarantees, commitments and contingent liabilities

There are no off-balance sheet commitments.

4. Exceptions

No exceptions to the above-stated accounting policies were applied.

5. Explanatory Notes to the income statement

Revenues by segment

H1 2018 revenues amount to Euro 24,938,575, compared to Euro 23,471,461 for H1 2017, up Euro 1,467 thousand. They are broken down in the following table:

Category	H1 2018	H1 2017	Changes
Sales of goods	14,373	13,938	435
Sales of products	24,924,202	23,457,523	1,466,679
Total	**24,938,575**	**23,471,461**	**1,467,114**

As outlined in greater detail in the Directors' Report, to which reference should be made, further revenue growth is reported for the period (+6.3%).

Revenues by region

A breakdown follows:

Region	Sales	Services	Total
Italy	8,335,837		
EU	6,571,028		
ROW	10,031,710		
Total	**24,938,575**		**24,938,575**

Other revenues

Other revenues, presented in account A 5), amounting to Euro 1,008,297 for H1 2018, comprised for Euro 534,429 the operating grant for the Research and Development Tax Credit introduced by Article 3 of Legislative Decree No. 145 of 23.12.2013, as replaced by Article I, paragraph 35, Law No. 190/2014 of the 2015 Stability Law. The tax break relates to the new product research and development costs.

Additional revenues in the account principally concern revenues from the sale of sales point furniture, in addition to rental income.

One-off revenues

No one-off revenues were reported for H1 2018.

Costs of production

H1 2018 costs of production amount to Euro 24,468,107 (Euro 23,732,400 for H1 2017). They are broken down in the following table:

Description	H1 2018	H1 2017	Changes
Raw materials, consumables and goods	7,203,179	8,263,239	(1,060,060)
Services	8,127,479	8,564,668	(437,189)
Use of third-party assets	2,581,231	1,813,643	767,588
Wages and salaries	3,766,521	3,049,072	717,449
Social security charges	852,215	769,012	83,203
Termination indemnities	135,809	96,020	39,789
Pensions and similar obligations	62,895	72,589	(9,694)
Other personnel costs	138,803	31,975	106,828
Amortisation	764,811	693,061	71,750
Depreciation	465,187	420,663	44,524
Write-downs of current receivables	47,902	175,200	(127,298)
Change in inventories of raw materials	(41,617)	(411,666)	370,049
Other operating costs	363,691	194,924	168,767
Total	**24,468,107**	**23,732,400**	**3,572,719**

Raw materials, consumables and goods and Service costs

These are strictly correlated to the comments in the Directors' Report and the description of point A (Value of production) of the Income Statement and are recognised according to the revenue matching principle.

"Service costs" include mainly:
- Façon (sewing, ironing, embroidery, printing & other services);
- Agents and Representatives;
- plant and machinery maintenance;
- national and local advertising;
- national and local fashion shows and events;
- misc. utilities;
- technical, administrative and commercial consultancy.

Personnel costs
The account includes all costs for personnel including increases, promotions, vacation days not taken and provisions in accordance with law and collective contractual agreements.

Use of third-party assets
The account includes costs incurred for cartoon character royalties, property lease charges and condominium expenses.

Amortisation and depreciation/write-downs
Depreciation was calculated according to the useful life of the assets and their utilisation in production, while (at account B10d) write-downs of current receivables adjusting their value to reflect the risk of non-recovery are indicated.

Other operating costs
This account includes all operating costs not recognised to the other accounts of section b) of the income statement and accessory management costs which are not of an extraordinary nature, in addition to all tax charges, other than direct income taxes, as follows:
- Taxes and levies (IMU-TARSU-CCIAA);
- Miscellaneous administrative expenses;
- Newspaper & magazine subscriptions;
- Doubtful debts not covered by specific provisions;
- Charitable donations.

Charitable donations to non-profits for H1 2018 totalled Euro 10,748.

Interest and other financial charges
Interest and other financial charges for H1 2018 were Euro 243,578 (Euro 207,539 in the first six months of the previous year).
A breakdown follows:

Description	H1 2018	H1 2017	Changes
Interest on ordinary bank debts	50,129	39,552	10,577
Other financial charges	193,449	167,988	25,461
Total	**243,578**	**207,539**	**36,039**

One-off costs
No extraordinary events are reported for the first six months of 2018.

Income taxes for the period
The account comprises:

Income taxes	H1 2018	H1 2017	Changes
Current taxes	543,012	777,984	(248,449)
Deferred tax charges/(income)	(297,795)	(208,843)	(88,952)
	245,217	**569,241**	**(324,024)**

Deferred tax charges/(income)
The temporary differences that resulted in the recording of deferred tax income and charges are shown in the table below together with the relative effect.
The deferred taxes reflect the net fiscal effect of the timing differences between the accounting and fiscal values of assets and liabilities. The recognition to the financial statements of deferred tax assets was adjusted to reflect their effective possibility of use.

The breakdown of the account from the consolidated income statement account is broken down as follows:

Deferred tax income and charges recognised to the income statement	***H1 2018***	**H1 2017**
Amortisation of brands	175	238
Amortisation of goodwill	(12,250)	(6,582)
Consultancy	2,974	1,695
Other	0	13,933
Intercompany margin on inventory	(71,729)	(104,707)
Subsidiary tax losses carried forward	(203,978)	(113,009)
Deferred tax income	**(284,808)**	**(208,432)**
Business unit disposal	(12,987)	(312)
Deferred tax charges	**(12,987)**	**(312)**
Deferred tax charges/(income)	**(297,795)**	**(208,744)**

Deferred tax income and charges and the consequent effects for the parent company Monnalisa S.p.A. are in addition outlined below:

	Period to 30/06/2018 **Amount of temporary IRES differences**	**Period to** 30/06/2018 **Tax effect IRES**	**Period to** 30/06/2018 **Amount of temporary IRAP differences**	**Period to** 30/06/2018 **Tax effect IRAP**	**Period to** 30/06/2017 **Amount of temporary differences**	**Period to** 30/06/2017 **Tax effect IRES**	**Period to** 30/06/2017 **Tax effect IRAP**
Deferred tax							

income:							
Amortisation of brands	(638)	(153)	(564)	(22)	(875)	(210)	(28)
Amortisation of goodwill	43,909	10,538	43,897	1,712	23,292	5,590	992
2015 Consultancy	(10,660)	(2,558)	(10,660)	(416)	(10,660)	(1,279)	(416)
Miscellaneous 2017					(47,775)	(11,466)	(2,467)
Total	**32,611**	**7,827**	**32,673**	**1,274**	**(36,018)**	**(7,365)**	**(1,919)**
Deferred tax charges:							
Business unit disposal	54,110	12,987			1,304	312	
Total	**54,110**	**12,987**			**1,304**	**312**	
Deferred tax charges (income)	**86,721**	**20,814**	**32,673**	**1,274**	**(34,714)**	**(7,053)**	**(1,919)**

Breakdown of assessable temporary differences

Description	Amount at end of previous period	Changes in the period	Amount at end of period	IRES rate	Tax effect IRES	IRAP rate	Tax effect IRAP
Business unit disposal	216,443	(270,553)	(54,110)	24	(12,987)		

6. Explanatory Notes to the balance sheet

6.1.Assets

The following table outlines the movement in account for the period ending June 30, 2018:

Description	31/12/2017	Increases	Decreases	Exch. diffs.	Other movements	Amort.	30/06/2018
Industrial patents & intellectual property rights	185,987	11,221		196		(69,478)	127,925
Concessions, licenses, trademarks	1,134					(562)	572
Goodwill	697,953	1,764,282		21,766		(178,094)	2,305,906
Work in progress & advance payments	-	207,961		3,526			211,487
Other	1,646,670	518,961		4,514		(516,677)	1,653,469

Total	**2,531,744**	**2,502,425**		**30,897**		**(764,811)**	**4,299,359**

The increase in the period mainly concerns leasehold improvements, amortised over the duration of the lease, and the recognition of goodwill respectively arising on acquisition by the US subsidiary ML Retail USA Inc. of the business unit comprising two stores located in Beverly Hills and New York, and on the acquisition by Monnalisa S.p.A. of the business unit comprising the store located in Florence, Via Strozzi.
The directors, on the basis of the period performance and of future positive results from company plans, consider that the intangible assets do not present indicators of impairment.

Total intangible asset revaluations at period-end
In accordance with Article 10, Law No. 72/1983, no monetary revaluations and exceptions to the statutory accounting policies were made on intangible assets recognised to the consolidated financial statements at June 30, 2018.

Capitalisation of financial charges
In the first half of the year, no financial charges were recognised to intangible assets.

Tangible Assets
The following table outlines the movement in account for the period ending June 30, 2018:

Description	30/06/2018	31/12/2017	Changes
Land and buildings	3,271,150	3,309,586	(38,437)
Plants & equipment	2,186,691	750,665	1,436,295
Industrial & commercial equipment	243,034	240,034	3,000
Other assets	2,451,742	2,248,172	203,570
Work in progress & advance payments	8,166,952	8,803,434	(636,482)
Total	**16,319,839**	**15,351,892**	**967,947**

Land & buildings
The following tables outlines the movements in the account for the period:

Balance at 31/12/2017	**3,309,586**
Acquisitions	20,000
Depreciation	(58,437)
Balance at 30/06/2018	**3,271,150**

The account at June 30, 2018 includes land for Euro 395,541.

Plants & equipment
Plants and equipment report the following movements in the period:

Balance at 31/12/2017	**750,665**
Acquisitions	12,390
Depreciation	(136,755)
Reclassifications	1,560,660
Balance at 30/06/2018	**2,186,961**

The increases in the first six months of the year, totalling Euro 1,573,050, mainly concern investments for the installation of the new electro-mechanised warehouse of Monnalisa S.p.A., opened on May 1, 2018.

Industrial & commercial equipment

Balance at 31/12/2017	**240,034**
Acquisitions	52,44
Disposals	(38,234)
Exch. diffs.	(685)
Other changes	20,638
Depreciation	(31,165)
Balance at 30/06/2018	**243,034**

Other assets

Balance at 31/12/2017	**2,248,172**
Acquisitions	431,714
Disposals	(2,249)
Exch. diffs.	(2,801)
Other changes	15,737
Depreciation	(238,831)
Balance at 30/06/2018	**2,451,742**

Work in progress & advance payments

Balance at 31/12/2017	**8,803,434**
Acquisitions	924,178
Reclassifications	(1,560,660)
Balance at 30/06/2018	**8,166,952**

The increases in the period mainly concern works for the construction (not yet completed at June 30, 2018) of the new Monnalisa S.p.A. building located in Arezzo.
The account includes, in addition, for Euro 116 thousand costs incurred for the A.I.M. listing, concluding on July 12, 2018.
For reclassifications in the period, reference should be made to the “Plants and equipment” account.

Write-downs and revaluations in the first half of 2018
No write-downs or revaluations were made in the period. Management considers that at June 30, 2018 no indicators of impairment from internal or external sources exist.

Total revaluations of tangible assets at period end
The company in 2008 applied the option under Legislative Decree 185 to revalue the industrial use building located in the Municipality of Arezzo, at Via Madame Curie 7. The revaluation was made by taking the

"market value" as a reference criterion - identified on a prudent basis - as per a report upon the estimate of the current value of assets at 31/12/08 drawn up by an independent expert.
From an accounting viewpoint, the revaluation was undertaken according to the historic cost increase accounting technique.
The estimate of the residual useful life of the assets subject to revaluation was consequently reviewed.
From 2009 therefore, the depreciation was provisioned on the basis of the new useful life and of the new value of the assets.
From a tax viewpoint, the revaluation was made utilising the option to apply for tax purposes, in addition, the higher revalued amount, through settlement of the IRES and IRAP substitution tax.
In accordance with Article 10 Law No. 72/1983, the following tangible assets upon which monetary revaluations were made were recognised to the company's financial statements at 30/06/2018.

Description	Legal revaluations	Economic revaluations	Total revaluations
Land and buildings	3,050,975		3,050,975

The revaluation amount of Euro 3,050,975, net of registration tax, generated an impact on shareholders' equity of Euro 2,959,446, now reduced due to the increased accumulated depreciation on this amount.

Capitalisation of financial charges
During the period, no financial charges on tangible assets were recognised.

Financial assets

Investments in other companies
Investments in other companies amount to Euro 8,624, with no changes reported on 31.12.2017. The account is broken down as follows:

Description	Book 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

Financial assets were not recognised at amounts above fair value.

Receivables

Description	31/12/2017	Increases	Decreases	30/06/2018	Fair value
Others	257,500			257,500	257,500
Total	257,500			257,500	**257,500**

The account comprises:
- Jafin S.p.A. interest/bearing loan: Euro 200,000;
- Severance indemnity policy: Euro 57,500.

No long-term receivables of an amount greater than their fair value are recognised to the financial statements.

Other securities
These comprise the residual of the bond loan issued by Jafin S.p.A. of Euro 1,200,000.
No changes are reported in the period.

No long-term receivables of an amount greater than their fair value are recognised to the financial statements.

Inventory
At June 30, 2018, inventory amounted to Euro 16,540,937. They are broken down as follows:

Description	30/06/2018	31/12/2017	Changes
Raw materials, ancillaries and consumables	2,064,749	2,023,132	41,617
Work-in-progress and semi-finished products	1,718,964	1,618,539	100,425
Finished products and goods	12,677,674	13,064,076	(386,402)
Advances	79,550	68,515	11,035
Total	**16,540,937**	**16,774,262**	**(233,325)**

Write-downs of inventory was not necessary in view of the fact that finished products from the non-current season are listed at prices in excess of the production cost, both at directly owned and third-party stores.

No financial charges were recognised to inventory in the first half of the year.

Receivables
The consolidated receivables, after the elimination of inter-company amounts, are shown below by maturity as follows:

Description	Within one year	Beyond one year	Beyond 5 years	Total
Customers	11,884,748			11,884,748
Tax receivables	3,896,391			3,896,391
Deferred tax assets	1,333,140			1,333,140
Others	1,387,558	153,030		1,540,589
	18,501,837	**153,030**		**18,654,867**

Trade receivables are adjusted through a doubtful debt provision and whose movements were as follows:

Description	Total
Balance at 31/12/2017	**704,506**

Utilisation in the period	(38,688)
Provision in the period	47,000
Balance at 30/06/2018	**712,818**

The directors consider the doubtful debt provision sufficient to cover expected future unrecoverable debts.

Deferred tax assets mainly stem from the tax effect from the elimination of inter-company margins on inventory, the recognition of deferred tax assets on tax losses of the subsidiaries and deferred taxes recognised by the parent company, mainly concerning statutory and tax accounting differences.
For the movements in the period, reference should be made to the "*Deferred tax assets/liabilities*" paragraph.
During the period, a reclassification was made between the "Tax receivables" and "Deferred tax assets" accounts for approx. Euro 400 thousand in order to better reflect the nature of the respective accounts.

Cash and cash equivalents
The balance concerns cash and cash equivalents and cash on hand and stamps at June 30, 2018.

Description	31/12/2017	30/06/2018	Changes
Bank and postal deposits	2,746,976	2,521,925	(225,051)
Cash on hand and similar	64,947	75,505	10,558
Total	**2,811,923**	**2,597,430**	**(214,493)**

Accrued income and prepaid expenses
The account relates to costs and revenues recorded in accordance with the accruals principle. A breakdown follows:

Description	30/06/2018	31/12/2017
Maintenance fees	70,820	74,780
Rental	243,945	24,296
Other	86,492	21,561
Hire	4,730	12,917
Consultancy	103,615	0
Insurance	45,576	0
Total	**555,178**	**133,554**

6.2 Liabilities

Reconciliation between net result and net equity as reported in the parent company and consolidated financial statements

A reconciliation follows of consolidated net equity and the net result for the period ended 30/06/2018 with the amounts reported in the parent company financial statements:

	Net Equity	Net Result
Net equity and net result as per the parent company financial statements	33,166,168	2,100,904
Adjustments in compliance with accounting standards		
Elimination of book values of consolidated holdings:		
a) difference between book value and pro-quota net equity		
b) pro-quota results of investees	(2,494,424)	(1,344,517)
c) gains/losses attributed at the acquisition date of the investees		
d) translation difference	(627,007)	
Elimination of the effects of transactions between consolidated companies	(257,503)	(114,145)
Group net equity and result for the period	29,787,233	642,242
Minority net equity and result for the period	6,270	(2,704)
Consolidated net equity and net result	**29,793,503**	**639,538**

Statement of changes in consolidated net equity

	Share capital	Reserves	Consolidation reserve	Translation differences	Profit/loss Carried forward	Negative reserve for treasury shares in portfolio	Profit/loss for the period	Total Group
Opening balance at 01/01/2018	**2,064,000**	**3,931,023**		**(554,920)**	**21,504,228**		**2,248,215**	**29,192,545**
Changes in the period					2,248,215		(2,248,215)	
Profit/(loss) for the period							642,242	642,242
Translation differences from conversion of financial statements expressed in foreign currencies				(72,087)				(72,087)
Other movements		24,533						24,533
Closing balance at 30/06/2018	**2,064,000**	**3,955,556**		**(627,007)**	**23,752,443**		**642,242**	**29,787,233**

For the placement of shares subsequent to admission to the AIM Italia market, reference should be made to the Directors' Report.

Provisions for risks and charges

They are broken down in the following table:

Description	30/06/2018	31/12/2017
Pensions and similar obligations	50,165	59,621
Taxation, including deferred taxes	45,035	58,658
Derivative financial instruments – Liabilities	0	38,292
Others	256,855	372,855
Total	**352,054**	**529,426**

This item comprises that provisioned at 30.06.2018:

- to the Agents indemnity provision of Euro 50,165;
- to the Environmental restoration/reclamation provision for Euro 176,855, set up in 2014 and considered appropriate as per OIC 16;
- to the Product return charges provision for Euro 80,000, set up in accordance with the joint application of the prudence and matching principles, given that the goods are returned by the preparation date of the half-year report and result in a contraction in period revenues.

Tax provisions also include Deferred tax liabilities of Euro 45,035 concerning temporary assessable differences. For the movements in the account, reference should be made to the "*Deferred tax assets/liabilities*" paragraph above.

Employee termination indemnities

A breakdown follows:

Description	30/06/2018	31/12/2017	Changes
Employee termination indemnities, movements	1,530,523	1,426,921	103,602

Payables

Consolidated payables, after elimination of intercompany balances, are measured at their nominal value and the breakdown is as follows:

Description	Within one year	Beyond one year	Beyond 5 years	Total
Payables due to banks	13,165,105	3,549,754		16,714,859
Advances	1,186,900			1,186,900
Trade payables	7,848,412			7,848,412
Tax payables	1,092,587			1,092,587
Payables to social security Agencies	345,828			345,828
Other payables	1,260,488	187,475		1,447,963
Total	**24,899,319**	**3,737,229**		**28,636,548**

The account includes:

- "Payables due to banks": including loan payments and reflecting the effective debt in terms of principal, interest and other accessory charges matured and due at 30.06.2018;
- "Advances": including payments received for the provision of goods not yet supplied;
- "Trade payables": recorded net of commercial discounts; "cash" discounts are recorded on payment;
- "Tax payables": amount to Euro 1,092,587 and includes only definite tax liabilities, net of the relative advances, as the liabilities for probable income taxes or where the amount or the date of payment is uncertain, in relation to deferred tax liabilities, are recorded in account B.2 under liabilities (Deferred tax liabilities);
- "Other payables" mainly concern payables to agents for commissions matured and to be settled for Euro 372,061 and employee payables including accruals and additional months for Euro 850,106, duly settled in the second half of 2018.

At period-end, there are no payables supported by secured guarantees on company assets (Article 2427, first paragraph, No. 6 of the Civil Code).

No transactions giving rise to the obligation to return goods were undertaken, nor do payables to shareholders for loans to be settled according to set maturities and subordination clauses exist.
There are no payables subject to unsecured guarantees on assets in the consolidation.

Accrued liabilities and deferred income
At June 30, 2018, the account amounted to Euro 123,566.
There are no accrued liabilities and deferred income at 30/06/2018 with a duration of more than five years.

7. Other information

Information relating to the fair value of derivative financial instruments
Derivative financial instruments are only used for the hedging of financial risks related to exchange rate fluctuations on commercial transactions in foreign currency.

The fair value and information on the entity and nature of each category of derivative financial instruments issued by the company are detailed below. These are sub-divided by class taking into account the characteristics of the instruments and their purpose.

The hedging operations at June 30, 2018 with financial counterparties comprise:

1. Flexible forwards purchases in USD

Contract ID	271017-0191
Date of the operation	31/10/2017
Counterparty	Unicredit S.p.A.
Maturity Date	31/10/2021
Notional Amount	Euro 2,000,000

Premium	Euro 15,000
Bank Parameter Rate	Euribor 3 months
Client Parameter Rate	Euribor 3 months
Rate Cap	0%

At 30/06/18, the mark to market of the transaction was:

•+ 2,461.85 on Interest Rate Cap

Information on financial assets recognised for an amount in excess of fair value
Financial assets were not recognised at amounts above fair value.

Information on loans for specific business purposes
In accordance with Article 2427, No. 21), no loans for specific business purposes exist.

Related party transactions
Reference should be made to the Directors' Report in this regard.

Off-balance sheet agreements
There are no off-balance sheet agreements.

Independent auditor fees
In accordance with law, the fees paid for services provided by the auditor / independent audit firm or entities belonging to its network to the Group are presented below:

- for the limited audit of the interim consolidated financial statements at June 30, 2018 of the parent company, Euro 15,000 and at other Group companies (Russian subsidiary) Euro 6,000.

Directors and statutory auditors' fees

As required by law, information is given below on the overall remuneration paid to parent company Directors and Statutory Auditors, including that for the performance of functions in other companies included in the consolidation.

Category	**Fees**
Directors	223,921
Board of Statutory Auditors	17,500
Total	**241,421**

Subsequent events
Reference should be made to the introduction to the Half-Year Directors' Report.

Chairman of the Board of Directors
Piero Iacomoni