MONNALISA®

Annual Report 2017


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Our thanks go to:

The Administrative, Finance and Control, and Human Resources Departments, namely to Marta Bartolucci, Francesca Degradi, Anna Dominici, Silvia Fagioli, Gabriele Graverini, Ileana Lombardi, Letizia Lumia, Daniela Mastrullo, Katia Mafucci, Pamela Martini, Chiara Menicatti, Alfredo Milighetti, Daniele Pasqui, Cinzia Sacchetti, Celeste Sandroni, Sara Tommasiello.

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We also wish to thank Stefano Baldi, for his creative contribution and support in image and last but not least, our appreciation goes to Mafalda Maffettone and Guido Cappelli for their work in the environmental aspect.

Annual Report Oscar
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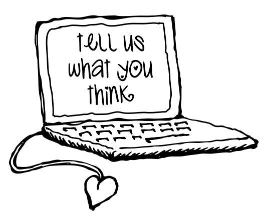

MONNALISA®

Annual Report 2017

Piero Iacomoni *Chairman of the Board of Directors*

Monnalisa celebrates 50 years. An incredible accomplishment in one's life, yet even more so for a business in which many lives, stories, expectations and hopes intertwine, at times briefly other times for longer periods.
Monnalisa is deeply embedded in my life and I have a hard time separating my personal life from that of the business I have built with effort, perseverance and passion. What is more, the lives of the dearest people in my life: my wife, our children and our grandchildren have all flowed into the company.
We are all in pursuit of giving meaning to our existence. I am convinced I have found this meaning here, in my being an entrepreneur, in my "seeing" fulfilled a dream before having revealed it, in having tenaciously built it with many other people, each one gifted with a special talent, who decided to believe in the same project. This network of relationships and reciprocal trust is at the bottom of it all. On my own, all this would not have been possible; all together, it has a completely different flavor.
I truly hope that this company will carry on giving meaning to those searching for it, in the dignity of their work.

Christian Simoni *CEO*

The excellent results reached in 2017, showing an increase in both turnover and profitability, derive from the commitment and effort of a great team working in ten of the over sixty countries in which we operate. Although operating from different parts of the world, the team is united by a solid base of common values, which will clearly appear to the readers of this annual report. After thanking my colleagues, I wish to thank the shareholders who have allowed us to share new challenges, ambitious targets and the necessary battles to reach these goals, displaying courage, passion and above all trust and great open-mindedness. Thank you.

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5 EXCEL AT INNOVATION

6 ENCOURAGING VALORISATION

7 TRANSPARENT AND SUCCESSFUL COMMUNICATION AND INVOLVEMENT

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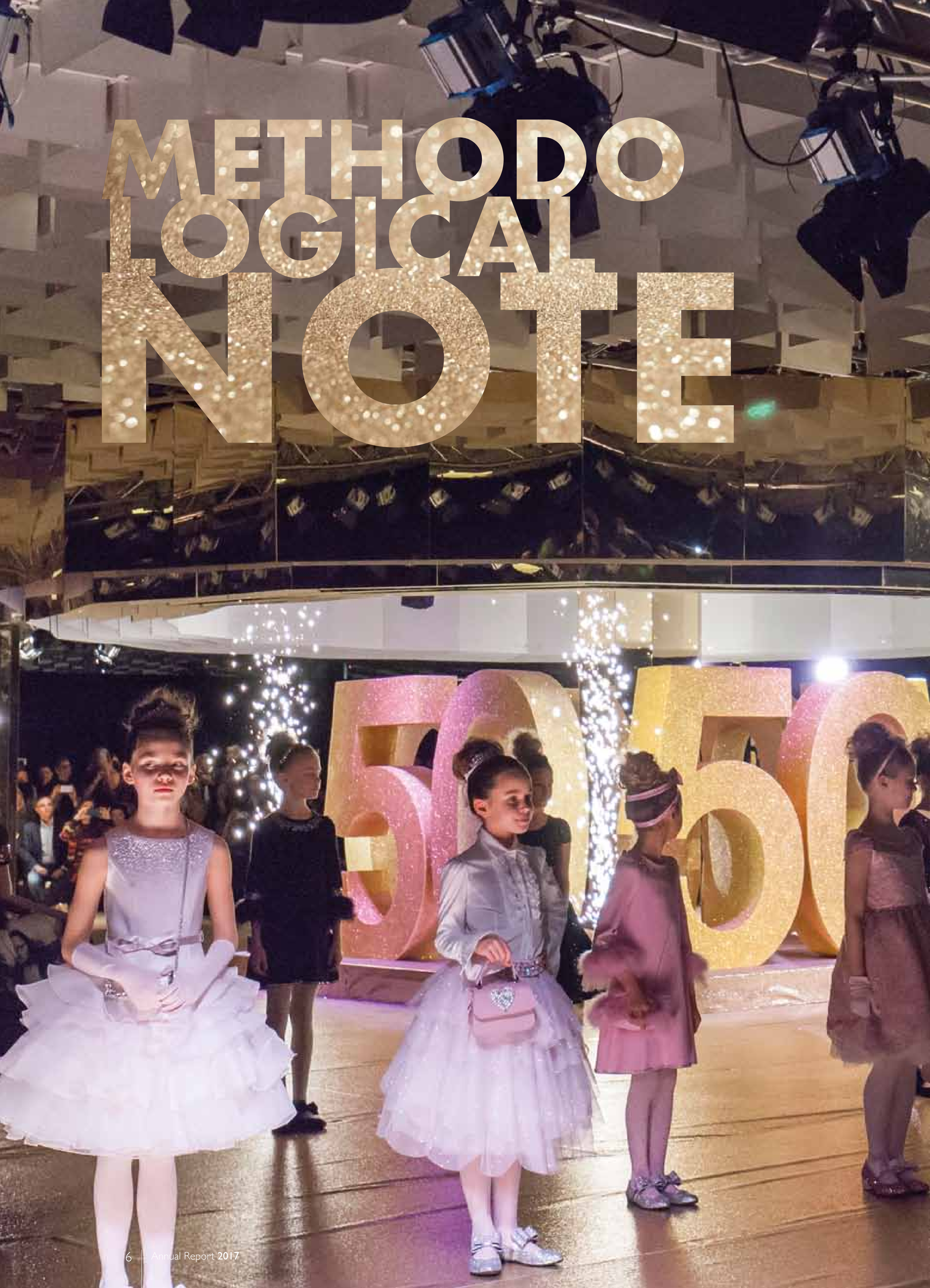
METHODOLOGICAL NOTE



In drawing up the Annual Report, Monnalisa periodically communicates to its stakeholders - both internal and external to the company - the added value generated and the resources used to generate it.
In particular, Monnalisa "reports on" the choices made, activities carried out and results obtained in financial terms as well as regarding the impact on the social and environmental fabric.

This Report includes the financial statements laid out using the EEC format and the triple bottom line reporting system characterizing the sustainability financial statements. It is therefore an integrated Report; however, integration does not only mean issuing the two documents at the same time, it also means connecting them.
This highlights the connection between strategic objectives and the value created over time, keeping in mind the external factors that may influence the company such as risks, and the relationship with all the stakeholders.
As in the previous editions, this Annual Report is divided into chapters. Each chapter deals with a topic, an issue identified as significant by the stakeholders, analysed and reported according to the financial, social and environmental performance.
The report is consistent with the Guide Lines to the GRI Standards.
Compared to the thoroughness and depth of the reporting (for which the standard sets two different options identified as core and comprehensive), Monnalisa has continued in the constant improvement process by choosing the comprehensive mode since 2015. The reporting contents and method of this Report take into consideration the aspects emerged in the course of the audit of the Annual Report, carried out by SGS, an independent company.

MATERIALITY ANALYSIS

The analysis carried out was based on the materiality principle. Material aspects are those that "reflect the organization's significant economic, environmental and social impacts; or substantively influence the assessments and decisions of stakeholders." (Guide Lines to the GRI Standards).
The materiality analysis has initiated a dynamic and iterative process that will be continued in the years to come. The results of the analysis will guide the company in the implementation of new initiatives and report on the existing ones by highlighting areas to focus on. On the other hand, listening to stakeholders and the evolution of the context will lead to periodically revise the analysis on the issues, demanding ongoing updates on the importance of each theme.
The Materiality analysis was first implemented with the 2015 Annual Report. The first step involved mapping and defining the most significant issues for both the company and the industry. This stage entailed analysing internal and external documents and involved the company management.
The identified issues were then organized into an **Issue tree** and after that they were assessed and prioritised using qualitative and quantitative scales in terms of "**Materiality for the company**" and "**Materiality for the Stakeholders**".

The two dimensions respond to the need to find for each issue:

- The degree of commitment the company has taken on or has the intention of taking in relation to each issue, based on the potential risks and opportunities perceived by the company and linked to its objectives in the short, medium and long term. The priority sequence was set after applying a qualitative and quantitative scale assigning higher scores in relation to Monnalisa's higher level of commitment on the issue. The results collected were then integrated with the interview results on the perception of the Company Department Managers on the risks and opportunities related to the company's objectives;
- The importance perceived by the stakeholders regarding each issue. The priority sequence was also assigned after applying a qualitative and quantitative scale that shows increasing values as the importance given to an issue by the stakeholders increases.

The model created allows the joint consideration of three variables:
-The importance of the issue for each stakeholder category
-The priority of each stakeholder category
-The number of stakeholder categories interested in the issue.

Analysing the two dimensions allowed us to calculate a Materiality Matrix that enables us to compare, for each identified issue, the perceived significance by the Company and that perceived by the stakeholders. The priority areas - or material issues - identified through the joint consideration of internal and external significance to the Company, are the following:

- Risk management
- Consolidating CSR in Company processes
- Growth management
- Product distinctiveness
- Safety and guarantee in product quality
- Employee health and safety
- Supply chain management.

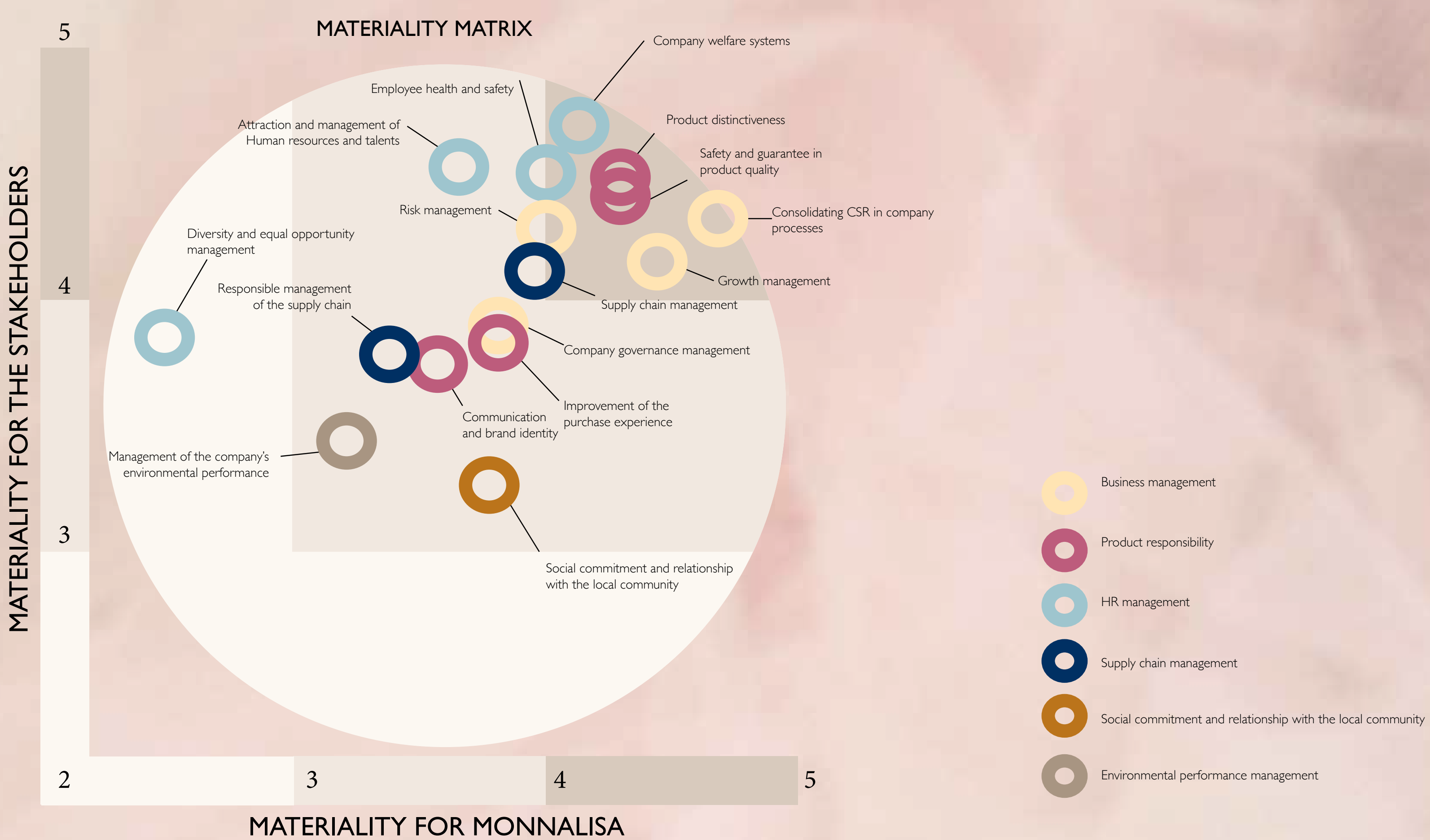
These themes and aspects are not tangible results yet are part of the Company's cultural heritage (an example is the environmental performance of the Company); therefore, Monnalisa will keep on strengthening its sustainability strategy and its reporting processes.
In line with the Guide Lines of the GRI standards, we also carried out an analysis to identify for each issue on the issue tree, the main impact factors on stakeholders and management practices.
To complete the map we analysed the type of impact linked to each issue (internal, external or both) and described the impact and impacted stakeholders.

In the consolidated financial statements, all the group realities have been taken into consideration, while the non-financial data reported refer to the Parent company: Monnalisa SPA, and briefly focuses on subsidiary companies in chapter 8.

The definition of contents and collection of data are the result of a complex process, coordinated by administration, finance and control and involving the entire organisation.

Many of the collaborators have been directly involved in drawing up this Report. A first result is the increased awareness of a significant number of people on the performances carried out in the year object of the Report.
As a matter of fact, the employees responsible for the different company competency areas gave their contribution by collecting and commenting on the data needed to write the Report. Furthermore, specific individuals involved in particular and innovative projects, either as collaborators or "person in charge", were asked to explain the characteristics of their commitment and their contribution in pursuing the company objectives.
The contributions obtained through both methods were included in the statement. From the point of view of stakeholder engagement, we have also given all stakeholders a space for comments so as to soften any risk of self-referentiality in reporting and to set areas for improvement to commit on.
In particular, this year we carried out a Customer Experience project, involving several company functions; the results have been reported in chapter 7 of this Report.

The integrated report is a shared report by nature, both when it is drawn up as well as when it is published. Our Report is published in paper and available on our website monnalisa.eu both in Italian and English. Each chapter or the entire report can be downloaded. Consequently, it is important to receive feedback on this document concerning efficacy, as well as advice on how to improve it. For this reason, all stakeholders have been invited to use the specific communication channels by filling out the questionnaire on the Annual Report (http://portal.monnalisa.eu/SondaggioAR) or writing to etica@monnalisa.eu.



MANAGEMENT APPROACH

Risk Management

Like any company, Monnalisa's activities and strategies are naturally exposed to a number of risks that need to be promptly managed and dealt with, before they influence both the economic and financial results with an evident direct impact on stakeholders as well. Monnalisa has worked out a risk analysis based on a per-stakeholder approach; assessing the bidirectional relationship in relation to the Company of each of the eight main stakeholders; therefore determining the underlying risks, classified according to type and probability of occurrence (the detail is in the Report on Operations). We have completed the implementation process of the organisational model as set by Leg. Decree 231/01 started last year. We have drawn up an action plan to continue the ongoing efficacy improvement process.
Monnalisa applies the Precautionary Principle to reduce or avoid negative impacts on the environment. (Chapters 2 and 3)

Consolidating CSR in Company Pprocesses

Monnalisa adheres to the main sustainability standards and integrated business management (ISO 26000, SA8000, ISO 9001, ISO 14001). This commitment entails ongoing work for the improvement and management of activities and processes, regularly assessed by external independent bodies. Publishing the integrated Annual report shows the intention of including the stakeholders in this virtuous process, some of whom are recipients and others creators of the CSR, quality and environmental policies. In order to improve the efficacy of reporting and stakeholder engagement, we intentionally used the materiality analysis as the "management tool" of CSR, which will be refined over the years to come.
(Chapters 2, 4, 6 and 8)

Growth Management

A few years ago, Monnalisa added a three-year development plan to the economic and financial planning instruments used; it is revised every year and contains a description as well as the figures of the strategies, actions and expected economic and financial impact that the Company wishes to carry out in order to consolidate what it has achieved and implement new growth opportunities. Among which:

- opening branches , representative offices and subsidiaries in various parts of the world aimed at opening direct sales points, with clear direct and indirect effects on employment;
- adhering to the Elite project, ended with the obtained 2016 certification, through which new tools for auditing and controlling economic and financial variables were obtained, benefiting the Company as well as improving communication with the financial community.(Chapters 2 and 3)

Product Distinctiveness

Creativity, that is the ability to make a product distinctive, is the most important competitive tool that should be preserved and enhanced as one of the key elements of the company's intangible assets. The management of this important area is in the hands of Barbara Bertocci and Diletta Iacomoni, respectively wife and daughter of the founder of the company, confirming that the Company wishes to maintain continuity in terms of product identity and distinctiveness. (Chapter 5)

Safety and Guarantee in Product Quality

Every Monnalisa garment is designed and valued also having health and safety in mind; these aspects are even more important considering that the end users of the presented items are children. All the materials used and the finished products purchased are tested for dangerous substances; similarly, during the design and industrialisation of the product we follow the laws concerning physical safety of children wear. The requirements and level of restrictiveness may vary from country to country, just as the list of substances considered dangerous for the health of the consumer. Therefore, much attention must be given to changes in the laws, trying to be compliant with the strictest ones. The control of this issue can be achieved by raising awareness and by controlling the supply chain which produces a specific Monnalisa product. For this reason, all health and safety aspects of a product have been formally included in the relationship with suppliers through the code of conduct, which is an integral part of the supply contract. Consequently, the supplier who signs the contract also commits to fulfil the obligations set by the Company principles.
Demonstrating the serious commitment and care put into the relationships with the supply chain, we can declare that to this day there has been only one case of criticality on products, which have been recalled. (Chapter 4)

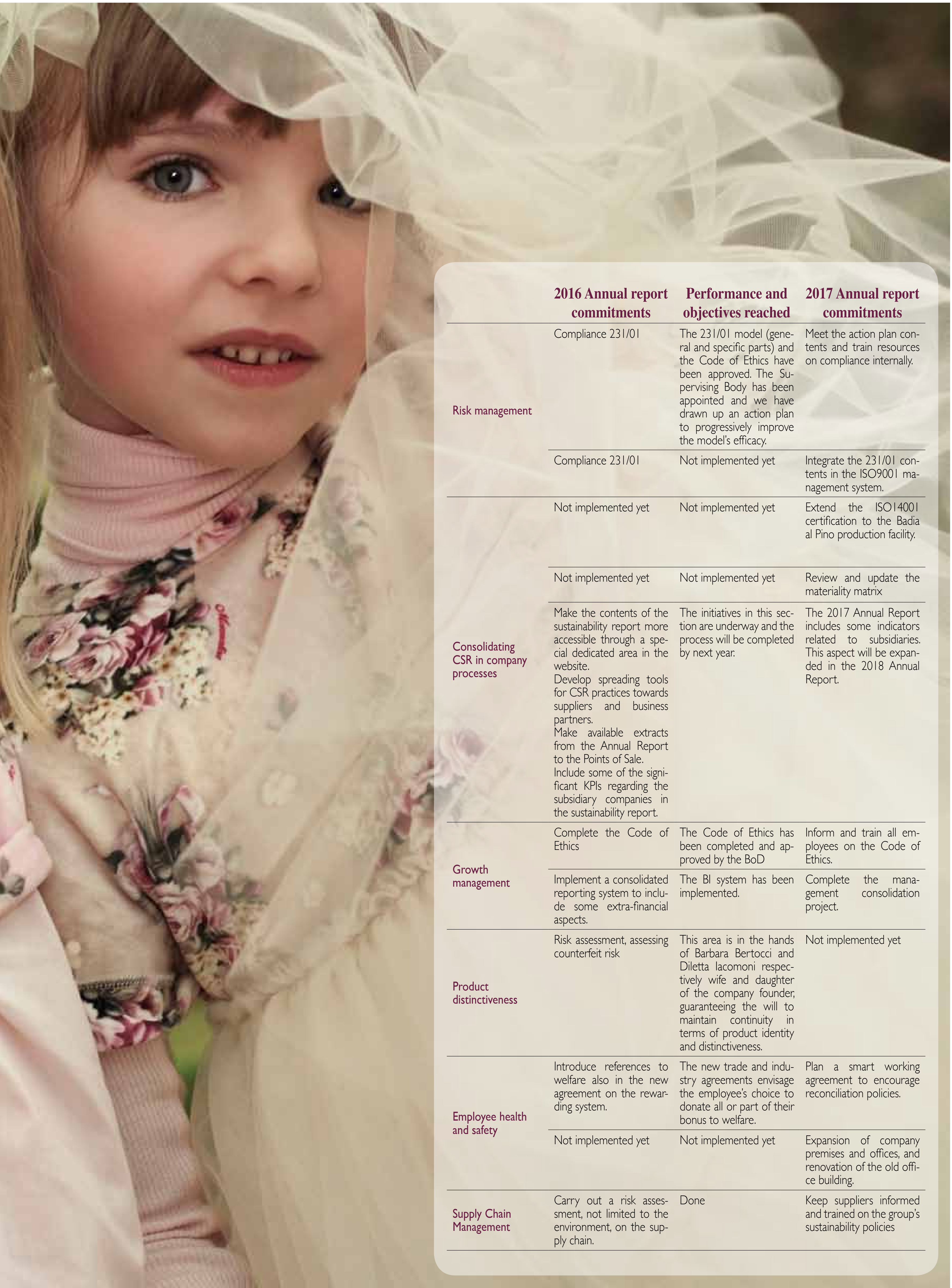
Employee Health and Safety

Workplace health and safety is the essential right of every worker. No dangerous activities are carried out at Monnalisa; therefore, the control of this aspect goes beyond the law and covers softer yet not less important aspects such as workplace "climate" or policies on work-life balance. (Chapter 4)

Supply Chain Management

Monnalisa does not produce internally, therefore, controlling its supply chain is essential from all points of view: quality, employment practices, human rights, environment and safety of supplied product. Selecting and assessing suppliers is crucial to the Company. Even more so, if we consider that raw material and finished products or services are purchased worldwide and they can vary over time for a variety of reasons including macroeconomic ones. Overall, Monnalisa works with its main suppliers by adopting a long-term partnership approach, based on sharing goals and resources to find effective and quality professional solutions in order to achieve mutually satisfying results. Supplier selection and assessment procedures are based on product aspect and ethical criteria as well as being functional to the creation of a long-term collaboration also founded on shared values. This positive process is witnessed by the strong and enduring relationships created with the main suppliers. The Company tends to encourage those suppliers who co-operate the most with its research, development and testing divisions (Chapters 4, 6 and 8)

The GRI Content Index regarding the treatment and correct correlation of GRI standard indicators can be found on page 124 of this Annual Report.



	2016 Annual report commitments	Performance and objectives reached	2017 Annual report commitments
Risk management	Compliance 231/01	The 231/01 model (general and specific parts) and the Code of Ethics have been approved. The Supervising Body has been appointed and we have drawn up an action plan to progressively improve the model's efficacy.	Meet the action plan contents and train resources on compliance internally.
	Compliance 231/01	Not implemented yet	Integrate the 231/01 contents in the ISO9001 management system.
Consolidating CSR in company processes	Not implemented yet	Not implemented yet	Extend the ISO14001 certification to the Badia al Pino production facility.
	Not implemented yet	Not implemented yet	Review and update the materiality matrix
	Make the contents of the sustainability report more accessible through a special dedicated area in the website. Develop spreading tools for CSR practices towards suppliers and business partners. Make available extracts from the Annual Report to the Points of Sale. Include some of the significant KPIs regarding the subsidiary companies in the sustainability report.	The initiatives in this section are underway and the process will be completed by next year.	The 2017 Annual Report includes some indicators related to subsidiaries. This aspect will be expanded in the 2018 Annual Report.
Growth management	Complete the Code of Ethics	The Code of Ethics has been completed and approved by the BoD	Inform and train all employees on the Code of Ethics.
	Implement a consolidated reporting system to include some extra-financial aspects.	The BI system has been implemented.	Complete the management consolidation project.
Product distinctiveness	Risk assessment, assessing counterfeit risk	This area is in the hands of Barbara Bertocci and Diletta Iacomoni respectively wife and daughter of the company founder, guaranteeing the will to maintain continuity in terms of product identity and distinctiveness.	Not implemented yet
Employee health and safety	Introduce references to welfare also in the new agreement on the rewarding system.	The new trade and industry agreements envisage the employee's choice to donate all or part of their bonus to welfare.	Plan a smart working agreement to encourage reconciliation policies.
	Not implemented yet	Not implemented yet	Expansion of company premises and offices, and renovation of the old office building.
Supply Chain Management	Carry out a risk assessment, not limited to the environment, on the supply chain.	Done	Keep suppliers informed and trained on the group's sustainability policies

MAINTAINING A STRONG IDENTITY

Leadership at Monnalisa is the ability to choose basing our choices on a strong and shared set of values. Leadership is, above all: identity.

Monnalisa invests in its identity, by:

- carrying out the entrepreneurial activity coherently with its mission and values;
- guaranteeing a transparent corporate governance system;
- improving the efficiency of the productive activity processes to increase results;
- making sustainability central, as the key element underlining all choices.

History

1968 Monnalisa is founded by Piero Iacomoni
1976 Barbara Bertocci joins Monnalisa as designer
1992 Diletta Iacomoni becomes the Fashion Coordinator
2006 Fondazione Monnalisa is founded
2013 Christian Simoni is appointed as CEO

1999 ISO 9001 SGS Certification
2001 SA 8000 SGS Certification
2009 First Certification SGS Annual Report
2015 Certificazione SGS - ISO14001
First E&Y Annual Report

1988 Turnover € 2,500,000 - Staff 10
2017 Turnover Monnalisa € 42,200,000
Staff: 186 (including branch offices and representative offices)

Consolidated Turnover € 47,000,000
Staff: 265

2013 Monnalisa joins Elite Borsa Italiana project
2014 Warner Bros Award - International Fox Homey Award
2015 Elite Borsa Italiana Certification
2016 Finalist for the Annual Report Oscar
Welfare Champion at SME Welfare Index

2003 Best Practice CSR
2005 Annual Report Oscar
2007 Label of the year
2008 Goodwin Award
2010 Annual Report Oscar

strong identity
IN VISION, MISSION AND VALUES

OUR MISSION IS:

CREATING VALUE AND VALUES OVER TIME

with the aim of accomplishing the following vision:

EXCEL IN INNOVATION, CREATIVITY AND PRACTICALITY

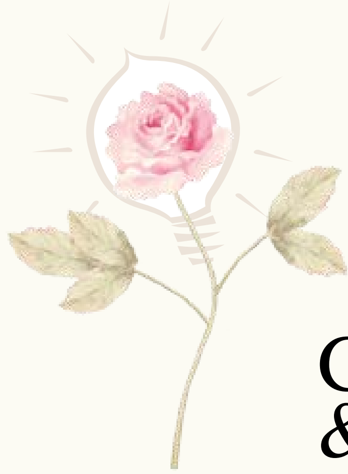
to gain new markets

STIMULATE A SPREAD-OUT MANAGEMENT SYSTEM

to take on the challenges of the small and medium family enterprise successfully

EXPAND WORLDWIDE BOTH PRODUCTIVELY AND COMMERCIALLY, MAINTAINING THE CORPORATE VALUES AND IDENTITY

to spread a social responsibility culture.



Creativity & Innovation

From products to operations, Monnalisa has always distinguished itself by the high level of creativity and innovation.

Commitment & Transparency

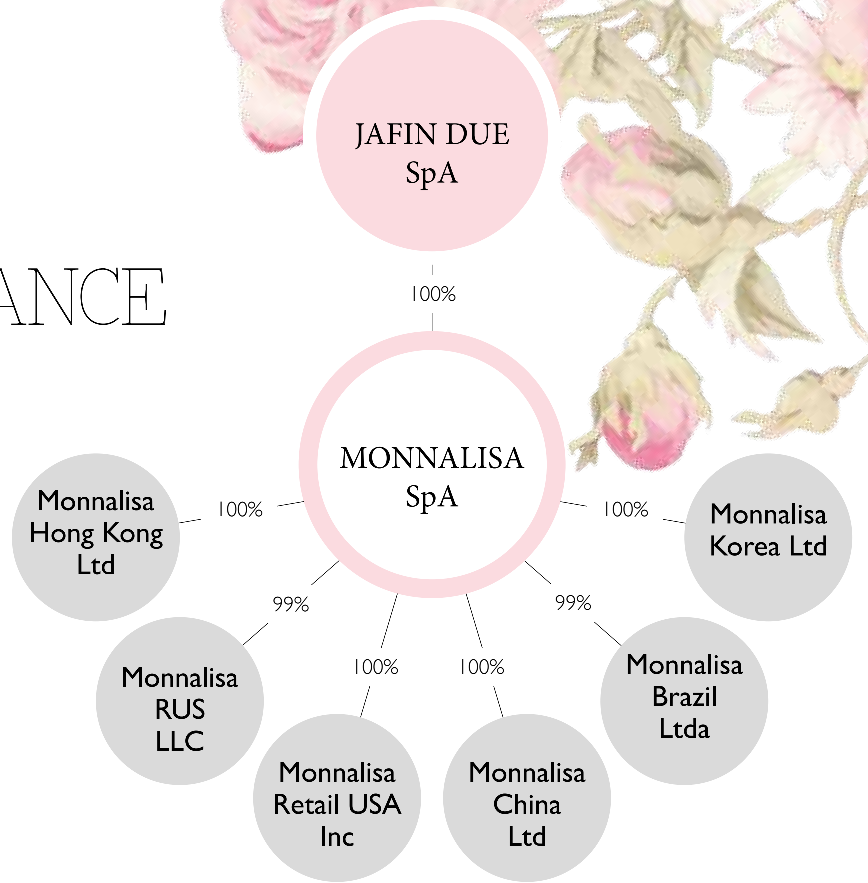
Quality Management certifications, accounting trasparency, care for the environment are part of Monnalisa.

Care & Loyalty

Customers, Suppliers, Employees... People are the key to Monnalisa.

strong identity
IN THE COMPANY ORGANIZATION AND CORPORATE GOVERNANCE

On 19 January 2018, the proportional partial division of Jafin S.p.A. was carried out to set up a new company named Jafin Due S.p.A, with the aim of reorganizing Monnalisa's shareholding structure also in view of the admission to quotation of the Company Shares on AIM Italia, the market of the Italian stock exchange. The mentioned division has made it possible to assign to Jafin Due S.p.A. the entire shareholding detained by Jafin S.p.A. in Monnalisa, of 49% (forty-nine percent) of Monnalisa's share capital. Subsequently, on 29 January 2018, the transfer of a remaining equity of 51% (fifty-one percent) of the Issuer's share capital was also transferred to Jafin Due by the partners Piero Iacomoni, Barbara Bertocci, Dimitri Iacomoni, Diletta Iacomoni, Matteo Tugliani and Simonetta Torresi.
Monnalisa Group comprises Monnalisa SPA, the parent company and the following subsidiaries: Monnalisa Hong Kong Ltd, Monnalisa Rus Llc, Monnalisa China Ltd, ML Retail Usa, Inc., Monnalisa Corea Ltd, and Monnalisa Brazil Participasoes, Ltda.



BOARD OF DIRECTORS

On the date of approval of the Financial Statements, the Board of Directors, was composed by Piero Iacomoni (Chairman) Christian Simoni (CEO) Pierangelo Arcangioli and Matteo Tugliani.
At the shareholders' meeting held on 15/06/18, the members approved new By-laws suitable for the AIM listing process. On the same date, the Board of Directors was also appointed; it will remain in office for three years, until the approval of the financial statements of 2020. The members of the new Board of Directors are: Piero Iacomoni (Chairman), Christian Simoni (CEO), Matteo Tugliani and Pierangelo Arcangioli, without executive powers, and Simone Pratesi, independent Director.

name	age	position
Piero Iacomoni	74	Chairman
Christian Simoni	47	CEO
Matteo Tugliani	38	Director
Pierangelo Arcangioli	61	Director
Simone Pratesi	55	Independent Director

The members of the Board of Directors are appointed by the shareholders' meeting based on competency, experience and reliability.
Opening the board to external experts not members of the owner family reflects the will to see the company grow from an entrepreneurial point of view.
The Board of Directors is the highest of the governing bodies; therefore, its main role is to determine strategies and general managing and development corporate policies for Monnalisa, as well as their implementation. The main responsibilities of the Board are the following:

- approving the industrial plan and monitor its implementation. The industrial plan also includes elements pertaining to CSR and sustainability.
- monitoring the management system performances through third party audits aimed at environmental and corporate responsibility certifications.
- formally approving the sustainability report of the company, ensuring that all tangible aspects have been covered.

In this management system there is a Board of Statutory Auditors whose responsibility is to ensure sound management, with a special care for the suitability and thorough functioning of the organizational, administrative and accounting order adopted by the administrators.
Considering the fast growth of the company in size and the ambitions shown by the Administrative body and by the shareholders, it has been deemed appropriate to appoint EY SpA - as the Independent Auditors for the years 2015, 2016 and 2017 maintaining the previous Board of Auditors in charge of management control. The appointment has been renewed for the following three years for both the financial statements of the parent company and the consolidated statements.

CHIEF EXECUTIVE OFFICER

The Chief Executive Officer reports to the Board of Directors. This role is a further step to improve the company governance which had started with a sole Director and moved forward shifting to joint governance (between 2010 and 2011). Following that, a General Manager position was introduced, who then also became the proxy and is now the CEO. The changes are significant and become even more important when they are made within a first-generation family business, whose founders are still actively involved in the business.

CSR IN GOVERNANCE

To guarantee fully operating integration of the sustainability themes among the higher levels of the company, who report to the CEO, these also include the CSR manager and the person responsible for special projects and the environment.
The CSR manager participates in drawing up the industrial plan of the company for what concerns her/his part of responsibility. The SA8000 contact reports to her/him, while all function chiefs observe CSR aspects in different ways depending on context. For instance, the person in charge of purchasing raw materials manages supplier communication and their adhesion to the code of conduct. When inspecting supplier premises, all the staff working in purchasing and product also takes into consideration CSR aspects when inspecting suppliers, as they have been trained to do so. For the most crucial and at the same time potentially critical market (China) the responsible body for carrying out focused scouting on Chinese suppliers is Lead Auditor SA8000.

ASSESSMENT CRITERIA AND PROCESSES

The Board of Directors and CEO are appointed for a three-year period at the end of which they are assessed by the shareholders' meeting which evaluates their work and considers whether to renew the assignment or appoint others. The performance is assessed periodically and especially when the Financial statements are drawn up and submitted for approval.

In particular, the assessment of the CEO when closing the Financial Statements is carried out by the Chairman of the Board of Directors.

Roles and responsibilities of decision-making bodies

Body	Responsibilities
Shareholders' Meeting	Appointing and removing directors and auditors; approving the Annual Report, determining the compensation for directors and auditors, deciding on any liability action, fulfilling any other obligation set by laws or statutes, carrying out specific extraordinary acts.
Board of Directors	Complying with legislative requirements, preparing annual and periodical propositions for the annual budget; defining the responsibilities of the Chairman, of the CEO, of the General Manager; appointing the CEO, the General Manager and the managers who are not members of the family, by simple majority vote; assessing annual performance of family members who work in the company and defining specific careers; approving strategies, plans, budgets and results by implementing the company mission; approving extra-budget investments; approving special significance projects.
Chief Executive Officer	Representing the company; setting the way to implement the general strategies and policies for the management and development of the company as defined by the Board of Directors; monitoring the Executive Directors' work; setting modalities to carry out commercial, marketing and communication policies as well as the strategies and policies relating to personnel as determined by the BoD; defining all active and passive agreements, commitments and all active and passive contracts regarding all fields, including and connected to the corporate purpose.

SOCIAL PERFORMANCE TEAM

With the new edition of the SA8000 2014 norm, Monnalisa has approved a new management policy which has led it to set up the Social Performance Team (SPT) in 2016; it includes a balanced representation of SA8000 staff and management representatives, assigning a new role to the previously formed Ethics Committee. The members of the SPT have been informed in detail on the new aspects of the new edition of this norm. Among other tasks the SPT also reports to the Board of Directors and to the CEO all critical issues that may occur in relation to social and environmental responsibility, as well as on all notices and complaints received by the stakeholders.

name	age	role
Piero Iacomoni	74	Chairman
Christian Simoni	47	Chief Executive Officer
Chiara Menicatti	49	SA8000 Manager
Sara Tommasiello	47	CSR Manager
Eleonora Belliconi	37	Worker representative
Marco Carleschi	48	Worker representative

The representative of employees also takes part in the committee and has the responsibility of reporting notices, complaints or clarification requests relating to themes the committee is involved in.

REMUNERATIONS

Monnalisa has adopted a remuneration policy set directly by the Board of Directors. The policy has been posted in the internal section of the company portal, and so is available to internal stakeholders. The latter may write and send requests for clarifications or proposals for improvement using the appropriate channels (SPT, "cassetta delle idee" - "ideas box", email risorseumane@monnalisa.eu, human resources office).
The process to determine remunerations is totally managed internally and involves Human Resources, the CEO and the Board of Directors within the perimeter of internal policies and decision-making perimeters of each position.
Furthermore, the company has expanded on this theme by recently introducing a position weighing system based on objective and consistent parameters. The characteristics of each position are outlined and uniform, and professional groups are identified based on organisational criteria (position in the organisation chart, managed resources, responsibilities), complexities (complexities and challenges linked to the position) and strategic criteria (impact of the position on strategic factors as defined in the industrial plan). On the basis of the real remunerations, the company has created pay scales within each group. Personal retribution increase depends on seniority (experience, skills and effectiveness) and perseverance and ability in reaching targets.
Reviews in career and/or remunerations are set when working on the annual budget (September) and also in December and May. However, they become effective in January and June.
The decision-making process related to remunerations is as follows:
1. Proposal by the line manager
2. The head of Human Resources examines the proposal on the basis of the equity analysis, of the current status of the employee and on the weight of the positions; the request is then forwarded to the CEO
3. The CEO makes an assessment and decides within his powers; however, if the decision should not fall within his powers, the decision-making process falls in the hands of the Board of Directors
4. Finally, the line manager communicates to the employee the decision made.

The Board of Directors' remuneration is fixed and does not envisage stock options or other forms of monetary incentives. The only exception concerns the CEO, for whom a long-term incentive plan was approved in June 2018. The aim of this plan is to incentivize the recipient in proportion to the Company's increase in value, and considering retention; it foresees the assignment to the CEO (on a free and personal basis) of an incentive and consequent right to receive from the Company a monetary amount when the specific conditions are fulfilled.

No member has an end of mandate indemnity.
The National Labour Contract is applied to the first levels with an extra allowance over the basic pay decided during negotiations. The bonus system is on an annual basis and formalized by an agreement with the unions and does not include stock options.
The absence of stock options shows higher sustainability in remunerations policies at Monnalisa. This is to avoid possible opportunistic behaviour on behalf of managers who are mainly interested in maximising short-term objectives. The current policy ensures that managers are focused on long-term performances, guaranteeing higher corporate sustainability.
The following table shows the ratio between top position remunerations and the median value of remunerations to employees in 2017.

Body	Ratio among real values
Remuneration of the Chairman of the Board and staff median remuneration	10
Remuneration of the CEO and staff median remuneration	4
Remuneration of the highest paid position and staff median remuneration	3

On the one hand, there has been no change in remuneration to Directors on the Board and highest paid position over the last year; on the other hand, there have been increases in remunerations by contract and/or deriving from negotiation among the company staff. Following newly hired staff under standard contract the ratio among remunerations has remained almost the same.

EQUITY ANALYSIS

The position weighting system has made it possible to create clusters of similar positions among Monnalisa staff, which - although different in content - carry equivalent responsibilities in terms of complexity, integration, strategic and organisational contribution and responsibilities. Within the clusters, positions were compared in terms of remuneration. We then obtained the remuneration median for each group and the remuneration variance compared with the median.

Variance in remuneration per cluster

Profile	Variance between minimum salary and cluster median	Variance between maximum salary and cluster median	% of employees in the cluster having a higher/equal salary to the median
Manager	-17%	37%	50%
Head and Professional A	-24%	58%	50%
Head and Professional B	-34%	60%	50%
Expert A	-19%	32%	56%
Expert B	-17%	53%	51%
Expert C	-18%	55%	51%
Operator	-5%	8%	50%

The analysis shows a general predominance of remunerations above median within each cluster. Furthermore, if a significant negative variance should appear, compared to the cluster median remunerations, it is due to low seniority position and is often in connection with junior resources or internships.

RISK MANAGEMENT

Monnalisa has implemented a structured process to map and analyse risks pursuant to Legislative Decree 231/01; in 2016, we held a first check of the Board of Auditors on the company's state of the art in relation to these themes, using a questionnaire on the assessment of main risks and quality management.
The following points were made: "Although Monnalisa has not yet chosen an organisational model to prevent administrative and corporate offences as per Legislative Decree 231/01, the company has been mapping all main risk areas and has been working to define specific significant risks as indicated in Legislative Decree 231/01. At the beginning of 2017, Monnalisa initiated a risk mapping process - with a consultancy firm - by interviewing the various department heads. The program was shared, with all related activities and priorities, to reach full compliance as far as what the norm indicates.
During the meeting held on 20/12/17, the Board of Directors approved the organizational model required by Leg. D. 231/2001 and appointed the supervisory body, who remains in office for the same period as the Board of Directors. On the occasion of the resignation of the previous BoD and appointment of the new Board in June 2018, the supervisory body, in the person of Fabrizio Rossi, was also appointed. Professionally, Fabrizio Rossi is fully qualified for the position and meets the requirements set by the adopted Model 231.
During the first months of 2018, the company organized some informative/training sessions on model 231, general and special sections and on the code of ethics.
The Board of Directors revises the risks and financial, environmental and social opportunities twice a year, when revising the development plan. This revision happens more often for specific occasions that may arise or in case of threats or real risks that may occur and the company will have to manage.

Organisational Model 231
The model aims at preventing the administrative liability of the company in relation to specific crimes that may be committed by top management or people managed and supervised by top management while carrying out their functions in the interest or to the advantage of Monnalisa.

Supervisory body
This body is responsible for constantly supervising the observance of organizational model 231 by all recipients and the implementation of the requirements it sets, for verifying the real efficacy of the model to prevent offences from being committed, for updating the model if it should be necessary due to changes that may occur in the company structure or in the regulatory frame of reference.
All stakeholders may report in writing to the supervisory body on any violation or suspected violation of the Code of Ethics sending the report to: odv@monnalisa.eu

CODE OF ETHICS

The Code of Ethics approved by the company sets a preventive control system required for compliance with Leg. D. n. 231 – 2001 and is also aimed at summarizing the rights, duties and responsibilities that Monnalisa has taken on with "stakeholders" (employees, suppliers, customers, Public Administration, shareholders, the financial market, etc.). It recommends, promotes and prohibits specific types of behaviour, independently from what is set by the law, and can decide on fines consistent with the gravity of any infringement committed. The Code of Ethics complements the policies already implemented by the Company in relation to Social Responsibility, environment and quality.

In this perspective, the Code sets ethical rules prescribed for the company, all the staff, the Directors, Auditors and collaborators who - as a consequence of their position - operate within and/or represent the Company, with specific reference to the relationship with the stakeholders.
The Directors and Head Managers are committed to responsibly manage the company in pursuance of objectives for the creation of value.
The commitment of the Auditors and internal Bodies is to carefully fulfil the tasks assigned to them by the law.
They are required to avoid situations of conflicts of interest or incompatibilities of functions, appointments and roles whether external and internal to the company. They are obliged to give notice, in the forms set by the law, of any interest in potential conflict which - on personal behalf or of third parties - they may have in specific corporate operations.

THESE ARE THE VALUES WE BELIEVE IN

RESPECT

for skills and competencies, diversity, pace of life and work;

DIALOGUE AND PARTICIPATION

meaning a stimulating work environment, connection with the territory and growing together with the connected industries and services;

FAIRNESS

signifying acknowledgement of everyone's dedication to the relationship with Monnalisa and making transparent decisions;

RESPONSIBILITY

towards customer satisfaction, efficient and effective use of all resources as well as transparent reporting of policies and strategies.




strong identity IN PRODUCTS

All the product lines currently offered by the Group are presented under the historical brand name: "Monnalisa". The Group offers a wide range of products that can be used on several occasions from leisure time to formal.The strong product identity is what makes Monnalisa's offer unique. Collection after collection, the company's style office, with a staff of about 30 (thirty) resources, create very distinctive garments, inspired by a contemporary romantic style.

Each garment is designed to trigger a very special emotion in the child wearing it, fulfilling the wish for something beautiful and well made. Even in Monnalisa's everyday wear garments the tendency is for something special and unique.

Monnalisa garments display a sophisticated palette of talc and magnolia as background colors, hues of powder and pink, cheerful greens, intense reds and balancing blues. Prints are always predominant, preferring floral patterns, whether allover prints, single prints or photographic effect prints. Elegantly and designed lines feature the iconic hourglass dress, the hinted egg-shape for the redingote coats as well as enveloping coats.

The range of fabrics featured in the collection includes comfortable jerseys for dailywear items, impeccable poplins for shirts and blouses, sparkling taffetas and tulle for skirts and cotton-angora for knitwear (often enriched with inlay work).

Each garment is designed to be individually precious yet enhanced by a total look. The perfect outfit is impeccably balanced and completed by delicately hinted combinations comprising the dress, shoulder wrap and a variety of accessories - shoes, scarves, headbands, handbags, tights - as well as sophisticated details originating from a solid brand experience.




MONNALISA

Monnalisa's primary line is aimed at boys and girls aged 0-16. Creativity and never ending innovation distinguish the core line collection containing great character, highly creative content and great care to details. The offer is complete and versatile; it includes specific offers to different age segments from the sweet layette line sets (newborns), to the cheerful comfort displayed in the 3-6 month baby sets, all the way to the teenager garments ironic and stylish, including a specific set inspired by a refined vintage flavor for boys.

Chic MONNALISA

This is the line dedicated to ceremonial garments, revisiting tradition and offering sophisticated items while having a fresh and contemporary style and flavor. Joyful prints or soft lines with refined and natural fabrics for thrilling dresses, sets interpreting the latest trends, amazing outfits for festive days; all of this distinguishes the Chic line, accompanied by a wide and carefully selected set of accessories (hand bags, shoes, hair accessories).

MONNALISA Couture

This line accompanies little girls on the most exclusive occasions. A top range offer, presenting a limited selection of highly sophisticated garments representing the best Italian sartorial tradition. Elegant fabrics, refined appliqués, jewel-like details distinguish the attires of this Couture line. Chic details and accessories enhanced by brightened by shiny rhinestones and brooches or floral shoots.

strong identity in STRATEGIC PROCESSES

Monnalisa Group operates through a centralized business structure that carries out almost all the activities connected to its organizational model, except for distribution and the management of retail sales points in different geographical areas. The latter are directly set up by the single commercial entities of the Group in their own markets.
Monnalisa is an operating holding and therefore holds all the shareholdings of the companies abroad while managing all the stages of production, from the design and creation of the product to its marketing, outsourcing only some of the production stages.
Insourcing the creative and manufacturing process of products is a distinctive element of Monnalisa Group and shows that strong industrialization is the primary objective of the Company. The Group can carry out all strategic processes internally resulting in positive effects on the increase in turnover and margins.
The organization of the Group follows a model in which product strategies and communication are tightly linked so as to appear coherent with Monnalisa's brand image and style. The distinguishing feature is the Company's constant and careful supervision of the value chain.
The organizational model of the Group comprises the following stages:

- style, design and development of the product;
- presentation of the collection and sales campaign;
- programming production, purchase of raw materials and finished products;
- production and logistics;
- marketing and communication;
- distribution.

MONNALISA

Stile, Design and Product Development

- Market Survey
- Collection Planning
- Designing
- Prototyping

Collection Presentation/ Sales Campaign

- Presentation at Pitti Bimbo
- Defining distribution strategies
- Receiving first feedback on items

Purchase of Raw Materials and Finished Products

- Researching Fabrics and Accessories
- Selecting Suppliers
- Planning production
- Purchasing raw materials and finished goods

Production and Logistics

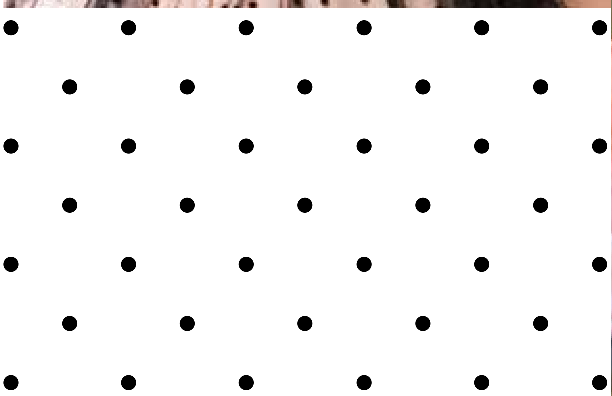
- Checking RM
- Fabric cutting
- Sending RM to workshops
- Sewing, embroidery, prints, ironing and packaging
- Quality control

Distribution

- Direct: Retail and E-commerce Retail
- Indirect: Wholesale and E-commerce Wholesale

Marketing and Communication

- Creation and management of events and fashion shows
- Social networking
- Participating in fashion events



Style

Creativity is the heart of the productive process. It is in the hands of a 30-person team lead by Barbara Bertocci and Diletta Iacomoni, respectively Creative Director and Fashion Coordinator. This happy combination of creativity and originality makes it possible to present increasingly innovative and rich collections every season, experimenting with design and materials as well as fashion content and ideas. Fostering and exchanging ideas through travelling, reading as well as art and culture are at the base of every creative hprocess that then becomes a project. Every idea is made of constant research, study and critical review of every proposal.

Production

Monnalisa produces following a planned ahead system and the production delivers two collections per year. The projections based on the outcome of the sales campaign allow the company to programme purchases in advance and then to programme production according to sales. With the aim of always satisfying the clientele's requests, Monnalisa has set up an extremely flexible productive structure, to effectively control the organization's critical points. All the transformation phases from raw material to finished product are outsourced to small independent workshops mostly located in central Italy.

Fabric check, storage of raw materials and fabric cutting are carried out by the production unit in Badia al Pino, which uses cutting edge technology to guarantee high quality workmanship which is key to the subsequent phases.

The cut fabric, together with the accessories and instructions is then sent to the sewing, embroidery, printing and dyeing stations, for the next transformation phases.

Finally, the finished product goes back to Monnalisa where it is warehoused for the client.

The circular production flow is directed and monitored by the internal production units, which check their route, guarantee the necessary supplies and a successful conclusion.

Since Monnalisa controls the creation and planning stages, the purchasing activities both from Italy and abroad of finished items are managed by the same organizational setup. What varies in the production process is the purchase of raw materials, as the same supplier of marketed items attends to it, and the schedule of the planning stages, which becomes more urgent since it is subject to the supplier's production and delivery deadlines.

Distribution

The distribution of Monnalisa’s products is carried out through four channels:
- wholesale: independent multi brand stores;
- wholesale retail: single brand stores in partnership;
- corporate retail: direct single brand stores;
- e-business retail: online sales channel for the final consumer.

Overall, retail - without considering the company at a consolidated level - represents about 20% of the company turnover, with 32 single brand sales points along with the online store and the shop in shops in top department stores (Harrods, La Rinascente, Galeries Lafayette, etc.). The channel of a concept store, even more in line with the company’s identity, needs ongoing training of shop personnel as well as data collection and data analysis. This allows the company to fully and quickly understand both supply and demand dynamics to directo company policies.
The strong point of the wholesale channel is a widespread and exclusive distribution. As at 31/12/17, Monnalisa had about 890 retail customers, and accounted for 67% of the value from abroad.

Communication

Building a brand and product identity requires coherent and effective communication through all channels and media and entails adapting to all logics at the base of each one. The in-store events, fashion shows and advertising on major media channels, dedicated to fashion but not only, are an important investment for the company, which gains from all this an immediate return in the high number and prestige of free editorials that frequently appear in the press, on the web and TV.

Human Resources

Monnalisa’s most important asset are the people and not only for today but also to develop tomorrow’s Monnalisa. The human resources function collaborates with the general management to enhance staff potential through training, development and creating internal policies focused on meeting staff needs while keeping company necessities in mind.
Recruitment is carried out through collaborations with the Academic world and professional specialization schools. New careers and skills are taken into consideration even aside from active research processes, in order to create networks and occasions for exchange.
Deeply rooted in the territory, as well as being quite international, Monnalisa is a safe yet stimulating environment for all the professionals operating within the company, with opportunities of horizontal professional development, constantly improving their knowledge. Should important operational changes be necessary, including relocating the company headquarters, all people involved will receive due notice as set by the law and, if required, the union representatives will also be notified.

strong identity IN SUSTAINABILITY POLICIES

While carrying out its activities, Monnalisa encounters numerous subjects who deal with the company for a variety of reasons, and thus have an interest for it to pursue its mission. They are the stakeholders, they represent the subjects who, on one hand, influence the company and on the other, are then influenced by Monnalisa when they conduct their activities.

Table 2.1 The stakeholders: who they are and what they represent

Internal and external collaborators All the company employees, the temporary collaborators and, more in general, all those people who co-operate "closely" for the fulfilment of Monnalisa's mission
The shareholders/financiers The owner-family, the holding company Jafin SpA and the financing banks
The suppliers All those who, in different ways, supply goods, services or resources necessary for the company production. Sub-contractors, suppliers of raw materials, textiles, accessories and finished products, suppliers of services to the business, external consultants are all part of this category
Customers and consumers All those who benefit from the company's products. Single brand and multi brand shops, department stores, importers and the final consumers are Monnalisa customers
Agents Those who promote and distribute Monnalisa products and have a good relationship with the customers
The community The territory (physical and social) where Monnalisa operates. In particular, organizations towards which the company directs interventions of a social nature or with which it creates a partnership even if short-termed, schools and universities, trade associations active in the local community are part of this category. The physical and natural environment constitutes an integral part of the concept of "community"
Public administration National, regional, provincial and local government institutions

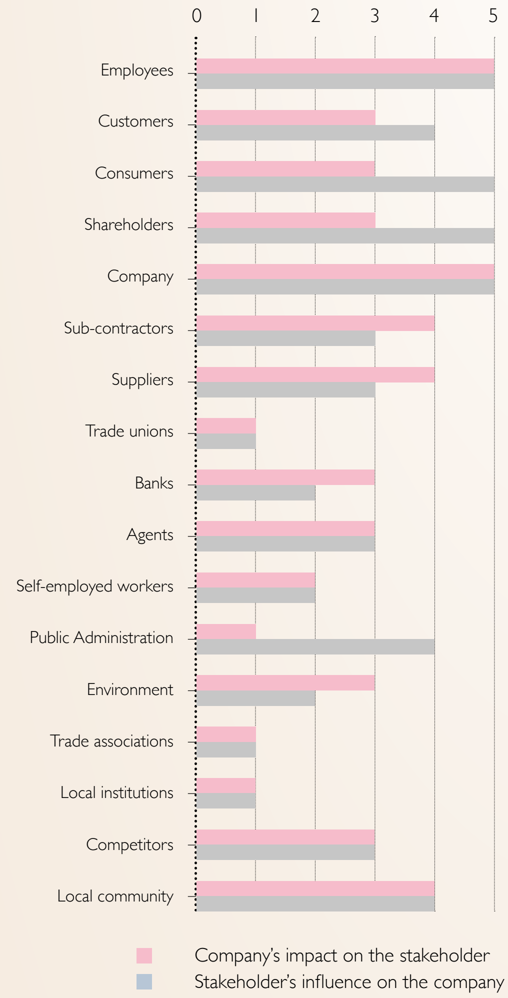
To avoid simply reading a list of interlocutors, but to interpret the level of active and passive influence exerted or suffered, in relation to the company, we have given each stakeholder a mark from 1 (lowest) to 5 (highest) that determines the impact exerted on and received by the company. The "stakeholders' map" graphically shows the degree of active and passive influence in the relation with the stakeholder.
Monnalisa believes that the interlocutors who mostly influence the company are the employees, the consumers, the shareholders and the company, while the interlocutors mostly influenced by Monnalisa are the employees.
(Graph 2.1)

The company, as an independent body, is in itself considered another stakeholder, since it too is a recipient of the wealth produced by the core activity. The added value capitalized within the company will allow it to survive overtime as a testimony of its social responsibility.

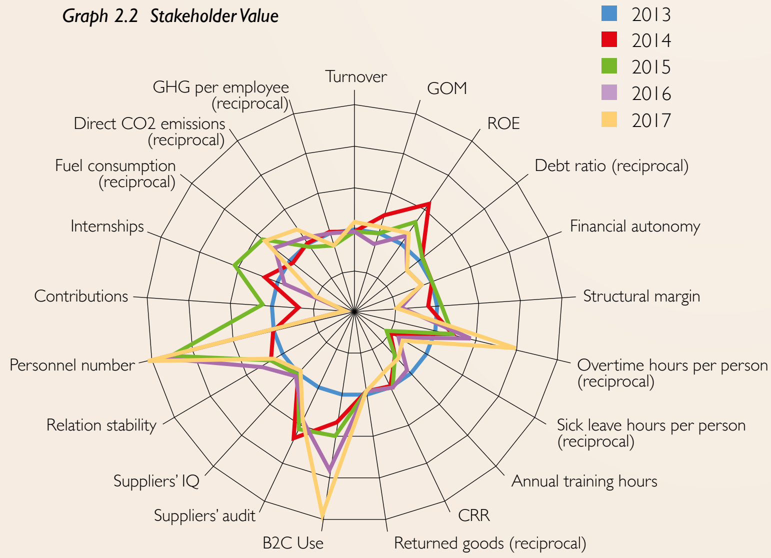
With the aim of defining its relationships and establishing structured dialogue modalities with its stakeholders, Monnalisa has always taken actions to involve all parties through different means (workshops, focus groups, surveys, questionnaires, interviews, etc.). Over the past years, nine types of stakeholders have been involved, creating the foundation for a relationship in which critical and positive aspects, cues and ideas could emerge. The company has made several efforts over time to improve its relationship with the interlocutors making it more and more constructive.
eThe present annual report has maintained the organisation per issue that derives from the action of involvement that has allowed the selection of a number of themes on which to report, considered the most significant by the stakeholders.

To understand the value and the impact the company has had over the years on the stakeholders, three indicators have been selected for each stakeholder, which represent the type of relationship between the two.
A graph displays what has occurred over time and what the company has carried out with each stakeholder. The graph takes into consideration the indicators measured each year, taking 2013 as the starting point. The widening of the graph shows an improvement of the specific analysis dimension compared to 2013. The graph shows the creation of value per stakeholder as well as the inevitable trade-off which characterises the relationship with all stakeholders; the widening or shrinking of the graph has no real absolute value meaning, but is rather a comparison among the various stakeholders, more or less privileged in strategies and company policies over time.
(Graph 2.2)

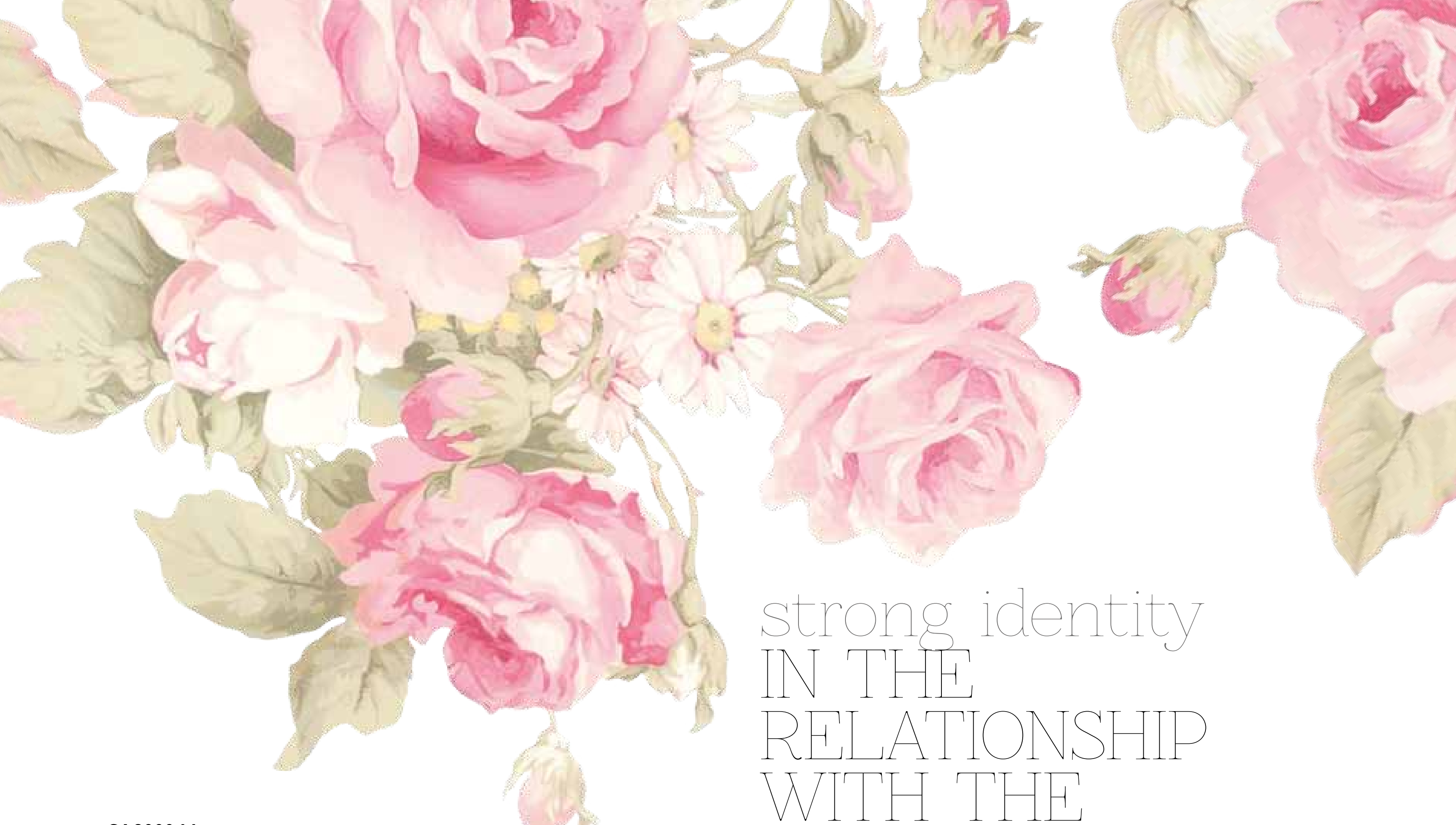
Graph 2.1 Stakeholder chart



Graph 2.2 Stakeholder Value



Source: Bonacchi, M., and Rinaldi, L. 2007. Dartboards and clovers as new tools in sustainability planning and control. Business Strategy and the Environment 16 (7): 461-473. http://dx.doi.org/10.1002/bse.596



SA8000 Management system

Monnalisa has been SA8000 certified since 2001, and in 2017 it underwent an audit by the certifying agency, a re-examination report as well as an internal audit.

Table 2.2 Indicators of the SA8000 management system

No. of major CARs* which emerged from the Certifying Body audit	0
No. of minor CARs which emerged from the Certifying Body audit	0
No. of notices/opportunities for improvement which emerged from the Certifying Body audit	0
No. of CARs and PARs** issued by Monnalisa	62
Ratio between CARs/PARs solved and issued	77%
No. of objectives in the 2017 improvement plan	36
Ratio between objectives reached and total 2016 objectives	72% (seven objectives are underway)

**CAR= Corrective Action Request: is issued when a non-conformance with the certifying norm is found, with the aim of pinpointing and eliminating the causes.*
***PAR = Pre-emptive Action Request: is an improvement action aimed at eliminating causes of potential non-conformities.*

Every year, Monnalisa draws up an improvement plan containing a series of actions and activities aimed at constant revision and implementation of its own CSR system.
The initiatives, which are shared in the Ethic Committee, are the result of the stakeholder's suggestions - particularly personnel - or issue from the response the company has given to the corrective and preventive action for the constant improvement of the social responsibility system.

Table 2.3 Improvement plan, year 2018 (extract)

Staff motivation and development	
Staff development	Coaching managers
	Review on boarding
	Assessment of potential staff
Work	Agreement on smart working

Prevention and management of workplace issues	
Safety and Health	Updating Chemical Risk
	Assessing atmospheric discharges and electric risk of production premises
	Check of electromagnetic field

Community	
Internships and business world	School-work project
External stakeholders	Meeting with local students
	Carreer day in Siena
	It4Fashion

strong identity IN THE RELATIONSHIP WITH THE STAKEHOLDERS

Monnalisa operates transparently towards stakeholders, and is completely available for any possible need on their part. They can contact the company management at all times through the main channels set up for this purpose. In the case of staff, consultation with stakeholders is ongoing as they are directly involved in the SPT through their representative. With other stakeholders, the relationship is managed through focus groups, questionnaires, surveys and interviews. Over the last ten years, all main stakeholders have been involved (employees, suppliers, banks, customers, universities, public bodies, unions, reps and sub-contractors). Every submitted issue has been collected, and given due consideration in the present Annual Report [see: chap. 4 - "Guaranteeing high quality standards in work"; chap 6 - "Encouraging valorisation of human capital and relational capital"; chap. 8 - "Contributing to the territory's development, socially and from an environmental point of view"]. Specific objectives and commitments have been defined in response to the issues presented.

As far as the employees are concerned, Monnalisa has already activated the "cassette delle idee" (ideas box), to which anyone can send new ideas or submit issues. Furthermore, at Monnalisa the environment and the structure favour a management and General Management which are completely open to collaborator needs.

Concerning relationships with suppliers, they are obliged to follow the code of conduct for suppliers; in addition, Monnalisa audits them periodically. Suppliers are also given a self-assessment questionnaire concerning human resources, workplace health and safety, environment, quality and social responsibility.

The results from audits, checks and questionnaires are directly reported to the CEO and Board of Directors, to ensure ongoing supplier assessment and compliance to the code of conduct.

COMPLAINTS

Monnalisa has set up a system of channels available to all stakeholders they can use to submit complaints, send advice, and contact the Board of Directors, the CEO or the SPT guaranteeing a higher level of transparency externally. Communications are absolutely confidential and can be made by phone and by e-mail, to:

Reception: 0575/98501
etica@monnalisa.eu
risorseumane@monnalisa.eu
sa8000@sgs.com (fax: 051/6389926)
Saas, 220 East 23rd Street, Suite 605, New York 10010, USA
(email.saas@saasaccreditation.org fax +212-684-1515).

GUARANTEEING REPORTED ECONOMIC SUSTAINABILITY

in the Report on operations

Being sustainable means succeeding in creating value while pursuing long-term development, and at the same time should guarantee 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 - the Report on operations, the Consolidated Financial Statements, the Explanatory note on the Financial statements, the Board of Auditors' report and the Auditing firm's report follow here below.

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

Board of Auditors

Micaela Badiali
Chairman of the Board of Statutory Auditors

Gabriele Nardi
Statutory Auditor

Susanna Sgrevi
Statutory Auditor

Auditing Company

EY
Building a better working world

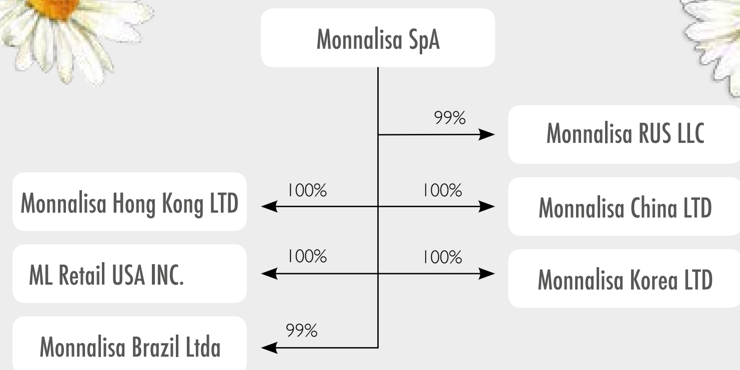
Dear Shareholders, The year ended on 31/12/2017 shows a positive result of Euros 2,253,654 of which Euros 5,439 referred to minority interests. Over the same period, the financial statements of the parent company Monnalisa Spa (hereinafter "Monnalisa") - has recorded a positive result of Euros 2,907,606.

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%

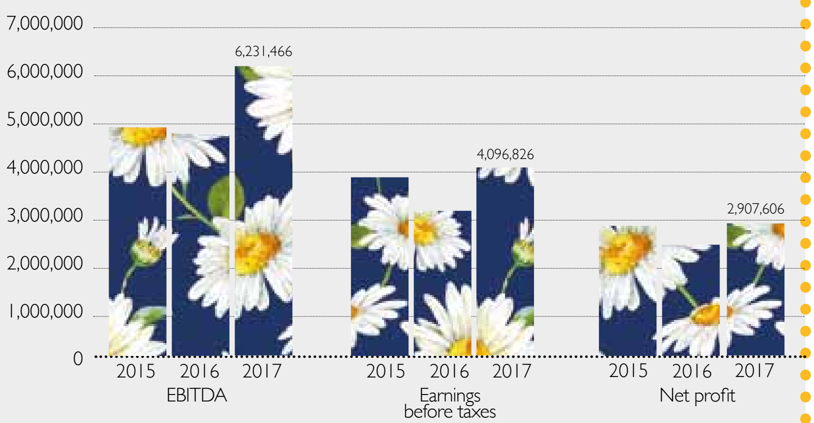
(Data are in million €)

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

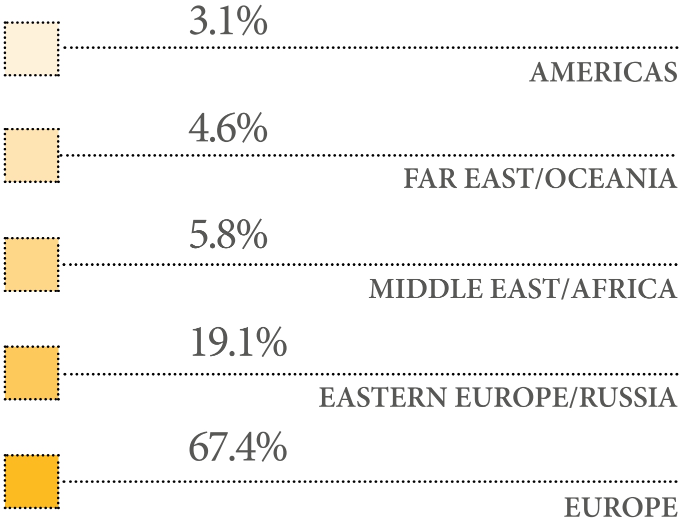
In contrast with the average of the companies operating in this sector, more rooted in the Italian market rather than the foreign market, Monnalisa has always had a strong international vocation, which has been growing steadily over the past few years. Volumes attained abroad are equal to 63% of the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

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

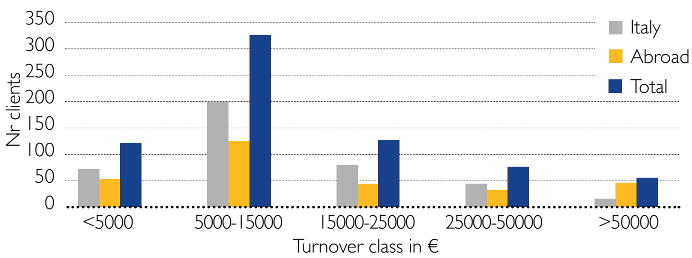
Customer distribution per turnover class confirms the importance gained by the foreign market, with a significant number of customers in the higher turnover classes. The average size of orders, the widespread distribution and the strong predominance in foreign markets are necessary elements for managing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

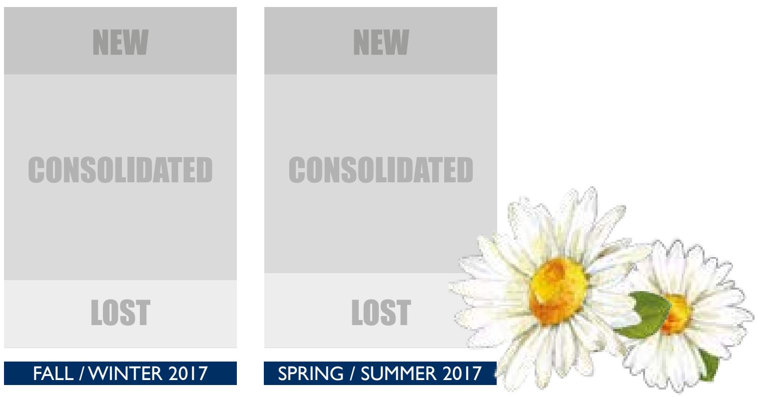
Bar chart 3.2 Monnalisa customer distribution in the world



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



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



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	38,843,228		46,415,661		49,596,809	
- 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).

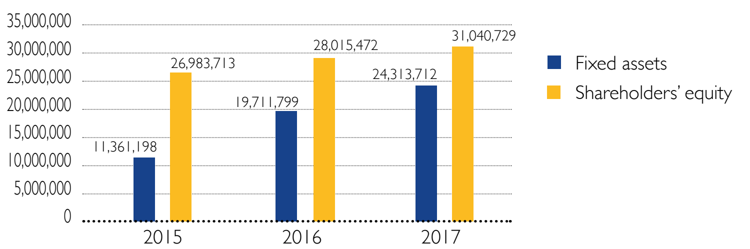
Table 3.5 Economic profitability ratios

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%

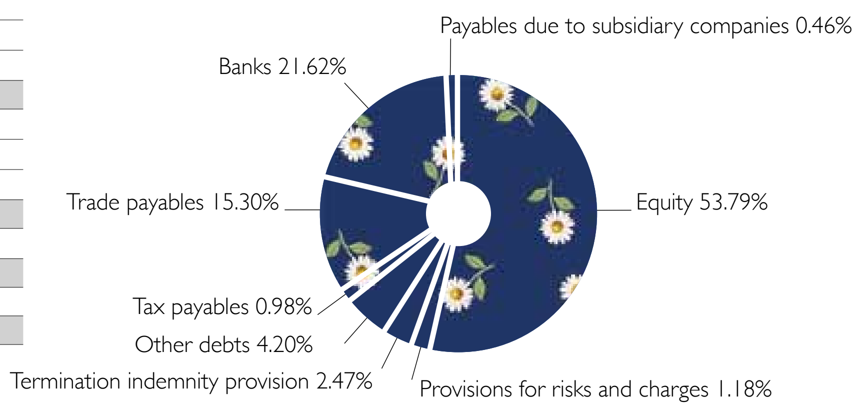
Table 3.6 Financial soundness ratios

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

Bar chart 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/F.C.
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 Brazil 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 Brazil 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 offices

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 I5A

Board of Directors
The Chairman
Piero Iacomoni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Monnalisa

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. Intangible Assets			
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
		2.531.744	2.109.579
II. Tangible Assets			
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
		15.351.891	13.323.836
III. Financial assets			
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
		8.624	8.623
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
	257.500		57.500
		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. Inventory			
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
		16.774.262	13.963.395
II. Receivables			
1) Due from Customers			
- within 12 months	11.107.829		10.542.455
- beyond 12 months			
		11.107.829	10.542.455
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			
		4.314.994	3.464.788
5-ter) Deferred tax assets			
- within 12 months	593.029		525.419
- beyond 12 months			
		593.029	525.419
5-quater) Due from Others			
- within 12 months	1.644.052		662.400
- beyond 12 months	119.593		64.384
		1.763.645	726.784
		17.779.497	15.259.445
III. Financial assets (other than fixed assets)			
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			
		7.667	
IV. Cash and cash equivalents			
1) Bank and postal deposits		2.746.976	3.976.409
2) Checks			
3) Cash on hand		64.947	36.678
		2.811.923	4.013.087
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			

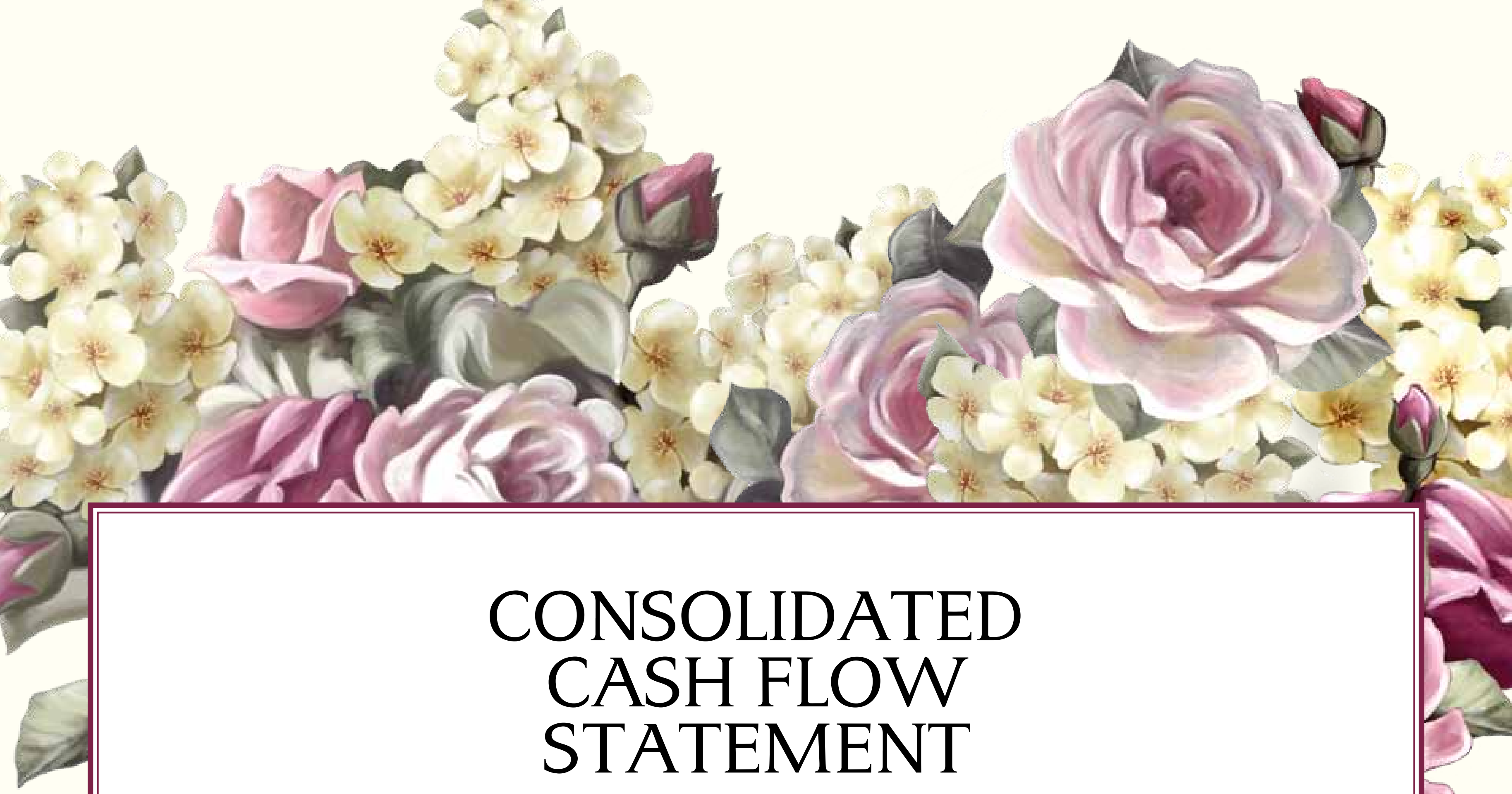
- beyond 12 months			
4) Payables due to banks			
- within 12 months	8.278.706		6,508,681
- beyond 12 months	4.199.011		840,499
		12,477,717	7,349,180
5) Payables due to other financial institutions			
- within 12 months			
- beyond 12 months			
6) Advances			
- within 12 months	1.405.190		1,133,547
- 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 Iacomoni



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 changes 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 Paolo (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 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 at 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 Participasoes, 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 expire 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 re-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.
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 am0unt 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 at 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 reconveyance 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 at 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 at 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					
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						
Earning/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.
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. l, 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:

	year 31/12/2017				year 31/12/2016		
Description	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 Independent 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 Iacomoni

Monnalisa S.p.A.

Consolidated financial statements as at December 31 2017

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

EY S.p.A.
Piazza della Libertà, 9
50129 Firenze

Tel: +39 055 552451
Fax: +39 055 5524850
ey.com

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 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. 720B, 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.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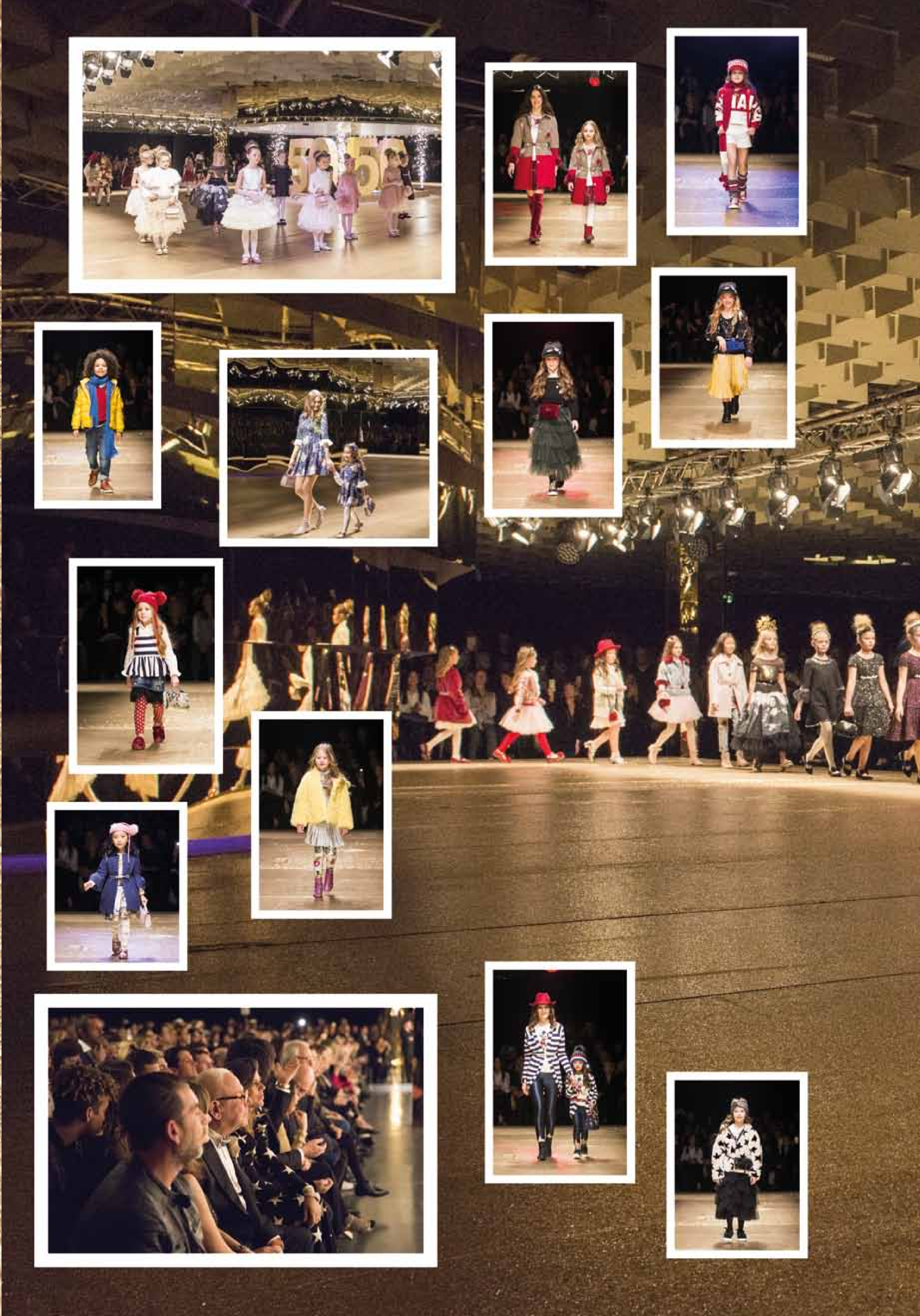


UN MONTIGIANO NEL MONDO
Piero Iacomoni

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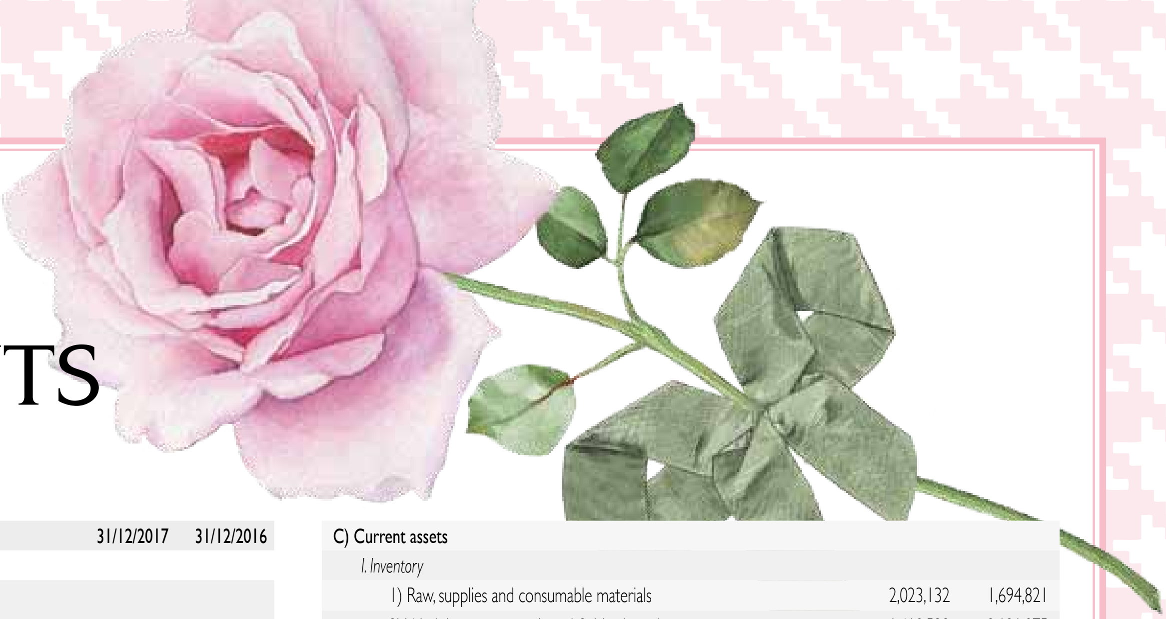
FINANCIAL STATEMENTS

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. Intangible Assets			
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
II. Tangible Assets			
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
III. Financial assets			
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. Inventory			
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
II. Receivables			
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
III. Financial assets (other than fixed assets)			
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	
IV. Cash and cash equivalents			
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) Derivative financial 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) Derivative financial 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)
Deferrred 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**

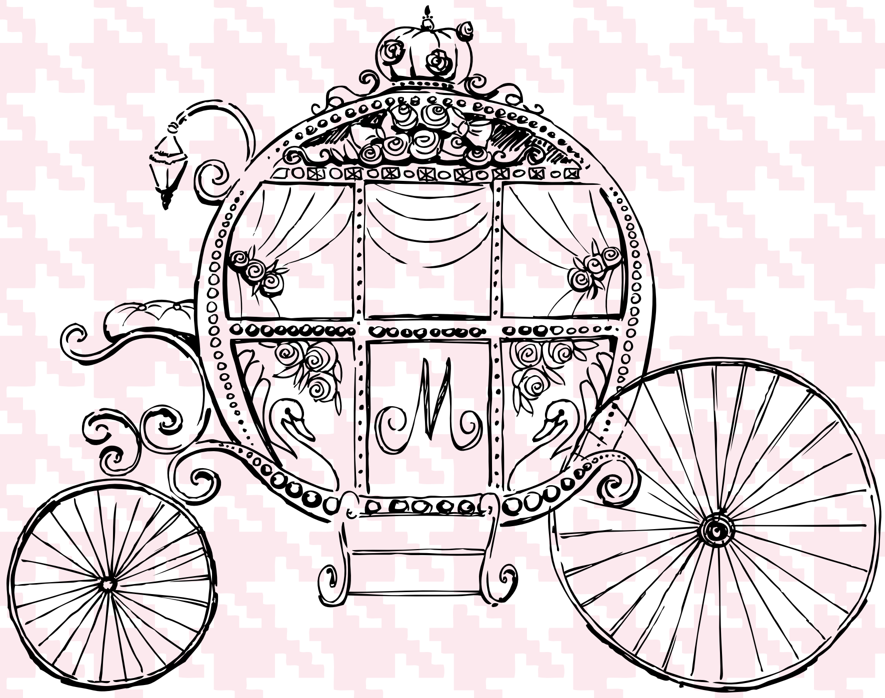
Chairman
of the Board of Directors
Piero Iacomoni

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' 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; they give 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:

Reclassifications	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 for 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 expire 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 re-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 am0unt 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 these Explanatory notes 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 Participasoes, 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 companiesv	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 Brazil	BRAZIL	504,588	(208,778)	233,013	498,160	99	498,160
Total							**4,520,452**

The financial statements do 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 form 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 form 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	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 shareholders' equity 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 to 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 prepayments 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 assent'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
Derivate financial 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
Derivate financial 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	31/12/2017					
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 on1 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 Filctem-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.

Staff	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 commitments, guarantees nor contingent liabilities not indicated in the Balance sheet.

Information on assets and investments aimed at a specific business
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 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
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 Brazil 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.

Report
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 the 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.
No claims from the partners were received in the year, ex art. 2408, Civil Code.
As requested by the law, the Board of Statutory Auditors did not issue opinions during the year.
In the course of the supervision activity no other significant facts have emerged worth mentioning in this report.

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

Consolidated Financial Statements
The Board of Statutory Auditors acknowledges that the company has - for the first time - presented consolidated financial statements, 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

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Monnalisa S.p.A.

Financial statements as at December 31 2017

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

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

To the Shareholders of
Monnalisa S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Monnalisa S.p.A. (the Company), which comprise the balance sheet as at December 31 2017, the income statement and cash flow statement for the year then ended, and explanatory notes.
In our opinion, the financial statements give a true and fair view of the financial position of the Company 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 Financial Statements* section of our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with 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 Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

2

EY
Building a better working world

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 Monnalisa S.p.A. as at December 31 2017, including its consistency with the related financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the financial statements of Monnalisa S.p.A. 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 financial statements of Monnalisa S.p.A. 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

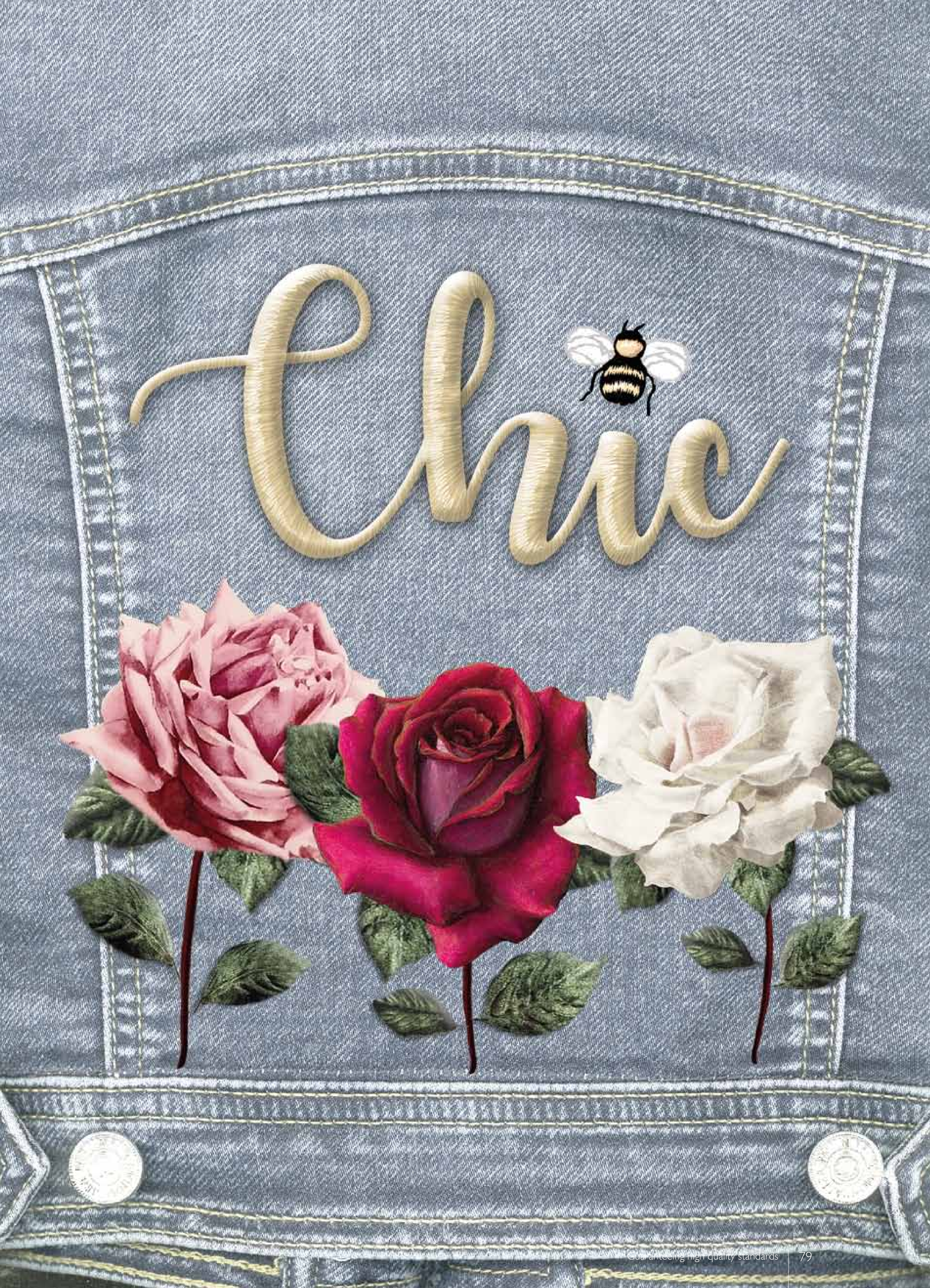
This report has been translated into the English language solely for the convenience of international readers.

3

MONNALISA®
Living
by
SAVIO FIRMINO®

GUARANTEEING HIGH QUALITY STANDARDS

The quality and excellent relationship between Monnalisa and its stakeholders is directly linked to trust, which is only built over time with determination, commitment, reciprocally listening to legitimate expectations and caring for initiatives aimed at creating a collaborative context.


Chic

Guaranteeing high quality in work

Monnalisa wishes to create a workplace environment based on a dynamic and stimulating context, which encourages taking on challenges and learning, guarantees work and private/family life reconciliation, promotes initiatives for workplace health and safety and actively strives to prevent and heal any conflicting dynamics that may threaten positive workplace climate. All these initiatives set the preconditions to improve and increase satisfaction and motivation in people.

THE SENSE OF BELONGING TO THE COMPANY

For the aims of an analysis concerning the people, indicated in this chapter and in the chapters 6 and 8, we refer exclusively to employees with a contract based on Italian law, therefore the employees of the representative and branch offices (who are included instead in the number of employees in the explanatory notes) are not included. Also excluded are the collaborators of the subsidiaries for whom a specific explanatory box has been inserted in chapter 8.

The net turnover is positive, with 40 recruitments against 30 terminations (+10).

Table 4.1 Monnalisa staff turnover

	31/12/2016	Recruited	Resignations	Change of position	31/12/2017
Executives	0	0	0	0	0
Office staff	126	26	17	1	135
Workers	39	14	13	0	40
Total	**165**	**40**	**30**	**1**	**175**

In order to calculate the company turnover, the balance per category (executives, office staff and workers) as at 31/12/16 was taken into account; all the recruitments carried out in 2017 were added to this and all resignations occurred in the year were subtracted. The staff balance as at 31.12.17 is the result of these calculations.

The number of people hired does not match the number of people recruited as several seasonal workers had more than one contract in the course of the year, one for each shipment campaign.
The 40 recruitments involved 32 people for whom the activation of the contract was motivated by:

- increasing office staff (10 people),
- substitutions for maternity leaves (1 person),
- help in the warehouse per season (6 people)
- opening of or increasing staff in direct sales points (15 people)

Table 4.2 Incoming and outgoing turnover, years 2015-2017

	2015	2016	2017
Incoming turnover (recruitment out of total staff)	76%*	24%	23%
Outgoing turnover (resignations out of total staff)	22%	16%	17%

**The 2015 figure is altered by the extraordinary operations occurred in the year due to the acquisitions and mergers of branches within the group. Therefore, if we should separate the recruitment deriving from these operations the incoming turnover for 2015 should be 27%.*

Of the 30 staff contract terminations in the year, 2 are due to poor performance during the trial period, 12 are due to the expiration of the seasonal contract, 13 are due to the expiration of the fixed-term contract and 2 are due to employee resignation and 1 for just objective cause. Terminations have involved 15 women and 8 men: 6 people aged under 30, 8 between 31 and 40, 8 between 41 and 50, and 2 over 51.

Table 4.3 Years of seniority

Years of seniority	Executive	Office Staff	Workers	Total
0-5	0	57	14	71
6-10	0	34	13	47
11-15	0	19	5	24
16-25	0	16	5	21
Over 25	0	11	1	12
Total	**0**	**137**	**38**	**175**

40% of the employees have worked at Monnalisa for less than five years. The datum was affected by the high incidence of seasonal workers hired at the end of the year and by the sales points opened during the year. Average company seniority at Monnalisa has increased with reference to the previous year. As already shown in the previous editions, all extraordinary operations linked to the acquisition of business branches or internalisation of functions previously delegated to other group companies have guaranteed to all staff their previously acquired seniority.

Table 4.4 Average years of seniority

	2015	2016	2017
Average seniority in the company, in years	8	8	9

Protected categories
By the end of 2017, eleven people protected by law no. 68/1999 work for the company: there are ten people with disabilities. The obligations set by the law have been met.

WORKING HOURS AND FLEXIBILITY

Monnalisa applies contracts: one under the trade association and the other under the textile and garment industries. Working hours for the retail business is based on a 40-hour week and shifts that guarantee that all the opening hours of the shop are covered.There is no flexibility in shop opening hours, in order to guarantee the service to end consumers.
The standard working hour schedule for employees under the national contract for the textile and garment industry sets a 40-hour week spread over five days a week, 8 hours a day in the 8.30--12.45 and 13.45--17.30 time frames.The in-house policy on working hours accepts flexibility, allowing staff to compensate any absence or longer hours worked within the same working week. The policy on working hours has been inserted into the second level agreement on welfare, acknowledging a higher continuity and value to work and private life reconciliation initiatives.
The company production process comprises two seasons; so that activities such as realization of the samples, sales, production and shipment are spread and overlap throughout the whole year. The natural work peaks are mostly registered in January, February, December and in the summer months, when the future collection is being sold and the already sold collection is being shipped. The amount of overtime work has decreased compared to previous years in both absolute value and compared to the number of employees.

Around 13% of the overtime hours are composed of extra work hours, i.e. hours worked by the part time staff until they reach a full time working schedule number of hours. Overtime hours have decreased by 22%, if we consider the number net of additional work, the value has decreased by 24% compared to the previous year.
In order to better understand the use of overtime, it helps to divide the number of hours per department to identify the causes. 24% of all overtime hours in the year concern the direct stores, 19% concern production and 12% the warehouse to cover the arrival of goods and subsequent shipments, which are more and more concentrated and with higher volumes of products to be handled; 27% sales, marketing and retail due to fairs and business trips mostly abroad, the remaining percentage is spread among the staff functions. The average monthly figure per employee, calculated compared to the average number of employees over the course of the year, has decreased compared to previous years.
The monthly trend of overtime hours shows higher levels at the beginning/end of the year and in the summer months, when goods arrive at the warehouse and collection samples are prepared.

The average value per employee, calculated on the basis of the average number of employees during the year, shows a decrease when referred to the previous years.

As usual, the monthly trend of overtime shows higher levels in the first/last months of the year and in the summer months, coinciding with the arrival of the products in the warehouse and the preparation of the sales samples.

Table 4.5 Hours of overtime worked

	2015	2016	2017
Total hours per year	11,793.37	11,605.95	9,016.30
Average per employee*	88.67	76.35	56.35

** The average per employee was calculated on the average number of employees in the year (160 in 2017) and not compared to the number of employees as at 31 December.*

Table 4.6 Average overtime hours per month, years 2015-2017 (including additional work)

	2015	2016	2017
Monthly average overtime hours	982.78	967.16	750.69
Monthly average per employee	7.39	6.36	4.69

Graph 4.1 Overtime hours in the three-year period 2015-2017

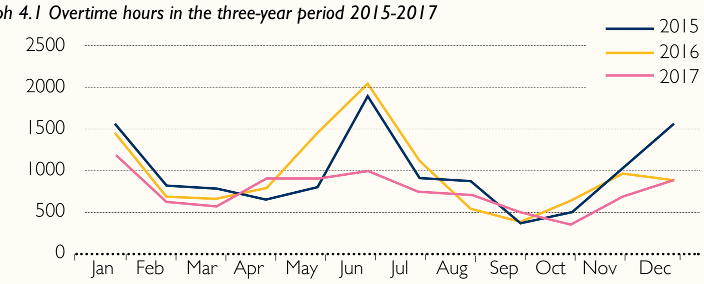


Table 4.7 Hours worked in 2015-2017

	2015			2016			2017		
	Total hours	Hours per person*	Days per person*	Total hours	Hours per person*	Days per person*	Total hours	Hours per person*	Days per person*
Sick leave	7,277.77	54.72	6.84	6,320.03	41.58	5.20	6,124.33	38,28	4.78
Maternity leave	12,159.00	n.s.	n.s.	11,877.50	n.s.	n.s.	8,868.00	n,s,	n.s.
Breastfeeding	1,230.00	n.s.	n.s.	1,195.00	n.s.	n.s.	1,171.00	n,s,	n.s.
Injury	76,17	n.s.	n.s.	403.50	n.s.	n.s.	280.00	n,s,	n.s.
Paid leave	9,004.53	67.70	n.s.	7,210.72	47.44	n.s.	6,989.63	43.69	n.s.
Holidays	21,016.07	158.02	19.75	22,794.47	149.96	18.75	25,392.47	158.70	19.84
Total absences	**50,763.54**	**381.68**	**47.71**	**49,801.22**	**327.64**	**40.95**	**48,825.43**	**305.16**	**38.14**
Normal working hours	235,279.39	1.769.02	221.13	259,478.82	1,707.10	213.39	274,768.87	1,717.31	214.66
Overtime and extra work time	11,793.38	88.67	11.08	11,605.95	76.35	9.54	9,016.30	56.35	7.04
Total presence	**247,072.77**	**1.857,69**	**232,21**	**271,084.77**	**1,783.45**	**222.93**	**283,785.17**	**1,773.66**	**221.71**

**The per-capita data has been achieved with reference to the average annual number of employees.*

The number of holidays actually taken is equal to 99% of what is set by the contract in terms of paid leave taken (assuming 20 paid leave days a year per average number of employees, independently of their work schedule). Paid leave includes absences for permits under Law 104. Twelve employees have a right to these permits for a total of 1,568 hours of paid permits used in the course of 2017, equal to 45% of the total number of hours allowed by the law.
In the three-year period only one employee resigned after the maternity leave. The resignation was validated by the Labour authority for the area.
Upon return from maternity leave, several employees have been granted customised working hours, greater flexibility, a period of part time work and at times, and when compatible with the role covered, forms of teleworking, although temporary.
According to the second-level contract agreement, Monnalisa guarantees all new fathers one day paid leave on top of all holidays and other days off granted by contract and by what is set by the laws in force. (Four days of mandatory leave).

[1] Paid leave of absence is paid according to Law 104/92 and charged to INPS. It is granted to: people with serious disabilities that are employed (they are owed 2 hours a day or 3 days per month that can be divided into hours); employees whose children have serious disabilities and are under the age of three (they are allowed to extend the optional leave of absence or may have 2 hours a day until the child turns three, or 3 days per month that can be divided into hours); employees that are a spouse, relative or similar of people with serious disabilities, within the 2nd degree of relationship (they have a right to 3 days per month, that can also be divided into hours).

HEALTH AND SAFETY

The National Employment Contracts applied set workplace health and safety as a priority and fulfil the need to consolidate and spread informed and partaken behaviour in complying with the legislative regulations in force. The objective is to eliminate or progressively reduce the risks at the source, improving the workplace ergonomic and organisational conditions as well as health levels and environmental protection.

Protection of the health and safety of workers is guaranteed by the human resources office that efficiently organizes the prevention and protection service as per requirements set by Legislative decree 09 April 2008, no. 81. Adequate training and information in matters concerning health and safety, with special reference to one's work place and responsibilities, has also involved the staff of the company salespoints, as well as the periodic update of documents concerning risk evaluation and various local units.

The routine meeting for risk prevention and protection - pursuant to Art. 35, Legislative decree 81/08 - took place towards the end of the year and the participants were: the Employer representative, the Head of prevention and protection (RSPP), the employee responsible for prevention and protection (ASPP), the competent doctor, the worker representatives for safety (RLS), the person responsible for the warehouse and the interface for the environment.

With reference to health supervision, we have appointed a single reference person for monitoring the sales points personnel on the national territory, and have confirmed the appointment of coordinating doctor to the competent doctor in Arezzo.
In the year 2017, we carried out personnel training in compliance with art. 37, by training new staff and holding RLS, first aid and fire prevention updating courses.
Monnalisa has continued to monitor the use of the IPD by the workers through the people in charge and, where necessary, it carries out specific awareness developing activities. We have increased all the emergency management teams, both for the fire fighter and the first aid personnel in all the local units.
In the various production and commercial sites we have identified a formal operational committee for health and safety, comprising management personnel and representatives of the workers, whose duty is to monitor and advise on programs for work safety. The percentage of the work force represented in this committee is 100%.

Work Related Injuries

During the year, we have registered one travel-related accident for a total of 51 days of prognosis. No accidents or requests for professional diseases occurred in other premises or offices.

The Incident report procedure was initiated, classifying it as an "almost" work related accident. In the course of 2017, we had six notifications, all closed. The activation of the procedure was preceded by training and informing sessions to the employees at the operating site of Badia al Pino, Arezzo and at the main warehouse.

Table 4.8 Work-related accidents, years 2015-2017

	Total number of work related injuries	Of which while commuting
2015	3 (2 women and 1 man)	0
2016	5 (all women)	0
2017	1 (1 woman)	1

DISCIPLINARY AND LITIGATION PROCEDURES

If and when necessary, Monnalisa applies disciplinary procedures established by the CCNL, the Italian national contract. Disputes are quite rare and are rather managed through conciliation, to avoid any impact in terms of time and money deriving from any lawsuit.

GUARANTEEING HIGH QUALITY STANDARDS IN RELATIONSHIPS

In order to build quality relationships to encourage customer loyalty, it is necessary to offer quality products and services capable of meeting the variety of needs in a reliable, customized and suitable way, also through the technological development of new communication channels.
Concerning the network of relationships developed with suppliers, Monnalisa promotes the relevance of their key role within the process of valorisation by supporting relationships based on transparency and correctness and guaranteeing the conditions needed for the realization of successful marketable products.

CUSTOMER LOYALTY AND RELIABILITY

Monnalisa distributes through a variety of channels: directly operated stores, the retail channel with directly owned stores (direct such as Monnalisa or indirect through subsidiaries abroad); monobrand wholesale, mono brand stores managed by independent customers linked to the company by distribution agreements; multibrand wholesale, sale to independent multibrand retail stores including department stores, as well as e-commerce, both monobrand - direct and indirect - and multibrand.

Whatever the characteristics of the retail channel with which Monnalisa collaborates, it guarantees strong commitment in sustaining distribution, showing that between customer and supplier there exists a real partnership. Among the several initiatives we can list: customised support in planning the layout and setting up the points of sale or part of one in the case of a corner; preparation of the start-up order, monitoring the assortment and selection; training of sales personnel on sales skills in visual merchandising also through on-site help by the Monnalisa expert in visual skills and remote support, co-management and organisation of in store events.

In order to keep the customers' solvency risk under control, Monnalisa safeguards its receivables through a primary insurance company. The company has also an online service to obtain real time business information on customers, helping it grant credit lines to customers with more awareness and monitor changes over time.

The quality of deliveries contributes to the good quality of client services, both in terms of number of shipments and percentage of delivery of confirmed orders. With reference to previous years, the average number of shipments per order has declined, while the percentage of processed orders has increased between 98 and 100%. (Table 4.10)

The return of items made by the customers may constitute a complaint when the product does not meet the quality expectations, however, in most cases, it may represent a commercial tool for customer service. In fact, the return of the goods is allowed to facilitate the customer in sales, by replacing slow moving goods with others more appropriate for the local market.

For each item returned for commercial reasons - not due to production or design defects - on average two are re-assorted (Table 4.11).

Table 4.9 Development of customer loyalty

	2015	2016	2017
Turnover Delta year on year*	+3.7%	-1.9%	-9%
Net turnover in terms of items	-13%	+0.24%	-3.39%
% of consolidated customers out of total clients	87%	81%	68.50%
Outgoing turnover (number of customers lost out of total clients)	22.30%	19.50%	35.50%
% of customers with litigation procedures at the end of the year over total clients	12%	5.6%	1%
CRR - Customer Retention Rate	81.74%	80.73%	63.95%

** The delta has been calculated by comparing the revenue from the reclassification table of the financial statement in relation to the management. Since the reclassification outlines have changed since last year, the indices of the previous years were also recalculated for a correct comparison of the data.*

Table 4.10 Reliability

	2015	2016	2017
Average number of shipments per order	3.53	3.82	4.48
% processed orders with 98% to 100% successful processing	78.29%	71.44%	78%
Re-stockings/returned goods (items)	2.07	1.75	1.37
% marketing and sales staff out of all the personnel	33%	36%	33%

Table 4.11 Sales returns out of total returns

	2015	2016	2017
% of sales returns out of total returns	86%	87%	88%

Monnalisa undergoes at least five internal audits a year, carried out by certified bodies for ISO9001 and SA8000, and as for the Annual Report certification, only for what concerns sustainability. Since 2015, the recently granted ISO 14001 involves environmental audits as well, while since 2016, the Annual Report certification is also carried out on the consolidated financial statements. These voluntary audits are followed by periodical ones from third parties (cartoon suppliers who collect royalties). Constant control over company processes guarantees high attention levels and performance in all areas. In the same way, Monnalisa directly carries out audits, either through qualified personnel or accredited third parties, at the premises of its suppliers of raw materials, finished products and piece-work. This effort contributes to the strong containment of the risk of loss of reputation or at least helps to manage it consciously.

NEW OPENING

Monnalisa: travel retail "takes off" at Florence airport

Florence, December 2017. The childrenswear brand confirms its pioneering spirit in innovative channels and their potential for recruiting new consumers. After the recent opening in July at Naples Capodichino, the largest airport of southern Italy connected with all the main European airports, Monnalisa increases its potential in travel retail by inaugurating a store at Florence airport (dedicated to the famous Florentine navigator Amerigo Vespucci), located at about 6 km, as the crow flies, from the Santa Maria Novella Station and the Santa Maria del Fiore Cathedral. The store, positioned in the departures area, is about 50 sqm and it has the usual contemporary-romantic concept: floors with floral patterns of a great character, crystal chandelier and white furniture with soft sophisticated lines.

Monnalisa: focus on China and consolidation in the Middle East and USA

Inauguration in 5 directly owned mono brand stores between China and Miami.

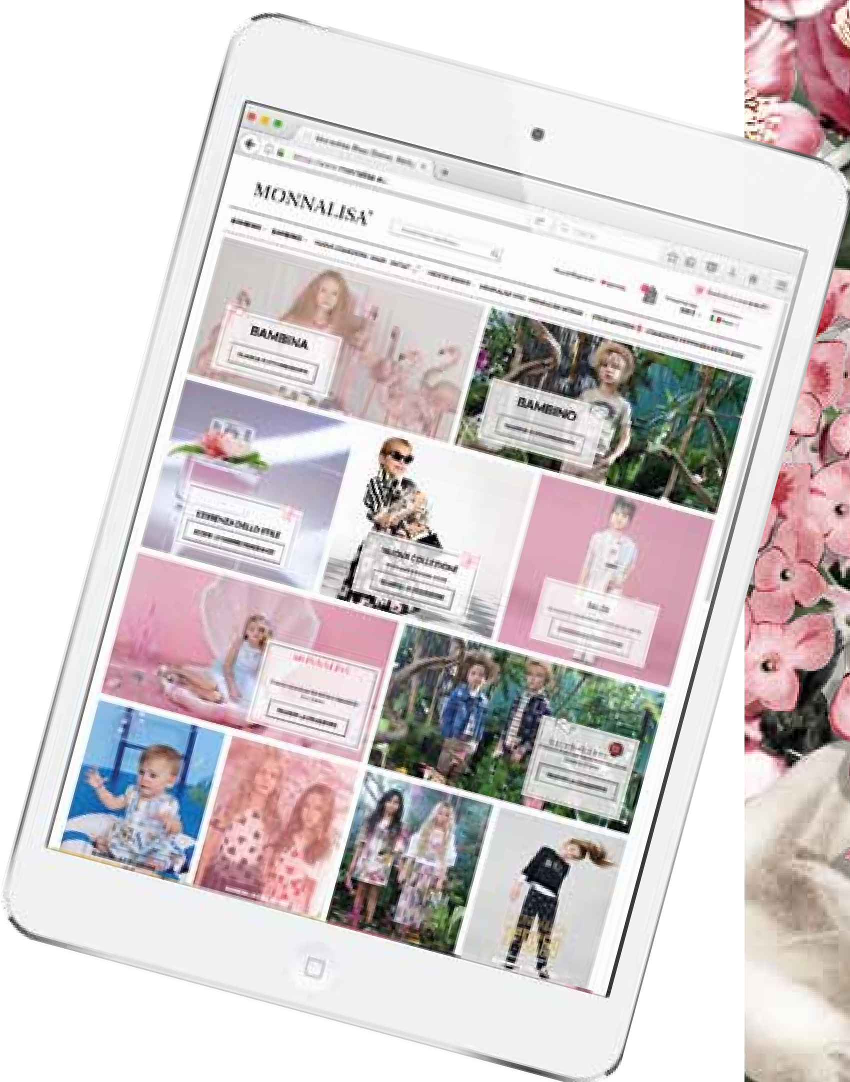
A quarter focused on new openings for the childrenswear brand, which confirms the attention on the second luxury market, the Far East, with the opening of 4 mono brands in strategic cities for shopping: in Hangzhou, one of the ancient capitals of China, and in Shenyang, an important industrial city, in the elegant Micx Mall; in Chengdu, new city of reference for shopping with its prestigious IFS; on 27th January in Shanghai, considered the economic capital, with a new opening at the IFC Mall. Great investments in China, but without forgetting consolidated markets such as the Middle East and the Usa.
Inaugurations in Dubai, one in BHV Marais at City Walk, designed by the architect Kristina Zanic, conceived as a department store that links the Oriental culture with the European, the other at "Level Kids"; a shop in shop in Abu Dhabi at the Yas Mall at the 200.000 sqm concept store Tryano, inspired by the theme of the "Garden of imagination" conceived for families; Next Spring, at the Dubai Festival City Mall, opening of a corner at the new Department Store Robinsons, belonging to the Chalhoub group. In Qatar, a shop in shop is opened inside the Mall of Quatar, one of the largest and most innovative in the World. Finally, new opening of the third boutique in Cairo, in the prestigious Four Season Hotel.
In the Usa, after New York and Los Angeles, inauguration at Bal Harbour, famous area of Miami, with the opening of the90 sq.m. mono brand store by the end of January.
Last, but not less important, the "domestic" opening in Kharkov and two more in Russia, in Moscow in the luxurious Crocus City Mall and in Vladivostok, "dominator of the East", the largest Russian port on the Pacific.

Florence - Italy

Ball Harbour - Miami

Moscow - Russia

DEVELOPING TECHNOLOGY AT THE SERVICE OF CUSTOMERS



B2B The B2B service consists of an e-commerce platform for retail customers, from where they can see the finished items ready for restocking in the warehouse. This enables the customers to select and purchase directly the items they need. The platform also includes a range of services that are more user friendly and speed up communication between company and sales network as well as company and retailers.

B2C The e-commerce platform has been growing fast over the last years, showing a +28% in the number of registered users compared to 2016. The number of viewed pages has also increased (+15%), while the average time spent visiting the site has decreased, meaning that the website navigation has improved. In just eight years, the number of subscribers has gone from 300 to over 27,000; this is the most important relational intangible asset of this tool. The e-commerce channel has improved its performance thanks to the success of the on-line boutique, the improvements made to the various company processes linked to this service, a wider range of items, the depth of the proposal, and the improvement in customer care through a customized and constant communication policy aimed at end consumers. In 2016, more services were added through the multi-language magazine. Customers can request: the material for gift wrapping, the total look page and transactional emails (notice for order confirmation, payment made, order shipment, missing items, etc.). 77% of the visits are made by new visitors.

Table 4.12 E-commerce B2C figures

	2015	2016	2017
Number of subscribers	16,381	21,431	27,454
Number of visits	653,934	1,065,572	1,224,126
Number of visited pages	9,277,168	11,358,701	10,595,492
Number of pages visualized per visit	14.19	10.66	8.66
Average time spent visiting the site	7' e 16"	6' e 46"	5' e 09"

Some comments
from our B2C customers

I just want to thank you for your - Amazing - service i got the dress so fast and the packing is soooo beautiful it was my first but for sure not my last order from you! Thank you Monnalisa Team

Package has just arrived. Accuracy and promptness are your strengths. I am happy to have chosen you.

Monnalisa uses safe payment systems managed by certified companies that use the best safety protocols. Transactions are guaranteed in form and substance through the checks carried out.

VISA AMERICAN EXPRESS PayPal MasterCard postepay CartaSi

Monnalisa's relational capital regarding the sales network, retail customers and end users is attracting more and more investments, also thanks to the improvement of connectivity, meaning the capability of communicating between different systems for the exchange of information.
In particular, about 35,000 external users - including agents, representatives, retailers and consumers (with the B2C) - connect with the company system. These interlocutors should be added to the group of people who are on the social network (Facebook, Pinterest, Instagram and Youtube) and all together form a community of 150,841 people including fans, users and followers, in constant growth.
There have never been breaches of privacy cases in the management of consumer or customer data.

The label

All Monnalisa items have a composition and care label of 10 x 3.5 cm on a resin support. The label carries the following information in ten languages: model, item, size, corresponding Chinese size, wash symbols, additional care instructions, Made In, royalty brand if the case and origin of leather (if used). The label is the result of a process that collects from suppliers all the information concerning the materials used to make the items; it also requires the integration of information in the central system, loading the data into a special management software which is updated in real time with the international norms on product labelling.

Product safety and guarantee

Monnalisa items are designed and tested for health and safety just like all garments and especially because they are worn by children. Regulations change from country to country, therefore, Monnalisa has chosen to take as reference the ones set by China - to this day the most restrictive set of rules on health and safety concerning the marketing of children wear.
Random checks on materials both from Italy and abroad were carried out in 2017, selecting the most used, the more recent and the potentially "at risk" ones.
Overall, a third party accredited body analysed materials for the summer season, of which 109 Italian fabrics and 91 for finished products. For the winter season, 175 raw materials (all from Italian suppliers) 76 samples of merchandised products of which 71 foreign.
The tests were made on models and types of fabrics used for the different models. Where needed, the test was repeated more than once to solve any occurred issue. Most tests were conducted to analyse the presence of azoic dyes, carcinogenic dyes, dispersed allergenic dyes, formaldehyde, heavy metals, pH levels, saliva, sweat, light and rubbing resistance of colour. All tests have given a positive result, confirming the healthiness of the products.
Materials with unsatisfactory test results (most of them involved the PH values) were treated to reach normal values. Since the beginning of 2016, the PH tests are made in-house in order to prevent and correct any anomalies before carrying out tests in China.
By explicit agreement with foreign and Italian suppliers, test costs are charged to Monnalisa only when the result is positive; in case of non-conformity, suppliers are responsible for covering test costs until they conform to standards. This policy aims at making suppliers aware of the product's health and safety hazards and encourage the production of items that conform to required standards.
The accredited certifying body that tests the garments, supplies Monnalisa with all updates on applicable laws. At the same time, the company also receives and takes into consideration topic newsletters arriving from an Italian chemical testing laboratory.
There have been no cases of products sold not conforming to the regulations of the specific country of destination.

Starting with the 2015 FW season, we sent all fabric suppliers communication regarding the need to comply with the parameters set out in GB18401 (Chinese National General Safety Technical Code for Textile Products), presenting a certification of compliance issued by an independent accredited third party. Since June 2016, the norms have been updated with the even more restrictive GB31701. In fact, restrictions regarding heavy metals in dyes and testing on flammability have also been added.

The application of Reach regulations is comprised in the themes concerning the absence of harmful substances from products; Reach is explicitly included in the code of conduct for Monnalisa suppliers with a specific clause in their agreement. Suppliers are progressively accepting these rules, sending their consent and expressing their commitment in adhering to the norms. To this day, 95% of finished product suppliers have returned their assent to the Reach commitment.

All the zippers and metal accessories used by Monnalisa are *nickel free*

[2] Reach regulation (Registration, Evaluation, Authorization and Restriction of Chemicals) aims to improve the awareness of dangers and risks deriving from chemical products and ensure a high level of protection on health and environment. Furthermore, this regulation promotes the development of alternative methods to those that use animals for the testing of danger from substances. Since 2013, all Monnalisa's suppliers are required to inform the company immediately when during the process they use non-authorised chemical substances or substances with values of concentration that are higher than the minimum safety levels set by the Community regulation.

EQUITY AND FAIRNESS TOWARDS SUPPLIERS

**In the companies that work on "programmed" and produce per client, "blind buying" is an order made to raw material suppliers that is not calculated on sales data projections but based only on historical data and an estimate made on the understanding of the collection. As such, they are a risk factor for the company as well as a financial commitment in advance with respect to the orders in projection or on final data.*

The payment terms defined with the suppliers are connected to the kind of product acquired. For the fabrics, the longest payment discounts the advance and the safety of the supply requested by Monnalisa, which by means of "blind buying" – an order made before the sales campaign has started – bears the risk of evaluation of the types and quantity of raw materials to be bought. So as to advance the times of the production process and therefore of the delivery to the customers.
Monnalisa, excepting claims on merchandise or services bought, regularly respects the contractual terms agreed with the supplier. This, along with the approach of the relations with suppliers in terms of partnership, protects the company from violation of the supply agreements.

Table 4.13 Contractual differed payments by type of supplier (in active list)

Type of supplier	30 days	60 days	90 days	120 days	Total
Fabrics	116	70	190	248	624
Accessories	45	72	102	62	281
Sub-contractors	41	250	6	5	302
Marketed	164	237	10	14	425

Since 2016, an agreement of ***reverse factoring*** was signed with an important banking institution. Monnalisa indicates all its most stable suppliers to the bank. They are offered the possibility of transferring their receivables from Monnalisa managing and advancing - under very favourable conditions - the receivables owed by the company. Monnalisa, being the company holding the agreement with the institution, is asked to collaborate to develop the project, to reach and meet the financial needs of most of the suppliers. To the suppliers, the advantage is to obtain inflowing cash in advance, while for both parties the advantage is in developing a more solid relationship.

SUPPLIER QUALITY ASSESSMENT

In managing its supply chain, Monnalisa utilises an active collaboration system with suppliers, stepping out of company borders and concentrating its activities upstream - towards suppliers - and downstream - towards its own customers. The company has so created a real collaborative and trustful relationship with all parties involved. This has developed into a network of businesses that work reciprocally for the same target and manages to create a greater added value in relation to the product offered, a higher level of service supplied to the customer, reduction in delivery times and consequently less total costs compared to competition. The intention is to move towards a supply chain management; therefore, through the involvement of all the companies that are part of the cycle, top-down, as collaboration with them is strategic in acquiring a specific competitive advantage in the market.

Process and product quality
At the end of each season, Monnalisa evaluates its suppliers. The evaluation is based on the quality of the supplied product/service, quality/price ratio, flexibility, creativity and versatility.
The percentage of suppliers with a good, fair or excellent quality index over the total number is quite high and in line with last year. This stems from the important legacy of competencies and knowledge capitalised in their relationship with Monnalisa and its supply chain.

Table 4.14 Evaluation of suppliers: summer season fabrics, piecework and finished products

	Fabrics					Piecework and Finished					Accessories				
	I	S	F	G	E	I	S	F	G	E	I	S	F	G	E
2015	1	4	14	10	1	2	10	27	18	1	3	10	7	10	23
2016	0	4	10	11	9	2	10	17	30	5	1	6	5	10	21
2017	0	8	14	13	3	4	11	24	24	4	0	1	5	6	21

I= insufficient; S= sufficient; F= fair; G= good; E= excellent

Table 4.15 Evaluation of suppliers: winter season fabrics, piecework and finished products

	Fabrics					Piecework and Finished					Accessories				
	I	S	F	G	E	I	S	F	G	E	I	S	F	G	E
2015	1	5	10	11	9	1	9	26	32	3	1	5	6	8	24
2016	0	6	11	14	3	8	8	23	18	6	1	5	9	6	21
2017	1	4	11	14	3	9	11	23	18	5	2	5	9	6	21

I= insufficient; S= sufficient; F= fair; G= good; E= excellent

Ethical quality
The supply chain analysis from a global point of view helps in showing that the suppliers are mainly Italian (over the total purchase volumes in 2017, only 29% are abroad, mainly located in China, Bulgaria, Poland, Spain, Taiwan, Egypt Turkey and France).
The SA8000 certification helps reduce the risk of countries where the violation of human rights occurs. The SA8000 regulation contains a specific requirement for the extension of control over the supply chain which allows the company to monitor (through the assessment questionnaire, commitment in complying with the requirements of the norm and audits on suppliers) the entire supply chain, including the new potential suppliers. All supply contracts between Monnalisa and suppliers include working practices, and social, environmental and sustainability aspects. 100% of suppliers are asked to adapt and comply with the SA8000 requirements and with what is set in the Monnalisa code of conduct.
The audits carried out (by third parties and Monnalisa) are also added to this. The audits are planned according to a number of factors among which type of production, size and location of the company as well as result of previous audits.

76.7%

% of suppliers with QI good/fair/excellent on the total of evaluated suppliers (average of the two seasons considered)

Table 4.16 Audits on suppliers

	2015	2016	2017
Number of visits to suppliers	**11**	**10**	**10**
Of which in Italy	9	8	6
Of which abroad	2	2	4

Audit

The audits carried out in 2017 cover about 19% of purchases considering value of material and workmanship. If we consider the purchased goods of the past three years for the same categories, the audits cover 34% of purchases.
Specifically, three suppliers of marketed items in China, six in Italy and a supplier in Bulgaria have been audited.
To increase the coverage rate of audited suppliers we have established a new position in Shanghai who acts as a go-between person between local suppliers and Monnalisa to make sure standards in products and process are uniform in following the social responsibility requirements set by SA8000 and by the code of conduct for suppliers. The resource has attained the certificate of "SA8000 introduction and basic auditor training" in the month of September 2017.
The audits carried out at our suppliers' premises did not reveal any serious non-conformity; on the contrary, aspects to be improved were pointed out and shared with the concerned firms. Disney audits also take place on Chinese suppliers that make goods with Disney images subject to royalties. These audits are aimed at verifying the company compliance with ethical clauses of the Disney code of conduct. We are still developing a section of the web portal dedicated to suppliers. It will also include a section for reporting supposed anomalies/violations of human rights, working practices and social and environmental aspects that can be managed with the SA8000 system similarly to internal issues (see chap. 7 of this document).

Code of conduct

Monnalisa has developed a code of conduct for suppliers which is a real agreement clause and includes the standards to which the company must adhere. The aim of this action is to increase commitment in terms of sustainability on the entire supply chain. The code includes the requirements indicated by the SA8000, as well as clauses on the environment, product safety and the protection of company know-how. When signing the supply contract, of which the code represents a specific clause, the supplier commits to take on positive actions to carry out the code and accept audits by the customer to verify the correct operation. The code of conduct for suppliers can be visualized and read on the company's website at: http://portal.monnalisa.eu/comunicazione_istituzionale/responsabilita_sociale_it-IT/codice_di_condotta_per_i_fornitori.aspx. Following the introduction of the 231 compliance system, the contracts and codes of conduct will be integrated with other requirements.

The evaluation process of suppliers

The level of criticality of a supplier with reference to the content of the SA8000, ISO 9001 an ISO 14001 regulations is established on the basis of the occurrence of one or more of the following conditions:
1. Reduced and artisanal dimension of the supplier
2. Location of the supplier in high risk areas
3. Service suppliers in sectors where it is easier to ignore worker's rights

Not all service suppliers are subject to evaluation but only those that supply or furnish services that fall inside the main production cycle, while "voluntarily" excluding the "secondary" ones.
The supply relationship is regulated by supply orders and the related order confirmations, contracts or written agreements. All the suppliers receive a company presentation document, which explains the Monnalisa values and mission, the quality and social responsibility policy, the environmental policy, the ISO 9001, SA8000 and ISO 14001 standards to which it subscribes as well as the Code of Conduct which includes clauses concerning the environment, the safety of the products and the protection of the company know-how. The document is returned to the company countersigned by the supplier for its acceptance
For the purpose of evaluation, all suppliers also receive – at the beginning of the collaboration relationship – a self-evaluation questionnaire, containing questions related to information on the supplier, Human Resources, Health and Safety, SA 8000, ISO 9001, ISO 14001 and data management. The supplier is asked to fill in and return the questionnaire digitally and to undertake to respect the requirements of the regulations and accept the eventual inspections announced or not by Monnalisa.
At the exchange of documents the Monnalisa inspection audit may be carried out to evaluate the actual conformity of the supplier with the answers given in the Self-evaluation Questionnaire.
Any non-conformities noted during the audit are recorded in the system and notified in writing to the supplier, suggesting – wherever possible – the actions to be undertaken and the timetable to do it. Following a negative result of the visit, the supplier must prepare an improvement plan to remove the causes of the non-conformities noted. Should the evaluation be positive yet with reservations, the supplier on standby is informed on the problems found and further evaluations and audits are planned. The supplier is expected to guarantee compliance with Monnalisa demands on by the subcontractors the same supplier may have hired.

Environmental Quality

Regarding the assessment of suppliers on environmental issues, this was started in 2015 with the introduction of the environmental assessment on top of quality and social responsibility.
The said activity is mainly addressed to assess the technical and organisational abilities of Monnalisa suppliers in terms of environment. The self-assessment questionnaires created summarise the concepts expressed by the UNI EN ISO 14001 norm, based on which the same supplier is assessed. The requirements set by the norm have been applied more or less in depth, depending on the technical and organisational level of the supplier being assessed as well as the relevance to environment.
Considering the high number of suppliers, we have decided to "audit" only the suppliers with a large turnover as well as those new to Monnalisa. In the details of the self-assessment questionaires sent in 2017 the percentage of answers for raw material suppliers was 26%. From the answers received you can see that those that produce noticeable environmental impacts have responded positively to the request of application of procedures for the control and management of environmental performance and the attainment of specific authorizations. The same have implemented or intend to implement improvements (mainly technological) to reduce the environmental impact, which will be verified in the following audits.
On the other hand, the finished products suppliers show a response rate equal to 59% of the total. From an analysis of the answers it appears that 70% of the suppliers have implemented procedures for the control and management of their environmental performances, as well as an internal staff person with the role of environmental controller.
A positive result comes from the piecework suppliers, 96% of whom has returned the completed self-evaluation questionnaire. From the answers received it appears that the suppliers do not generate noticeable impacts; however, it must be underlined that some of them, despite the recognition of "low environmental risk" of their activity, have foreseen a specific position for the enactment of the environmental control and management procedures.
Besides suppliers of materials linked to products, there are also suppliers of maintenance services, transportation, collection, waste etc. This group of suppliers is assessed by the Environmental Management System with specific objective parameters for the evaluation, approved by the certifying body, assigning to the supplier a mark based on environmental and legislative criteria. Of these, 64% of assessed suppliers have received a Good evaluation, 29% Excellent and the remaining 7% Mediocre.
The results show that most of the suppliers of services are reliable and allow the company to maintain a collaborative relationship without specific issues; as for the remaining ones, with a mediocre mark, improvement plans have been imposed for improvement.
As the environmental management system is being extended to the operational cutting unit, in the year 2018 the service suppliers of the same will be included in the environmental evaluation.

Chic

MONNALISA

ENCOURAGING VALORISATION...

A sustainable approach is evident in the relation towards the people working in and for the company, in the awareness of the company's role and the value it awards to stakeholders and in the relationship between company and stakeholders.
With reference to personnel, this means promoting policies acknowledging staff contribution, emphasizing their experiences and skills, providing growth and self-development opportunities based on the different needs and potential, in line with the business development plan.
As for relationships with suppliers, improvement is only possible through an approach fostering partnership and mutual growth.

...of human capital

In the relationship with its collaborators, Monnalisa's primary objective is to emphasize an often unspoken component that goes beyond the business aspect and involves vitality, energy, knowledge and dedication. All initiatives concerning human resources are aimed at focusing on this aspect in everyone, improving the strength of the trust-based relationship and bond with the collaborator, with an evident positive impact on the work quality and well-being of people both in and out of the company.

Initiatives in Human Resources

All newly hired staff (graduated and not) are granted contract levels according to responsibilities assigned to them, after that they fall into the career review system under which all employees fall, as set by the company's remuneration policy approved by the Board of Directors.
Every year the company carries out an analysis on internal and external fairness to compare positions and salary levels. For higher positions, a similar analysis compares the findings to what the market offers (analysis on external fairness).
These valuations together with the review of employee performances lead to a number of initiatives aimed at the development of individuals. (Table 6.1)

On top of the periodical raises set by the contract, the company has invested an extra of approximately € 81,000 in "ad personam" raises and promotions.

Since the company is medium-sized, it tends to be a family business and is strongly linked to the local community; it has a naturally non- vertical hierarchical structure. Therefore, employees often have career growth opportunities by taking on different and more ample responsibilities. For this reason, several people carry out several roles with professionalism and competence. This appears in the versatility index, which shows the percentage of people who have covered other positions further to the current one within the company. This aspect is without doubt the sign of intellectual liveliness and capacity to change whether on the part of the company or the employees (Table 6.2).

Table 6.1 Personnel growth plans

Type	2015	2016	2017
Increase in salary	6	21	18
Promotions	6	11	15
Transformation of a fixed-term to permanent contract	6	11	6
Change of position	1	0	1
Renewal of fixed-term contracts	1	2	5
Change in job description with new responsibilities	8	4	3
Ad personam reward	4	0	0

Table 6.2 Versatility Index

	2015	2016	2017
Versatility Index	26%	29%	29%


Monnalisa

Motivational system

The aim of the system is to redistribute the produced wealth and acknowledge the contribution given by each person to the success of the company. A second level agreement was signed with the unions and deposited, improving and adding on to what is set by the applicable national contract. In the case of satisfactory corporate profitability, all employees on staff as at 1 June, who have been employed for at least 8 months in the previous year (even if not consecutive), are granted a bonus in cash. The bonus is linked to the productivity, profitability, innovation, quality and efficiency objectives assigned to each area, and are of different entity, reflecting the professional profile and work area. The last agreement made in 2017 has introduced the "bonus sacrifice", which gives the employee the choice to convert all or part of the bonus assigned into welfare (flexible benefit).

Satisfactory profitability, efficiency, productivity, innovation and quality objectives were not reached in 2016, therefore, in 2017 the company could not implement the agreement on the awarding system. However, the 2017 profitability results will allow the company to grant the bonus in 2018 to all those who have a right to it.

Trade contract incentive plan

Monnalisa operates with two national employment contracts: one for the trade sector and the other for the garment and textile industry. Acknowledging the peculiarities of the two different work contexts, the incentive systems are also different. The company signed a supplementary second level contract agreement for Monnalisa employees who are under the trade contract, such as all the staff working in the shops in Italy.
The incentive system operates by cluster per type of sales point (boutique, outlet, outlet in a shopping center, outlet in a shopping center with turnover higher than 800.000€ per year), and it sets a monthly bonus based on percentage of sales target reached in the same period. The agreement allows the employee to give all or part of the bonus obtained to welfare (flexible benefit). The agreement entered into force in January 2018.

Supplementary pension plan

Under the welfare project and with the aim of developing the awareness in collaborators on the importance of supplementary pension plans, Monnalisa has made a multiple agreement for the adhesion of all individuals to an open-ended Pension Fund Azimut Previdenza. The fund is an extra opportunity and an alternative to the one included in the contract (Previmoda).
Azimut can be used by all those who wish to implement a supplementary pension plan on a personal basis. Adhesion to this plan is free and voluntary; however, Monnalisa has committed to pay for all employees who adhere to it, 1.5% of the gross annual retribution, net of the variable elements. As at 31/12/2017, following the presentation of the plan, 27 employees adhered to it compared to the 18 in 2016

Supplementary health plan

On the last negotiation and renewal of the National Labour contract, we added the supplementary health plan also for the workers under the textile-garments industry contract. The benefit will be available to them as of 1 April 2018.
Monnalisa has been very active for some time in this important point for people, without waiting for steps imposed by the contract and has invested independently in implementing it. Starting in 2015, all the staff in force under a permanent National Collective Labour Contract for the Industry are granted a supplementary health plan as in plan A of the FasiOpen package. If requested by the employee, the health plan can be extended to their family by paying an extra amount. The FasiOpen Health plan does not foresee selecting risks; it works through a widespread network of facilities and professionals that have an agreement with the organisation and allows working on illness prevention, which has become a primary theme. The investment to the company is of about € 19,000 per year.
The company has chosen to continue with the Fasiopen healthcare agreement rather than adhere to Sanimoda, the plan chosen by the textile industry companies, as the plans are equivalent in both coverage and cost sustained by the company.
Over 272 healthcare services provided, 25% were specialist medical examinations with private specialists, 44% were co-payment tickets and diagnostic examinations, while a further 25% were used for dental care. From 2015 to 2017, the services provided have more than tripled.

2018 Welfare Index Rating

The rating classifies Small to Medium-sized Businesses (in a sample of 4014 companies) under five categories, with an ascending value from 1W to 5W, with the aim of allowing the companies to communicate their welfare level clearly, turning the Rating into a competitive advantage. Monnalisa has adhered to the initiative promoted by Generali and the Association of Industries, for the second year and was awarded a 5W, the top Welfare Champion category (awarded to 38 companies of the sample, 1%). The Small to Medium-sized Businesses to which the index algorithm assigns a status of 5W are "companies characterised by several factors: Wide-relevance welfare (at least 8 areas covered under the Small to Medium-sized Businesses Welfare Index), high intensity (normally more than one initiative per area, even beyond the measures set by the national contracts), orientation and social innovation, significant financial and organisational commitment and systematic involvement of staff".

Flexible benefit

The employees include 123 women and 52 men with an average age of 41. 57% of the staff have children; the average number of children per person is 1.66. Considering the staff composition, Monnalisa has also focused on aspects of staff compensation and their purchasing power, trying - where possible - to reduce the tax wedge on labour, giving more and better, while enhancing the resources set in the budget.
A flexible benefit system has been introduced and implemented for the first time starting in June 2016, after a second level company agreement with the unions. Each professional profile has been assigned an amount which can be spent by the collaborator choosing among the items referred to in the TUIR (Income Tax Consolidation Act) under articles 51 and 100. The bonus can be used for the refund of their children's school canteen cost, the kindergarten tuition or summer camp tuition; it can also be used to pay for the gym, a trip, a magazine subscription as well as cinema tickets. In 2017, the company granted flexible benefits to 143 people, with an average per person of € 640 and a total investment made by the company of about € 92,000. The flexible benefit appears to have been mainly used in health expenses and children education. (35% and 30% respectively of the total cost of the benefit).

Business trip policy

The company has set a business trip policy for all the collaborators who incur in travel expenses during business trips and authorized missions. The policy sets the procedures to guarantee the best planning and booking of services necessary for missions and is based on the principles of: collaborator safety, minimizing environmental impact, combining comfort, efficiency and reduction of sustained costs and guaranteeing fairness in the process for all collaborators.

Travel Insurance

The number of collaborators travelling worldwide is significant as the company is highly international. Therefore, Monnalisa has implemented an insurance policy to cover travel worldwide, covering the most serious illnesses and injuries, for safer travelling of all collaborators.

Developing competencies

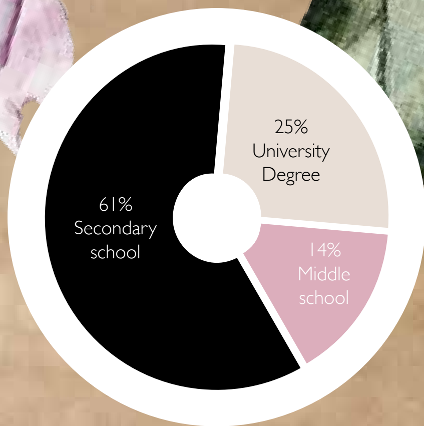
Analyzing employees per qualification shows a 4.0% in increase in employees holding a university degree.

If we assign a rising score to the type of qualification obtained (from primary school to a university degree) we can deduct a synthetic index of education of the employees equal to 3 over a scale from 1-4 (Table 6.3).

The number of training hours in absolute value has grown compared to the previous year (+34%). There has been a strong increase in real training hours, especially carried out externally (Table 6.4).

Among the training courses started in 2017 we can list: workplace safety, Customs management in imports and exports, customer experience, Cad design, trade negotiation and management of collaborators. Out of the total number of hours dedicated to training, 329 hours were dedicated to themes concerning health and safety.
Although each course is only aimed at some employees, the didactic material is available to everyone and is common property through the company Intranet.

Individual and turnover percentage invested in training take into consideration training expenses in the Income statement; however, the promotion of external training with in-house trainers, the valorisation of subsidised training (for example by Fondimpresa and specific provincial grants) and the cost estimate of employee training opportunities are also considered.
In addition, the expenses for books or periodicals for updating personnel are to be indirectly accounted for in training expenses.



Graph 6.1 Personnel educational background

Table 6.3 Index of employee education

	2015	2016	2017
Synthetic index of employee education	3.04	3.06	3.10

*Table 6.4 Education and training**

	2015	2016	2017
No. of employees involved in educational activities	78	86	117
Total number of educational and training hours	2,472	3,320	2,731
No. of training hours to change or improve job description and responsibilities (in-house trainers)	40	0	0
No. of training hours for newly hired (in-house trainers)	1,260	1,640	1,120
No. of in-house training hours with in-house trainers	1,300	1,640	1,120
No. of in-house training hours with external trainers	741	862	905
No. of external training hours	431	818	764
Average number of educational and training hours per employee	16.15	21.84	17.06
Average number of training hours per employee	13.33	11.05	10.07

** Calculation of training hours for newly hired and for employees with a new job description results from an estimation of the average time necessary to gain full autonomy in the required position. This initiative involved employees whose job responsibilities had changed and newly employed people, without including the continuing seasonal staff, trained in previous years.*

Table 6.5 Training per gender

	Number of training hours per gender	Average of training hours per gender	Average of training hours per gender*
Women	1,827	22.83	12.02
Men	905	27.41	39.33

**Ratio between the number of training hours per category and the total number of employees per category in December*

Table 6.6 Training per category

	Number of training hours per category	Average number of training hours per category	Average number of training hours per category*
Office Staff	1,826.5	18.45	13.43
Workers	905	60.30	23.19

**Ratio between the number of training hours per category and the total number of employees per category in December*

Table 6.7 Role-based training

	2015	2016	2017
Number of people interested in role-based training*	23	45	45
Number of role-based training activities carried out	22	38	29

**Of which 33 women and 12 men*

Table 6.8 Investment in training

	2015	2016	2017
Training investment per person*	958.99	888.05	695.33
Percentage of turnover invested in training	0.32%	0.34%	0.26%

**In order to calculate the ratio, we have considered the average consistency of the work force during the year (160 people)*

Remuneration policies

Total remunerations, both direct and indirect, have slightly increased, as a consequence of the incorporation of all staff from the satellite companies into Monnalisa. (Table 6.9).
Compared to last year, both remunerations and the average cost of labor have increased.

There are two employment contracts applied by Monnalisa: The Trade Contract for staff working in the shops and the Textile and Garment Industry Contract for all other collaborators. In terms of numbers, as at 31/12/2017, 70 employees belong to the trade area and 135 belong to the industry. The National Collective Labour Contract was renewed on 30 March 2015 for the period 2015-2017. The reviewed minimums in the tables have obtained an average increase of € 85 for the 4th level to be divided into 5 instalments (two in 2015, two in 2016 and one in 2017). The existing National Collective Labour Contract for the garment and textile industry was renewed on 21 February 2017 with an agreement hypothesis, and operating from 1 April 2016 to 31 December 2019. As of 1 April 2017, the national contract has acknowledged an average increase of € 25 (ref. to 4th level of contract). As of 1st July 2018 and 1st July 2019, further average increases, on the minimum salary figures, of € 25 e € 20 gross respectively have been decided.

Starting this year, the data concerning level 8 (executives) is also taken into consideration, becoming the most significant sample compared to previous years.

The difference between contractual remuneration and remunerations at Monnalisa increases progressively as the level of the position grows; the influence of remunerations for equivalent positions in the market is stronger. (Table 6.11 - 6.12).

For the first time, female staff compensation appears higher than the male staff in several employment levels, where it is not, the difference is contained, with only one exception at the sixth level (Table 6.13).

All employees on trade contract - except for one - are women; therefore, comparing male compensations to female ones is not substantial.

*Table 6.9 Direct and indirect remuneration, years 2015-2017**

	2015	2016	2017
Remunerations	4,153,038	4,589,780	5,142,106
Social security and welfare	1,246,625	1,336,121	1,468,572
Severance indemnities	288,667	324,274	239,083
Total	**5,688,330**	**6,250,175**	**6,849,761**

**Monnalisa and its employees. Temporary workers and staff at the French and Spanish branches as well as PR offices in London and Viernheim are not included.*

Table 6.10 Labour cost and gross average remuneration, years 2015-2017

	2015	2016	2017
Labour cost per employee	42,769.40	41,119.57	42,811.01
Gross average remuneration per employee	31,225.85	30,195.92	32,138.16

In order to calculate the indicators, we have considered the average number of the staff in the year of reference.

Table 6.11 Difference between remunerations at Monnalisa and Industry National Collective Labour Contract (CCNL)*

Position (workers and employees)	No. of people	M	W	Basic salary CCNL*	Monnalisa average**	Average variance	Average variance %
8th level	6	3	3	2,173.53	4,435.92	2,262.39	104%
7th level	11	7	4	1,971.17	3,472.71	1,501.54	76%
6th level	12	2	10	1,879.20	2,664.27	785.07	42%
5th level	64	10	54	1,760.30	1,936.34	176.04	10%
4th level	22	13	9	1,674.51	1,790.22	115.71	7%
3rd level	19	16	3	1,599.31	1,604.57	5.26	0%
2nd level	1	1	0	1,519.38	1,519.38	-	0%

**Monnalisa average remuneration is calculated net of seniority step increments*

Table 6.12 Difference between remunerations at Monnalisa and Trade National Collective Labour Contract (CCNL)*

Position (workers and employees)	No. of people	M	W	Basic salary CCNL*	Monnalisa average**	Average variance	Average variance %
1st level	6	0	6	2,223.06	2,506.54	283.48	13%
2nd level	1	0	1	2,010.80	2,010.80	-	0%
3rd level	3	0	3	1,772.54	1,871.33	98.79	6%
4th level	60	1	59	1,607.91	1,648.45	40.54	3%

**Monnalisa average compensation is calculated net of seniority step increments*

Table 6.13 Variance between male and female average compensation (Industry*

Position	Level	No. of men	No. of women	Ratio between male and female remuneration
Office staff	8th	3	3	124%
Office staff	7th	6	5	101%
Office staff	6th	2	10	75%
Office staff	5th	8	43	106%
Office staff	4th	7	8	93%
Workers	5th	2	11	100%
Workers	4th	6	1	95%
Workers	3rd	16	3	99%
Workers	2nd	1	0	-

**The calculation of average compensation is net of seniority step increments*

ENCOURAGING THE VALORISATION OF RELATIONAL CAPITAL

The reasoning behind the collaboration of Monnalisa with its main suppliers is based on the creation of a long-term partnership, which concretely means sharing objectives and instruments to find high quality and efficiency professional solutions to reach mutually satisfying results.
This positivity of this process is evident from the strong and lasting relationships created with the main suppliers. The company tends to privilege those suppliers that mostly co-operate with its research, development and testing activities. Over time, Monnalisa establishes an enduring and generally steady relationship with these companies.

Relationship stability and dependency on suppliers

In the following analysis, only those product and service suppliers who have a direct impact on business productivity are analysed. We specifically refer to suppliers of fabrics, accessories, marketed products and processing services (cutting, sewing, ironing and other stages of the process) (Table 6.14).

On average, more than half the established suppliers (suppliers the company has worked with in at least two of the last four seasons) are the ongoing suppliers (from whom the company has purchased in all of the last four collections), proving stability and solidity in the relationship (Table 6.15).
If we revert the focus on purchase volumes we obtain the supplier dependency index, which is the percentage of purchase volumes from the first ten suppliers over the total purchased per type (Table 6.16).
The index has increased for subcontractors while it has decreased in all other categories.

Table 6.14 Number of suppliers per type (listed, established, ongoing)

Type of supplier	Number of listed suppliers	Of which established suppliers *(at least 2 out of 4 seasons)*	Of which ongoing suppliers *(4 out of 4 seasons)*
Fabrics	624	42	20
Accessories	281	48	27
Sub-contractors	302	28	20
Marketed	425	47	16

Table 6.15 Supplier relationship stability index

Type of supplier	% ongoing/ established		
	2015	**2016**	**2017**
Fabrics	51%	50%	48%
Accessories	52%	61%	56%
Sub-contractors	83%	72%	71%
Marketed	26%	47%	34%
Total percentage	**51%**	**57%**	**50%**

Table 6.16 Supplier dependency index

	2015	**2016**	**2017**
Fabrics	79%	84%	79%
Accessories	71%	75%	72%
Sub-contractors	65%	59%	62%
Marketed	84%	78%	74%


MONNALISA®

TRANSPARENT AND SUCCESSFUL COMMUNICATION AND INVOLVEMENT

Establishing and maintaining profitable relationships with all main stakeholders depends on the company's capacity to promote participation and involvement through regular and appropriate spaces for dialogue. In this chapter, we report on communication and information initiatives - from company policies and choices, to the distinctive features of offered products - to convey a more thorough knowledge of Monnalisa. These initiatives add on to more structured involvement strategies that the company has implemented in order to communicate with stakeholders and to find the most suitable solutions to their expectations.

Monnalisa

COMMUNICATION

Stakeholders themselves often ask Monnalisa to inform them on its identity and choices. In such a context, Monnalisa has set up information and communication initiatives addressed to employees (internal communication) and, more generally, to all stakeholders; these activities are based on the values of transparency, clarity, efficiency and suitability.

within the Company

The in-house portal has become the first tool of communication inside the company, through the bulletin on the home page (used by Human resources, Communication and General Management); information, communications and notices can be sent to all offices or individuals. Information is both widespread and official and the recipients may reply through the "comments" function.
The portal section dedicated to Human Resources contains all documentation relative to the employment records and access to one's payroll record. All the videos of presentations and meetings of plenary interest are posted here to share them with the collaborators who do not work in the main offices.

outside the Company

The main outbound communication channel is advertising, since it enables the company to communicate company and brand identity through products and newsletters to all external interlocutors.

Monnalisa does not adhere to specific voluntary codes or standards on marketing and advertising activities. However, since it is aimed at children, and involves advertising messages, Monnalisa refuses images and poses that could be offensive to the dignity of the child as such. To date, there were no cases of non-compliance to regulations and voluntary codes referred to marketing activities including advertisement, promotion and sponsorship.

To measure the ratio between investments in advertising and the exploitation of all advertising appeared both paid and free, we calculated the internal contribution index for advertising which is the ratio between investments in advertising financed by Monnalisa, and the exploitation of the entire advertising activity implemented, either paid or free sponsored, appearing in main newspapers and TV channels internationally.
The investment of 7 advertising pages has yielded a return of 161 pages of editorials on all the news editions, paper and Web all over the World, to which we must add the TV editorials (equivalent to seven pages).

Table 7.1 Internal contribution index for advertising

	2015	2016	2017
Internal contribution index for advertising	10.12%	11.94%	7.83%

Traditional advertising is combined with web advertising, communicated through the company website (monnalisa.eu) and the presence on social networks. Although the website has several institutional pages, the e-commerce function is automatically connected. Access data have been mentioned in chapter 4.

In Store Events

In 2017, 155 in store events were organized, 25 of these took place in Italy. To the five traditional formats, we have added new particular event projects, country specific or connected to anniversaries or special occurrences.

Snow White's 80th anniversary

For the 80th anniversary of Snow White and the Seven Dwarfs, we created a puzzle inspired by the Fall/Winter 2016/17 Disney theme collection. In all the main mono brand stores, little girls were invited to create a maxi puzzle of their beloved cartoons, represented in the Monnalisa prints, and they received a pocket version as a gift.

Milano Design Week

For the Milano Design Week, we provided a virtual reality activity to enjoy the Living set-ups available in the flagship store in the capital of Lombardy.

Vogue Fashion Night Out

On the Vogue Fashion Night Out event, on the most fashionable day of the year, we launched the TELL ME A STORY event. To play with slightly mischievous stories, inspired by mood & colours, with the contribution of John Peter Sloan - The school.

Christmas Garlands

At Christmas, in some Chinese and Russian mono brands, we organized a Christmas Garlands lab, to create beautiful decorative garlands used in the local tradition.

INVOLVEMENT

Involvement activities that Monnalisa periodically carries out are aimed at meeting stakeholders' expectations and at finding new intervention areas to provide suitable solutions. The involvement process, started more than ten years ago, is characterized by the company policy of offering what it believes are the most appropriate solutions and promoting them through this report.
In the normal course of its business, Monnalisa – as any other socio-economic body – is in contact with a large number of subjects who, in different ways, are all interested in pursuing the company mission and therefore have expectations in being informed on the company's activities and performances.
What joins the stakeholders is the object of interest (the company) but not all the expectations towards it are common and shared; so it is the company's role to:

- confirm, through behaviour and accountability, the specific trust received from the internal and external stakeholders;
- mediate the expectations (both declared and unspoken) of the stakeholders, giving absolute priority to the interest of the autonomous interlocutor, i.e. the "company", since it must justify and reflect all the stakeholders' interests, including potential and future ones.

involvement within the Company THE STAFF

Staff information and involvement

With the new edition of the SA8000 2014 norm, Monnalisa has approved a new management policy which has led it to set up the Social Performance Team (SPT) in 2016; it includes a balanced representation of SA8000 staff and management representatives, giving a new role to the previously formed Ethics Committee. The members of the SPT have been trained in detail on the new aspects of the new edition of this norm. Among other tasks, the SPT also reports to the Board of Directors and to the CEO all critical issues that can occur in relation to social and environmental responsibility, as well as on all notices and complaints received by the stakeholders.

In 2017, notices increased to 12, from the 10 of the previous year, all of which were analysed by SPT during the regular periodic meetings held in February, April, June, September and December.

The notices came from the central headquarters and from the operational departments, either through a direct communication from SA8000 staff representatives or through the Ideas Box, guaranteeing anonimity.

All notices received have been answered, including negative responses (3 notices), after having revised and defined the action plan with the SPT. The meeting reports are posted on the internal staff portal. The requests that received a negative response refer to: the possibility of receiving meal vouchers in substitution of the conventional canteen; closing the company during the central week of August and the possibility of bringing a pet to the workplace.

The notices issued from the Ethics committee plus the notices collected by the HR office, in the form of advice, requests, remarks and complaints that could lead to non-conformities, will integrate the ones which could be noticed during the internal audits of the company management systems. Among the ones received in 2017 there are no notices concerning violations of human rights. All notices received are answered (even when it is anonymous). Therefore, 100% of the notices were received and processed.

involvement outside the Company CONSUMERS

In an increasingly social market in which the time spent on the web grows exponentially from year to year, the social rules change and consumer behaviours evolve, the creation of institutional accounts on main networks is of the greatest importance.

Monnalisa is on Facebook, Pinterest, Youtube and Instagram, and they are all linked together.
Posts of items, company news, catalogue images, and links to e-commerce are completed with posts of in-depth analysis of themes linked to the market of reference. All this makes it possible to listen to user needs, convert them into specific products and services, monitor words and conversations on the brand to improve the relationship with end consumers, develop contents that generate added value, and create opportunities for people to feel closer to Monnalisa's world.
These are the main objectives the company has set and to which we add - as relational marketing increases - finding and involving opinion leaders that can convey trust in, generate the fame and improve the reputation of the company.
To date, the company has 58,860 fans on Facebook, 1.180 followers and 426.820 views on Youtube and 2,101 followers on Pinterest and 88,700 on Instagram.

How to motivate the sustainability report

One of the aspects of this document is the choice made by the company to involve all the staff in putting it together. Staff involvement in writing up an Annual Report has as a first consequence that of increasing the awareness of a significant number of employees on the performances carried out in the year object of the Report. However, improving in sharing this document also means increasing the number of people that can contribute in the collection and comment of the data, giving a better and in-depth interpretation. Concretely, the employees responsible for the different company competency areas were asked to collect and comment the data necessary to write the Report; furthermore, specific people involved in particular and innovative projects either as collaborators or person in charge, were asked to explain the characteristics of their commitment and their contribution in pursuing the company objectives. The contributions obtained through both methods were included in the Statement.

WHAT THEY SAY ABOUT US

customers

Monnalisa's collections, as well as image and communication activities, are positively perceived by customers. The surveys periodically published on Fashion magazine - based on a significant sample of Italian customers - show that the market holds Monnalisa in high regard.The company is always at the top as best seller in both seasons.

employees

Last year, we started a project for the creation of the Monnalisa Shopping Experience with the contribution and participation of various company offices: sales, HR, retail and e-commerce.

Through the focus group technique and the use of interviews, we have tried to identify the means to convey to the final consumer, the true essence of Monnalisa, so that each person in the sales point could be a Monnalisa "ambassador" while guaranteeing that the company values are really internalized and lived by the consumer and the customer.

In discussing the Monnalisa values, the following emerged as common feelings:
- creativity and innovation
- commitment and transparency
- care and loyalty.

The shared values must be "passed on" to the consumer during the various phases of the interaction with the company inside the sales point, and in the relationships with the Monnalisa brand ambassadors.

The effort to engage and share has contributed to the preparation of the Monnalisa Shopping Experience Handbook issued to all the company retail personnel in Italy and the World. Many training sessions have been held to inform staff on the Handbook's content and the behaviour it suggests.

At the beginning of 2018, we started a Mistery Shopping Project, with the aim of evaluating how and to what extent Monnalisa is capable of being the ambassador of its values with its consumers.

SHOPPING EXPERIENCE & CUSTOMER ENGAGEMENT CEREMONY

★ Ensure that the brand values are transmitted to the end user

★ Ensure that the standard of service is the same all over the World

★ Implement a unique and brand identifiable selling ceremony

★ Create a strong relationship with the customers who must be "pampered" by an attentive CRM system

MONNALISA

is a community founded on

CREATIVITY

- Offer variety
- Textures, materials & embroideries used
- First to launch e-commerce in Italy in kidswear (2006)
- First to publish a sustainability report (2001)
- First to implement inventory visibility systems (2010)
- First to propose total looks in kidswear industry (1968)

COMMITMENT

- Product label
- Product certifications
- Sustainability reports
- Employee internal portal
- Clean energy (used for all the warehouse and HQ)
- FSC certified paper for shopping bags

CARE

- Product safety
- Relationship with clients
- Post sale service
- Product details and quality
- CSR policy, also in terms of employees
- Family company with long term vision

the community and the institutions

Barbara Bertocci is awarded the prize:
“NAPOLI MODA DESIGN”
Kids section

Naples, 3rd May 2017- Barbara Bertocci, creative manager of Monnalisa, received an award for the Kids category during the opening event of Napoli Moda Design, in the beautiful setting of Villa Pignatelli. Sponsor of the event, Simona Ventura. Napoli Moda Design, now at its second edition, is a circuit of exhibitions, installations and happenings involving the Italian and International excellence in the fashion and design sectors.

CONTRIBUTING TO THE TERRITORY'S DEVELOPMENT

Monnalisa's relationship with its "territories" is based in the acknowledgement of the role it has taken on. The company pursues business aims while keeping in mind the impact on the territory it operates in. Monnalisa wishes to be a sustainable enterprise contributing to economic and social development while reducing the environmental impact deriving from its activities.

Socially

Contributing to the growth of satellite businesses

As pointed out in chapter 4, the staff at Monnalisa has increased by 10 units since 2016 (Table 8.1).

Consistent with this growth, company resource distribution areas have also expanded (Graph 8.1).

The female population (Table 8.2) prevails with a ratio of 2.36 between women and men.
The average age is 41. Table 8.3 shows staff distribution per gender and function/placement.
Monnalisa has a flat hierarchical structure due to its size, family origin and history. Therefore, many employees from the office staff have important responsibilities, per sales and purchase budgets, or per type of activities carried out and the number of people they coordinate. These people should be valued more in order to acknowledge their autonomy and implicit managership in the company.

Compared to previous years, the division among genres in the assignment of roles with top responsibilities shows an inversion, and roles are proportionately assigned to the female population. Most employees and management come from the province of Arezzo and from Tuscany.

The tables and graphs that follow, take into consideration only employees with an Italian Employment Contract, therefore the staff at the French and Spanish branches, and those at the representative offices in Germany and the UK, for a total of 11 people, are not included.

Graph 8.1. Monnalisa employees per area

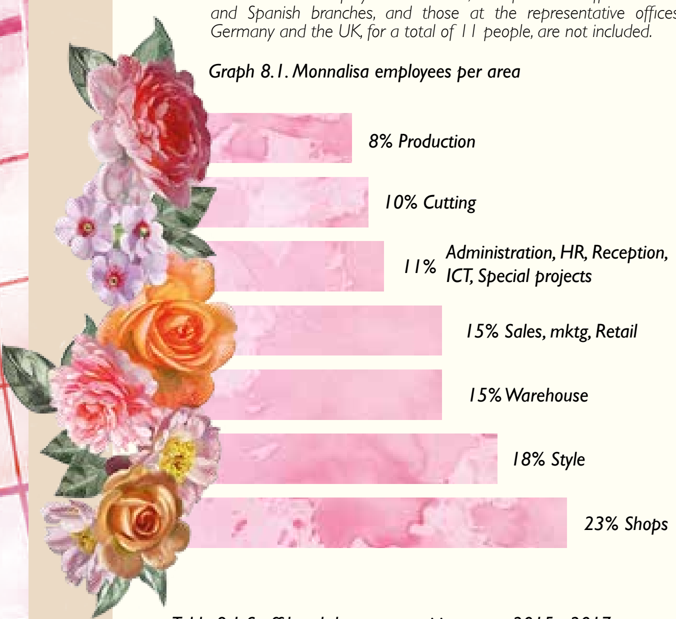


Table 8.1 Staff breakdown per position, years 2015 - 2017

	2015	2016	2017
Executives	0	0	0
Office staff and Senior managers	115	126	137
Workers and Middle-ranking managers	38	39	38
Total	**153**	**165**	**175**

Table 8.2 MONNALISA - Staff breakdown per age and gender

	Female staff				Male staff			
Age	EXE.	OFF.	WRKRS	TOT	EXE.	OFF.	WRKRS	TOT
<18	0	0	0	**0**	0	0	0	**0**
18-30	0	18	2	**20**	0	5	2	**7**
31-40	0	41	0	**41**	0	5	7	**12**
41-50	0	36	8	**44**	0	9	9	**18**
51-60	0	13	4	**17**	0	8	6	**14**
Over	0	1	0	**1**	0	1	0	**1**
Total	**0**	**109**	**14**	**123**	**0**	**28**	**24**	**52**

Table 8.3 Distribution of women and men per function

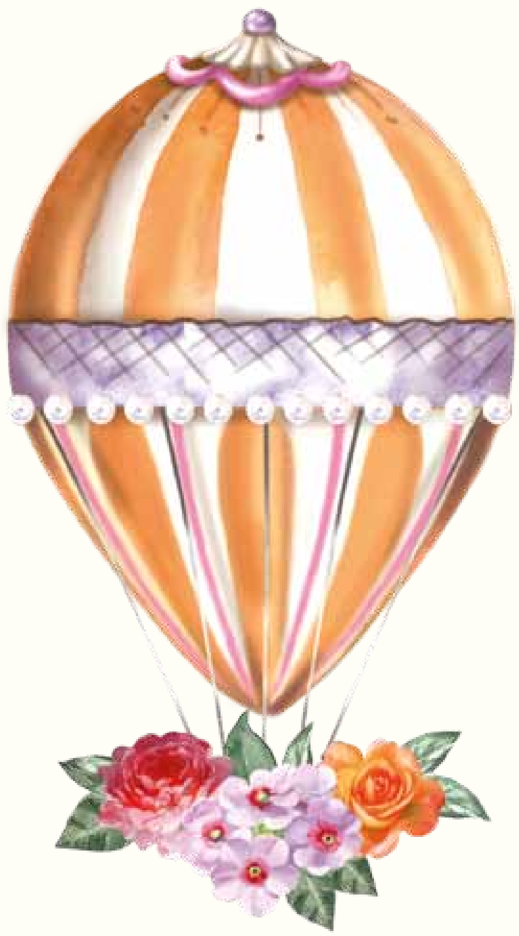
	Women	Men
Senior managers and office staff with responsibilities	22	11
Office staff	91	17
Workers	14	24

CVs

Monnalisa uses a web-based system for the management and filing of CVs linked to the page "Work for us" in the company portal. All CVs received by the company, whatever the channel used to submit them, are processed through the same management software in order to have a constantly updated database and find the needed profiles through appropriate filters. The same tool keeps track of interviews held and related comments. The applicants who have been accepted by the system can modify their data at any time. 792 applicants registered in 2017.

Internship

Where the conditions require it, Monnalisa hires young people on a professional apprenticeship contract, which allows the company to offer a professional qualification in the job market to people aged 18-29. Over the past three years, the company signed three apprenticeship contracts; two of these are now regular contracts and one is still an apprenticeship.



Graph 8.2 Breakdown of staff per contract type

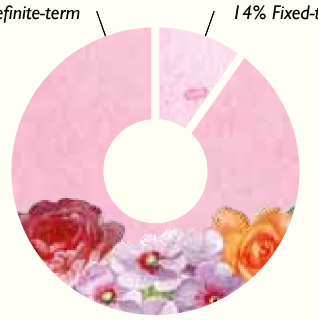


Table 8.4 CVs, interviews, recruited units

	2015	2016	2017
Received CVs	909	884	906
Interviews	140	243	203
Recruited	41	39	40

Table 8.5 Interviews, internships and recruitments under 30

	2015	2016	2017
Interviews carried out	140	243	203
Internships carried out (percentage over total staff)	11%	18%	10%
Under 30s employed over total new staff	22%	31%	38%

Giving a score (from one to five) to each indicator, based on historical company data and on the sustainability of the commitments undertaken for the company, it is possible to establish an openness rate towards new resources.

Table 8.6 New resources openness rate

	2015 indicator	2016 indicator	2017 indicator	Weight	2015 rate	2016 rate	2017 rate
Interviews carried out	3.88	6.75	5.64	20%			
Internships carried out (percentage over total staff)	2.20	3	1.67	30%	2.31	3.49	2.77
Under 30s employed over total new staff	1.76	2.48	2.28	50%			

The indicator highlights a positive openness towards new resources, which continues over time.

	2015	2016	2017
Under 30s currently employed	25	19	24

There are twenty-four young employees at Monnalisa, eight hold a university degree; thirteen are on an indefinite-term contract and twelve who were initially working for the company as trainees have then been hired.
All the new employees are hired under the collective agreement based on their initial position; over time, depending on personal skills and professional growth, they may continue their career development.

Contract types

As at 31/12/2017, the company had a staff of 175 employees, 25 on fixed-term contracts and 150 (107 women) on indefinite-term contracts. In 2017, six terminating fixed-term contracts were turned into indefinite contracts.
There are 25 resources on fixed-term contracts, 12 work in direct stores, 6 in the warehouse as seasonal staff and the remaining four are resources added to help with increased workloads occurred in specific areas. The average staff age on fixed-term contracts is 33 (against 37 last year), sixteen women and nine men.

	2015	2016	2017
Percentage of continuing seasonal staff over total seasonal staff	100%	83%	63%

Monnalisa has a second level company agreement interpreting the idea of "seasonal work", which has extended the types of work defined as seasonal by the National Collective Employment Contract, and it includes the work carried out in warehouses during the peak of arrival and shipment of goods. The agreement stresses the continuity in seasonal workers as well as stabilisation where possible (100% of staff on indefinite contracts in the warehouse originally started as seasonal workers). Furthermore, two new aspects have been introduced:

- Creating a pool/list of seasonal workers from which the company can eventually hire permanently, with a strict ranking system based on seniority, age and skills.
- Involving warehouse workers in training activities organised within the company even during non-contractual periods. This training opportunity is extended to seasonal workers who will decide whether to participate or not, and their decision will have no consequence on any future fixed term contracts.

In 2017, we used the list of applicants to hire office staff for an understaffed office, therefore the employment contract was stabilised.

Approximately 15 % of the 175 employees, is on a part time contract, the contracts are personalized in the weekly hours worked and how the hours are distributed over the week. 25 out of the 26 resources on a part-time contract are women. The company accepts requests for part time contracts even for limited periods due to specific and temporary needs, to help in the reconciliation of professional and private life. Part time is not the only opportunity; teleworking is also a possibility at Monnalisa. Three resources needed - and were granted - the opportunity to take it to reconcile their family life and their professional life. An agreement on smart working will be worked out in the course of 2018.

Monnalisa in the world

the subsidiaries

Monnalisa Hong Kong Ltd - Set up on 25.08.2015 under Hong Kong law, it is the commercial company of Monnalisa Group for the administrative region of Hong Kong and South-East Asia. Monnalisa Hong Kong Ltd manages the wholesale market, imports Monnalisa Group goods and manages wholesale and retail distribution channels in the countries where it operates.

ML Retail USA Inc. - Set up on 22 September 2016 under US Law, it is the commercial company of Monnalisa Group for the United states of America and Canada. ML Retail USA Inc. was set up to manage the wholesale market, to import Monnalisa Group goods and also to manage wholesale and retail distribution channels in the countries where it operates.

Monnalisa China Ltd - Set up on 17 February 2016 under the laws of China, it is the commercial company of Monnalisa Group for the People's Republic of China. Monnalisa China Ltd was set up to manage the wholesale market, to import Monnalisa Group goods and also to manage wholesale and retail distribution channels in the People's Republic of China.

Monnalisa Korea Ltd - Set up on 28 December 2016 under the laws of South Korea, it is the commercial company of Monnalisa Group for South Korea. Monnalisa Korea Ltd was set up to manage the wholesale market, import Monnalisa Group goods, and to manage wholesale and retail distribution channels in the country where it operates.

Monnalisa RUS Llc - Set up on 14 January 2016 under the Russian laws, it is the commercial company of Monnalisa Group for Russia. Monnalisa Rus LLC was set up to manage the local wholesale market, import Monnalisa Group goods, and also to manage wholesale and retail distribution channels in the countries where it operates.

Monnalisa Brazil Ltda - Set up on 22 December 2016 under Brazilian laws, it is the commercial company of Monnalisa Group for Brazil and all Latin American countries. Monnalisa Brazil Ltda manages the local wholesale market, imports Monnalisa Group goods and manages wholesale and retail distribution channels in the above mentioned countries.

As at 31/12/2017, the subsidiaries employed 79 people all together, organized as follows:

	Fixed term contract	Permanent contract	Total
ML Retail USA Inc.		2	2
Monnalisa Brazil	4	1	5
Monnalisa CHINA	51		51
Monnalisa Hong Kong	8		8
Monnalisa Russia		13	13
	63	**16**	**79**

	Women	Men	Total
ML Retail USA Inc.	2		2
Monnalisa Brazil	5		5
Monnalisa CHINA	51		51
Monnalisa Hong Kong	8		8
Monnalisa Russia	12	1	13
	78	**1**	**79**

Each Monnalisa Group company defines its own governance, recruitment policies, management and personnel training independently and in line with its own needs. Nevertheless, all personnel policies in Italy and abroad are inspired by the company values, the principles set by the Code of Ethics and all the applicable laws and provisions set by the SA8000 certification.

We have drawn up and sent out a Staff Handbook to all Monnalisa Group employees in every company and country: The handbook contains all policies and procedures regarding employment in line with the local laws. In some contexts, the personnel policies are better than what is set by the law. One such example is China, where employment contracts grant 5 days of annual leave, while the Chinese subsidiary has decided to grant two more days a year after one year of seniority and an extra day for each year of seniority, up to a maximum of 15 days of annual leave.

On the occasion of the legal due diligence to which Monnalisa Group has been submitted to for the AIM listing, the employment laws of the Chinese and Russian subsidiaries were also audited as they are the two major subsidiaries in terms of turnover and staff. In both cases, criticalities did not appear; on the contrary, the companies are accepting and implementing improvements.

Suppliers

Purchases related to the company's core ore business include raw materials (fabrics and accessories), semi-finished items (sub-contractors) and marketed items (finished items). Table 8.7 shows the geographical distribution of last year's suppliers.
Geographical distribution of supplies varies depending on the purchased item. Considering purchase volumes, overall the figure in percentage still shows an increase in the Italian share.
The foreign countries for supplies are Turkey, China, Egypt and France, the latter only for raw materials. Over time, the countries we supply from may change depending on type of product needed, workmanship and materials for sourcing, as well as macro-economic and political conditions that may make a supplying country more or less sustainable. When verifying this aspect, Monnalisa also keeps in mind the WGI (Worldwide Governance Indicators) ranking, which classifies the risk of every world country considering several factors such as: political stability, administrative efficiency, public participation, the legal system, corruption and regulatory quality.

If we could imagine a trade balance of the quantified volumes exchanged between Italy and abroad, the turnover made abroad is almost five times the purchased amount. The company creates added value and distributes wealth locally (i.e. in Italy) and globally.

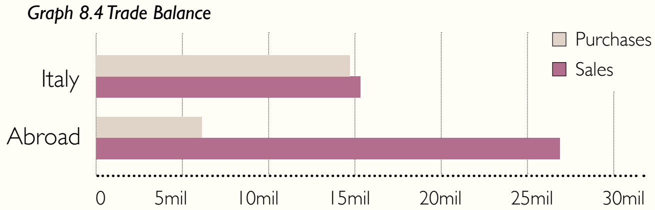
In 2017, thanks to company surveys and collaboration proposals presented by new sub-contractors and suppliers of marketed items, 22 contacts were collected and filed. Potential suppliers have been examined through exploratory meetings and analysis of counter-samples or work tests. After the assessment, the company has signed supply contracts with 14 workshops/suppliers.

Table 8.7 Geographical distribution of suppliers per product type

	Fabric	Accessories	Subcontractors	Marketed
Tuscany	39%	18%	65%	13%
Lombardy	41%	33%	3%	3%
Emilia Romagna	2%	22%	3%	3%
Umbria	0	4%	19%	4%
Rest of Italy	4%	15%	8%	30%
Abroad	14%	9%	3%	46%

Graph 8.3 Distribution of purchase volumes (raw materials, sub-contractors and marketed products)

Graph 8.4 Trade Balance



Relationship with the local community

Monnalisa has always cooperated with schools, universities and post-graduate education in two ways: by accepting young students to attend internships and by giving lectures at schools and universities on Monnalisa's experience in dealing with the various aspects of management, internationalization or social responsibility.
Every year Monnalisa plans internships per area of competence. The candidates may either apply directly or through universities, schools, vocational education centres and specialisation centres. At times, the company contacts those institutions and centres directly, looking for young people for internship projects.

The internships can be activated by trainees, for different reasons, such as:

- to write their thesis for the completion of a degree course,
- to complete a particular curricular obligation and gain credits,
- to access the business world,
- to introduce mentally or physically disabled people to work.

Monnalisa and Training

Of the eighteen granted internships, 70% of them received a monthly allowance for expenses; however, every intern had a guaranteed meal at our company restaurant.

Internships carried out in 2017 led to 7 recruitments between 2017 and 2018

Internship Policy

Monnalisa guarantees all trainees: a tutor who will assist them during their apprenticeship, an agreed training project related to previous education and experience, a personal workspace (with PC and e-mail account), participation in in-house meetings which are relevant to the internship, external canteen service and a monthly allowance up to 500 Euros maximum, where the conditions require it.

Candidates for Internships and theses

On the company's portal portal.monnalisa.eu, in the section "Internship and thesis", we post all open positions for internships. The application can be submitted, by filling the online form. Under the same section, the company posts themes of interest to university students who may apply to work on their university thesis on these themes.

Traineeship for children of company staff

Under Welfare policies, we introduced the opportunity for the children of Monnalisa employees to be granted traineeships at the company. Five traineeship positions a year are made available to the children of employees, in any of the local units of the company and in any department. If it is a traineeship not linked to school nor university (extracurricular traineeship), the mandatory reimbursement is granted for an amount that varies depending on the region where the traineeship is carried out; if it is a work experience through the school or university system (curricular internship) plan, there is no reimbursement. For all types of traineeships, the participants have access to the company food service providers.

University of Siena's Career Day

Last October, Monnalisa participated in the initiative promoted by the University of Siena; a day in which the working world meets students, students about to graduate and those who have just graduated. 44 young people were interviewed at the company stand set up for the occasion; one of them was granted a paid traineeship at Monnalisa.

Table 8.8 2017 internships

Promoter	No. of Trainees	Period	Training field
University of Siena	1	6 months	Human Resources
Employment Centre of Arezzo	1	6 months	Technical Office
Metropolitan City of Naples	1	2 months	Naples Showroom
Employment Centre of Arezzo	1	3 months	Marketing
4stars Regione Lombardia	1	6 months	Milano Showroom
University of Siena	1	6 months	Administration
PIN Polo universitario città di Prato	1	2 weeks	Marketing
University of Lyon	1	1 1/2 months	Marketing
Employment Centre of Arezzo	1	6 months	Retail office
Employment Centre of Arezzo	1	5 months	Sales
Metropolitan City of Naples	1	3 months	Naples Showroom
Employment Centre of Arezzo	1	6 months	Returned Goods Warehouse
University of Florence	1	3 months	Human Resources
Milano Fashion Institute	1	6 months	Press Office Milano
University of Siena	1	6 months	Special Projects
SLIN No One Left Behind	1	6 months	E-commerce warehouse
University of Siena	1	3 months	Export Sales Office
University of Venice	1	3 months	Communication

Made in Tuscany Academy

Monnalisa is a founding member of the Fondazione Istituto Tecnico Superiore M.I.T.A. (Made in Italy Tuscany Academy), a unique highly specialised secondary school in Tuscany, operating in the field of made in Italy. One the objectives of the foundation is to ensure that post-secondary school, highly qualified technical experts are trained to meet the needs of the made in Italy sector, mainly in the field of fashion. Furthermore, another objective is to support innovation measures and the transfer of technology to small-medium businesses, encourage technical and scientific culture and sustain integration among the education, training and work systems.

It4Fashion Firenze

Fashion is a yearly convention first held in 2011, it focuses on the use of new technologies supporting the management of luxury supply chains. The event revolves around the presentation of case studies given by the major companies of the sector, inside an exhibition context dedicated to software and hardware solutions for the support of the entire life cycle of the product. Since 2017, the event has included a recruitment day in the program to offer the possibility of a first job interview with the participating companies. An opportunity for the companies to select the best talents. Monnalisa, always participates with a speaker and has had the possibility of interviewing 33 high potential young participants.

SLIN (No-one left behind)

Monnalisa participates in the No-one Left Behind project for the development of innovative ways to help the vulnerable and people with disabilities join the working world. Thanks to this project, a long-term internship was set up so that both parties, the company and the trainee, benefit from the experience.

Diary of an intern

Matteo Scortecci

Hi. I'm Matteo,
I'm from Arezzo and I graduated in Communication Sciences at the University of Bologna. I have always been greatly interested in fashion. After my degree, I had some short experiences at communication agencies until I was finally accepted for an internship at Monnalisa. Being from Arezzo, I have always seen Monnalisa as a model: from a small family managed company it has become a prominent and respected company worldwide. However, from the inside I have realized that it is far more. This company relies on people and this is why it cares for the wellbeing of its staff. This care is evident as soon as you step through the company's main door. Thanks to this climate, it is hard not to feel immediately at home. During my experience, I have had the opportunity to meet incredible people and stories that enriched me professionally and personally. The active environment allowed me to work in different fields, taking on several responsibilities over time. I could not have found a better training experience, I am truly grateful for the opportunity and for having been part of this great team.

Elise Veluire

I am Elise,
a 23-year old French student attending the first year of a Master in Foreign Languages and International Trade at the Jean Moulin Lyon 3 University, in Lyon. After having completed two internships in exports, one in Italy and the other in France, I decided to do the internship at Monnalisa in Arezzo to gain some experience in international trade. I was not afraid of living and working in a foreign country, considering that I had spent one year in Ireland at the university, and a two-month internship at a company in Brescia and that for some time I have been coming to Arezzo once a year to stay with a family for a language exchange experience. What's more, I recently studied at the LUISS Guido Carli University in Rome, through the Erasmus program. During these two months, June and July, Monnalisa has given me the chance to work in a welcoming, active and family-like environment, where I learned about international purchasing and about the outsourcing process of a company operating in the fashion industry, the ultimate aim of my experience.

Monnalisa and corporate responsibility

In order to share and encourage the debate on the themes concerning corporate social responsibility and social reporting, you can contact the company through a contact form on www.monnalisa.eu. It is possible to download the annual report from the company website, with no need for registration or submitting a request, this has been done to make information more easily available and faster to obtain. Both the full document and single chapters can be downloaded in pdf format.

Sodalitas Foundation

Monnalisa has joined Fondazione Sodalitas since 2010. It is a territorial association part of the Confederation of Italian Industry and its aims are to create a bridge between enterprises and non-profit entities. The foundation and the enterprises develop together projects to promote enterprise sustainability in the Italian market.The companies that have joined Sodalitas share the same aim, they wish to operate according to socially and economically innovative parameters to favour responsible and sustainable competitiveness and therefore contribute in the development of an inclusive, fair and cohesive society (www.sodalitas.it).

Consorzio Sviluppo Pratacci

Monnalisa participated in the creation of Consorzio Sviluppo Pratacci, an association that groups all the enterprises of the Arezzo industrial area with the aim of carrying out all the preliminary activities connected to re- qualifying, improving and maintaining the Pratacci urban area, to favour and promote the activities of each enterprise. Among the ideas that were proposed to and accepted by the Public Administration: the need to improve the road system, the lighting, local traffic and the road signs.

Consorzio Arezzo Fashion

Monnalisa is a member of Consorzio Arezzo Fashion. The Consortium was founded to revitalize the fashion and jewellery industries in Arezzo by promoting new brands, educating young students and training professionals in order to meet the local labour market demand. Piero della Francesca high school in Arezzo plays an important role together in this project, with ten companies in the fashion, accessories and jewellery industries. Other parties involved are: Arci, the Province of Arezzo and trade associations which have offered their support and firmly believe in this initiative

The Foundation

Monnalisa has set up the Foundation to concentrate corporate donations and to rationalize the aid and contribute to the realization of specific projects in line with the values of the company and the owner family. Over time, the Foundation has become a real community foundation, which pursues the improvement of the life style of a specific local community and strengthens solidarity ties among those who operate and live in that specific territory, embracing the causes of that community and doing fund raising activities to support them. A real community foundation has been created starting from a body set up thanks to the contribution of the founding members; all the social actors of this community (institutions, for-profit enterprises, non-profit organisations and individuals) feel involved and consequently are the protagonists who concretely take part in the initiatives to the advantage of the entire community.

Initiatives supporting sports and culture

Monnalisa supports:
- The sports club Polisportiva Savinese, affiliated to the F.I.P.A.V., to allow the male volleyball team to take part in the national C league championship
- The Arezzo Baseball Club.

In the Industrial area of Pratacci, Monnalisa has a defibrillator for the entire community and at least 18 people in the company have been trained to use it and in CPR. 8 if the 18 were trained in 2017.

Monnalisa's internal policy does not contemplate contributions to political parties or politicians.

*In January 2018, at the Pitti Bimbo show, Piero Iacomoni presented his autobiography: "**The Entrepreneur of Monte San Savino**". Proceeds from the sale will be donated to Fondazione Monnalisa*

CONTRIBUTING TO THE TERRITORY'S DEVELOPMENT

from an environmental point of view

Over the last years, the difference between the exploitation of our natural resources and the real availability has been increasing. In this context, enterprises assume a fundamental role in the protection of the environmental conditions where they operate. Furthermore, consumers are becoming more sensitive to sustainability related themes, so much so that they are shifting their purchase preferences towards low environmental impact products.
On the one hand, enterprises have the need to create value for all their stakeholders and maintain their competitive advantage over time; on the other, they cannot be exempt from preserving the environment with appropriate actions to guarantee the wellbeing of present and future generations.

Monnalisa is sensitive to these themes and is constantly proactive in environmental protection. In this respect, since March 2015, Monnalisa has obtained the UNI EN ISO 14001:2004 certification that allows the analysis and control of the entire environmental management system and promotes measurable improvement plans.

This Report includes the main headquarters[1], the rented warehouse[2] for programmed production and the operating offices at Badia al Pino[3] (for the storage of all raw materials and accessories, quality control, rolling out and cutting of fabrics) and the Montepulciano office[4].

Environmental performance indicators

The type of productive process and location of the company premises do not entail specific risks linked to environmental change; however, Monnalisa is active in trying to limit any negative impact on the environment that may derive from its activities.
In fact, Monnalisa has developed a system to monitor its main consumptions. This will enable the company to take action when the data exceed the parameters considered appropriate. No fines or sanctions have ever been received for not conforming to environmental rules and laws.

1. Via Madame Curie 7 Arezzo
2. Via Giacomo Puccini 119 Arezzo
3. Via di Basserone 12, Civitella in Val di Chiana (AR)
4. Via Mencattelli 38/E, Montepulciano (SI)

BUSINESS TRIPS AND DELIVERIES

It is in the international nature of Monnalisa to handle an amount of goods both in purchasing from and in selling to foreign countries, which entails the management of a thick network of relationships with customers, agents, importers and suppliers, who are all over the world.
The environmental impact generated by company activities in the field of mobility can be divided into:

- People mobility: trips made by company personnel to manage its network of relationships
- Goods mobility: inbound for the purchase (often imports) of raw materials and marketed goods, while outbound for the shipment of finished products to the final customers in Italy and abroad..

The impact of both types of mobility were computed with web-based calculators, based on amount of goods shipped and number of passengers per itinerary.

People mobility

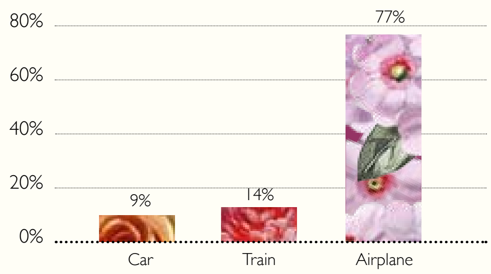
Increasing the openings of company owned stores abroad has inevitably generated an increase in kilometres travelled. Most of the trips were made to foreign destinations outside Europe. Of the approximately 870,000 km travelled in total (-23% compared to 2016), 77% were flights. In relation to the previous year, trips in Italy show a slight increase in the use of trains and cars over the total means considered (Graph 8.6); however, the number of km by railway and car show a reduction of 9,000 km and 7,500 km respectively compared to 2016.

Goods mobility

Monnalisa ships its collections worldwide. As for shipments in Italy, the number is in line with the previous year. However, we recorded an increase in total km covered owed to an increase in destinations and a distribution of shipments to more distant cities from the handling centre.
An increase of approximately 9%, appears in the number of shipments abroad, European Union and Extra European Union, mainly due to the increase in new destinations compared to 2016.
Road transportation with trucks is the most used, covering 69% of the total km travelled.

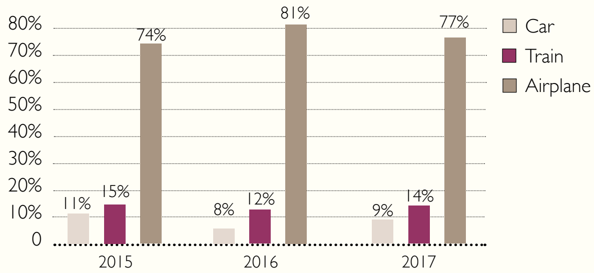
To outgoing shipments, we should add the transportation of incoming goods from abroad arriving at Monnalisa, mostly for marketed garments. These items mainly come from Asia. They travel for about 982,000 km. The 9% increase compared to 2016, depends on the increase in number of legs from China, with a preference of air shipment over other means of transport. The choice depends on the company's aim to privilege speed and punctuality in delivery of finished products. Of 118 shipments that reach Italy, 57% are by plane, 33% by ship and 10% by truck.

*Graph 8.5 Percentage of trips in km, per type and means of transportation used **

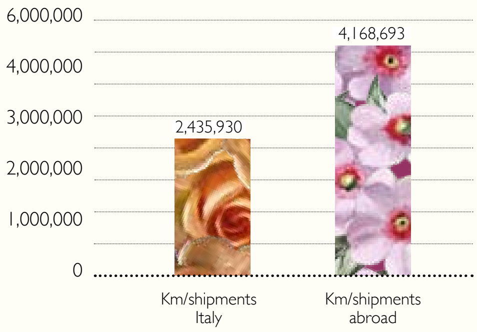


**The estimate of km made was calculated using calculators available on the web. The km travelled on land were calculated departing from the main headquarters in Arezzo to the point of destination (www.viamichelin.it, http://it.distanze-chilometriche.himmera.com/), while for the km travelled by air the distance was calculated from the airports of departure to destination. Two calculators available on the web have been used here as well (http://www.webflyer.com/travel/mileage_calculator/index.php and http://www.gc.kls2.com/).*

Graph 8.6 Comparison per year of the percentage of km covered for trips, analysed per means of transportation used



*Graph 8.7 Shipments (in km)**



**The km covered have been very conservatively calculated in that they are not generated by the real route followed by the goods towards their destination but on the distance in km between Monnalisa and the destination's regional capital towns when the destination is in Italy. While when the destination is abroad, it is the distance between Monnalisa and the foreign country's capital. The same calculators found on the web have been used to calculate the km travelled by company personnel (Graph 8.6.).*

CONSUMPTION OF MATERIALS

In the analysis that follows, focused on the consumption of water, power, heating gas and paper, the report examines the company premises in Arezzo, which include the headquarters, the production premises (used as a warehouse for raw materials/accessories, quality control, rolling out and cutting of fabric) and the finished items warehouse.
The report does not examine the company-owned stores as they are managed independently from production. However, since 2016, 8 company-owned stores in Italy have been included in the electric power supply contract. Therefore, the electric power consumption of the eight stores has been included in this report, as well as their impact on total CO2 emissions.
When the ratio consumption/number of users is significant, the number of employees is the sum of the three above-mentioned premises, excluding employees at the showrooms in Milan, Naples and Rome, the corner at Rinascente and the direct stores in Italy.
In order to obtain more objective data, consumption of electric power, gas and water have been related to the average number of hours worked in the periods of reference.
The consumption of electric power, gas and water is only for civilian use.

Fuel

The consumption of fuel has been calculated only on company vehicles used for commercial and public relations trips. Compared to 2016, there has been an 8% decrease in fuel consumption, which amounts to a reduction of 859 litres. Consumption of unleaded petrol and gas oil has increased by 8% and 3% respectively. However, there has been a steep reduction in Blu diesel tech, the consumption of which has gone down by 66%, while there has been no consumption of Blu super 98.

Table 8.9 Consumption of Fuel 2015-2017

	2015 Litres	2016 Litres	2017 Litres	GJ 2017*	Delta lt	Delta %
Unleaded 98	2,777	3,147	3,409	105.0996	263	8%
Gas oil	4,612	6,234	6,411	225.0765	176	3%
Blu diesel tech	2,519	1,792	601	18.5392	-1192	-66%
Blu super 98	65	106	0	0	-106	-100%
Total	**9,973**	**11,280**	**10,420**	**348.7153**	**-859**	**-8%**

***To find the GJ we recovered the specific weight of fuels from the ENI fuel specifications and the tons of product have been multiplied by the LHV factor found in the 2017 National standards table of ratios.*

Water

Compared to last year the consumption of water has decreased both in absolute terms as per employee. The consumption in relation to the hours effectively worked shows a 25% reduction compared to 2016, the data refers to the headquarters, production and warehouse for finished products. The owned stores in Italy are not included as the collection of data is incomplete.

The water is supplied by the only source available, the municipal water.

Table 8.10 Water consumption, years 2015-2017

Years	Cu.m	Cu.m/employee	Cu.m/ effectively worked hours
2015	1,093	9.42	0.0053
2016	902	7.22	0.0044
2017	701	5.23	0.0033

Genergy

Through Jafin S.p.A. the group's financial company, Monnalisa invests indirectly in the renewable energy market. Jafin is in fact a partner of GENERGY, a company that was supported by the Association of Industries of the Province of Arezzo, which aims at carrying out investments for the production of electricity from renewable energy sources.

The growing use of renewable energy sources, through local resources is expressly indicated as one of the aims that the Tuscan Region proposes to reach through the Regional energy plan. The region is in fact trying to reach the targets set by the Kyoto Protocol.

Power

Table 8.11 Purchase of electric power, years 2016-2017

Years	Kw/h	GJ*	per employee	per month	per employee/month	Kwh/Average hours worked
2016	642,615	2313	5,140.92	53,551.25	428.41	3.11
2017	619,075	2229	4,619.96	51,589.58	385.00	2.91

** The data expressed in GJ have been calculated with the following equation: 1kwh = 0.0036 GJ*

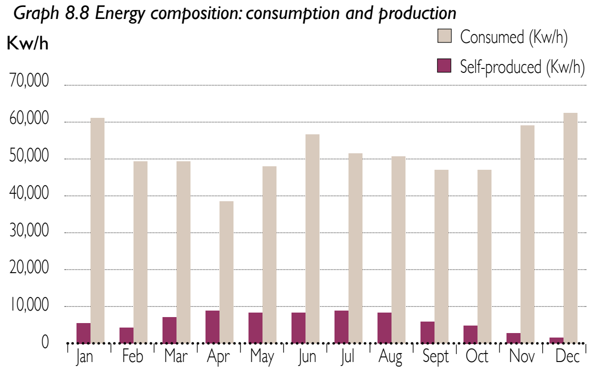
Table 8.11.1 Purchase of electric power, Italian shops 2016-2017

Years	Kw/h	GJ*	per employee	per month	per employee/month	Kwh/Average hours worked
2016	243,297	875.87	4,344.59	20,274.75	362.05	3.77
2017	212,598	765.35	3,665.48	17,716.50	305.46	2.95

Table 8.12 Electric power purchased compared with self-produced energy, '16-'17

Years	kwh purchased	kwh produced
2017	619,075	68,932
2016	642,615	68,525

Graph 8.8 Energy composition: consumption and production



Electrical power

The consumption of electric power in absolute value is perfectly in line with previous years. Compared to 2016, the per-capita consumption has declined by 10% following an increase in staff. As regards consumption per average hours worked, there appears to be a reduction of about 7%.

In 2017, Monnalisa signed an agreement for the supply of 100% renewable source generated electric power, extended to all company meters. The supply begins in January 2018.

Consumption figures shown in table 8.11 include 8 directly owned stores in Italy.
Monnalisa has two photovoltaic plants, that produce electric power under onsite exchange service and are able to supply approximately 10% of the annual energy collected and used.
The photovoltaic plant has produced on average 5,744,37 kWh per month (against the 5,710.42 kWh in 2016). Data concerning energy production are supplied monthly to GSE by network operators responsible for the area.

Heating gas

The 2017 data analysis shows that compared to the previous year, it is evident that the consumption of gas declined by 15%, equal to a reduction of about 5,700 cu m. This downwards trend has also reduced the CO2 released into the atmosphere. Compared to 2016, there has been a 15% reduction, equal to about 11,000 kg of CO2 less.
The two condensing boilers installed by the company are highly efficient thanks to the use of latent heat of vapour produced from the burning fuel reducing nitric oxide and carbon monoxide emissions. Compared to traditional plants, the reduction can easily reach 70%.

Table 8.13 Heating gas consumption, years 2015-2017

Years	scm	GJ*	Cu m per m2	Cu m per employee	Cu m per month	Cu m per employee/month	Cu m per actual hours worked
2015	40,888.00	1,431.08	10.68	352.48	3,407.38	29.37	0.11
2016	37,749.73	1,321.24	9.86	302	3,145.81	25.17	0.18
2017	32,083.66	1,122.93	8.36	239.43	2,673.64	19.95	0.15

** The data expressed in GJ have been calculated considering the LHV of methane gas according to the national standard parameters of fuels and materials 2017 (35,134 GJ/1000 Sm3) The calculation used considered the cu m per employee and it also included the unit assigned for handling and storage of finished products, in order to supply data consistent with the previous year (said unit does not have a heating system), while excluding it in the report on cu m/average hours worked to have more objective data on consumption per hour.*

Raw materials

Paper and cardboard packaging

The purchase of packaging is increasing. The relative value of number of boxes over the exact number of items produced is confirmed; on the other hand, the total weight of used materials for that purpose has increased by 41% compared to the previous year. This percentage is a consequence of the different types of boxes used in some cases for garments and accessories compared to the previous years because of a different packing system. However, with the soon opening new logistics center, the new packing line uses lighter cartons than now, therefore, we expect a reduction in this figure.
For all packaging used, Monnalisa has fulfilled the payment to Conai, the National Consortium for packing, aimed at supporting separate collection and recycling of packing waste. All packing materials purchased by Monnalisa are certified FSC mix.
Since 2014, the data relative to packing for paper and carton recycling are available and can be found in the FIR register. The data relative to 2017 are 39.27 t including the headquarters, finished products warehouse and production area. In this context, it is appropriate to note that Monnalisa supplies its single-brand shops and top clients (shop in shop, corner, and space) with shopping bags made of FSC Mix paper and satin ribbon or cotton string, according to the brand, customers on the B2B website can also buy them.
Pallets through which Monnalisa receives goods are returned to suppliers and can be reused.

Table 8.14 Purchase of paper and carton packing, years 2015-2017

years	boxes	boxes per garment produced	Kg of paper /produced garment	weight (tons)* purchased
2015	45,178	0.044	0.00484	80.6
2016	44,388	0.045	0.00494	85.0
2017	48,333	0.045	0.00491	120.1

**The total weight of the boxes has been calculated multiplying the weight of each box type by the quantity purchased. The information has been collected from the purchase invoices and technical sheets of each material.*

Plastic packaging

Plastic packaging means plastic bags for hanging garments, hangers of resin/plastic, poles and boxes of PVC for transportation of garments. Compared to last year, all materials have had a slight overall increase. However, the greatest bearing on the result comes from pvc boxes: the increase in the amounts brought derives mainly from style choices. The entry plastic packaging includes weight per item, as it is given by suppliers or declared in the invoice for Conai purposes.
The amount of hangers includes those purchased during the year as well as those that come with the imported items.
In 2017, Monnalisa paid € 8,190.00 to Conai Environmental Contribution for plastic.

Table 8.15 Plastic packaging purchases (no. of pieces and weight)

Material	2015		2016		2017	
	Q.ty	Weight (ton)	Q.ty	Weight (ton)	Q.ty	Weight (ton)
Bags	648,985	15.88	899,088	19.95	882,590	5.074
Hangers	439,050	24.04	415,403	22.93	403,084	21.83
Poles	1,100	0.32	1,000	0.29	1,000	0.285
PVC boxes	52,985	2.50	12,973	2.71	47,334	3.818
Total	**1,142,120**	**42.74**	**1,328,464**	**45.90**	**1,334,008**	**31.01**

The total weight of each category has been calculated according to weights recorded on the invoice. The information was taken from the technical sheets or accounting documents.

Fabrics

With respect to 2016, the total amount of fabrics acquired has been reduced by 40%. In detail, we have registered a reduction of 57% in the purchase of techno-fibres, of which 60% less than the previous year has interested the purchase of synthetic fibres.

Even if in the following table we refer to a year, the de-facto count is calculated on the production seasons relative to the solar year taken into consideration, with a normal phase displacement between the two evaluation systems.

Looking at 2017 in detail, there is an evident preference for natural fibres in the summer season while techno-fibres are more used in the winter season; furthermore, in the latter case synthetic fibres seem to have the greater weight. Moreover, it must be underlined that in the 2017 Winter season, we registered a 30% increase in the purchase of natural fabrics with reference to the previous season.

Within the merchndised category, the greater part of the fabrics used contain natural fibres. Hand washing and cold machine washing (30°) remain the main kind of washing indicated for the greatest part of the manufactured or merchandised garments.

Table 8.16 Meters of fabric purchased over the last three years

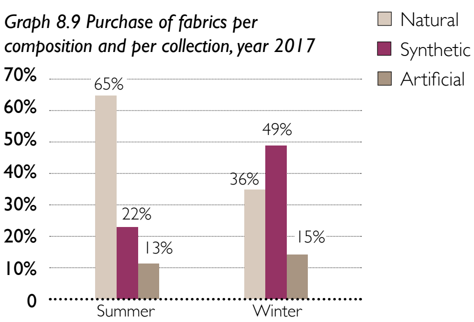
	2015	2016	2017
Natural	241.591	232.408	216.589
Techno-fibres	402.699	485.378	210.821
Synthetic	310.240	396.757	150.739
Artificial	92.459	88.621	60.082
Total	**644.290**	**717.786**	**427.410**

Table 8.17 Purchase of fabrics per composition,

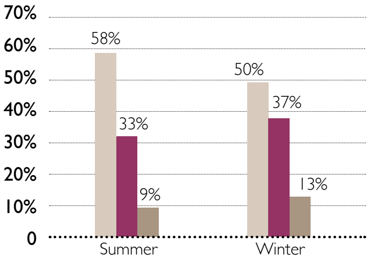
	m purchased summer season	m purchased winter season	total m purchased
Natural	138,495	78,094	216,589
Techno-fibres	74,345	136,476	210,821
Synthetic	46,476	104,263	150,739
Artificial	27,869	32,214	60,082
Total	**212,840**	**214,570**	**427,410**

Natural fibres are present in nature while techno-fibres are man-made. Techno-fibres can be artificial, when produced with organic polymers of natural origin, and synthetic if produced from synthesis polymers

Graph 8.9 Purchase of fabrics per composition and per collection, year 2017



Graph 8.10 Marketed items per type of fabric, year 2017



Paper

Paper consumption is in line with previous years; there has been a significant reduction in the purchase of fan-fed paper used for shipping documents in 4 copies, we must underline that in 2017 we have purchased 40,000 pieces due to stock depletion. The data also include thermo-adhesive paper for plotters (2.92 t) and cardboard placed under multiple layers of fabrics (2.68 t) in the cutting section. The paper for in-house use is always reused when possible and when it is not usable, it is sent to recycling. Similarly, to packing, all the paper used for printers and plotters, representing 53% out of the total, is branded FSC mix. This report, as in the previous editions, is printed on Symbol Free Life Gloss of pure ecologic cellulose EFC (Elemental Chlorine Free) with a high content of selected recycling. In 2017, Monnalisa has paid 3,777.06 to the Conai Environmental contribution for paper.

Table 8.18 Consumption of paper, years 2015-2017

Years	Reams	Weight in t	Reams/Employee	Fanfold paper	Plotter paper in t
2015	2,568	6.51	25.94	84,000	0.57
2016	2,140	5.46	21.19	-	0.56
2017	2,240	5.79	19.31	302,400	0.57

Toner, cartridges and tapes for printers

Monnalisa has two different contracts for printers; the first one is for direct purchase while the second one is through suppliers, based on the number of copies. This means the toner is paid based on number of copies/prints made. The total number of purchased toner was given by adding the toners actually purchased with an invoice and those recorded in the delivery notes of suppliers with whom we have a contract based on number of copies made. An overall reduction in consumption of about 10% is noted in all types of products. Since 2017, in order to keep a record of the actual consumption of the purchased toners, we have created an internal register on which we entered the number of toner cartridges returned to the supplier with whom the by-copy contract has been signed. 85 toner cartridges were used in 2017.

Table 8.19 Purchase of toner, cartridges and tapes, years 2015-2017

	Purchased toners + contract based on number of copies			Cartridges			Tapes		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
Total purchased	174	183	160	10	11	6	15	18	27

Waste

In order to manage waste effectively, Monnalisa carries out specific initiatives and procedures.

We have tried to develop ideas to recycle and reuse the fabric cuttings from the cutting stage; however, this has not been possible so far as the fabrics used by Monnalisa are quite varied. The waste is handled as per the current laws on waste disposal.
Other waste produced by the company is generated by the day-to-day management of the company and by the management of intralogistics (mostly waste from first and second level packing of the garments arriving at the sorting warehouses). Most of the materials used in company processes are not waste.
Paper and plastic are collected following a detailed separate collection using Eco-Boxes distributed in all company offices.
The company has implemented an environmental management policy in compliance with the UNI EN ISO 14001 that is exclusively based on the collaboration of carriers and suppliers that are certified and authorised to collect, handle and dispose of company products and waste. The company does not produce nor manage hazardous waste.

CO2 EMISSIONS

Climate change is mainly caused by greenhouse gas emissions. Among these emissions, CO2 is mainly caused by man and derives from the use of fossil fuels and de-forestation and changes in the use of agricultural land.

Direct and indirect greenhouse gas emissions calculated by the company only refer to CO2 and are connected to the following activities:
• Electric power consumption
• Heating gas consumption
• Transportation of goods purchased and sold
• Personnel transportation for business trips
• Commuting employees.

For what concerns personnel transport for business trips, we must underline that, Monnalisa uses:
1. Company vehicles;
2. Leased vehicles or hired on a long term basis;
3. Occasional car rental (car-rental).
Therefore, for the purposes of the emissions report, in the first two cases the emissions are considered direct, while for car rentals they are viewed as "other indirect emissions".

Direct emissions

Greenhouse gas emissions from sources owned or controlled by the organization. For example, direct emissions from combustion processes for production of energy within company premises.

Direct emissions include:

Direct Emissions 2017	t Co2
Heating*	63.01
Company and long-leased vehicles**	7.29
Total	70.30

**The calculations have been based on the national standards' parameters table: Coefficients used to record CO2 emissions in the national inventory UNFCCC (value average period 2014-2016). The data can be used to calculate emissions from January 1st, 2017 to December 31st, 2017.*
***The calculations have been based on the method indicated by the EPA430 guidelines.*

Gas consumption has decreased by 15% compared to 2016; therefore, CO2 emissions have proportionally decreased by approximately 15 tons. For each building, central headquarters and production, the consumption has gone down by about 5,700 cu m per year.
In direct emissions, as foreseen by the UNI ISO 14064-1 norm, which acknowledges the Greenhouse Gas Protocol, emissions owed to owned or long-leased vehicles need to be included, as they have generated approximately 7.29 tons of emissions.
In 2017, the use of en electric car purchased by the company, has registered a covered distance of about 3,894 km for errands within the Arezzo municipal limits, which has allowed CO2 savings equal to around 0.83 tons. The estimate of CO2 saved derives from the comparison with the company FIAT 500L car.

*Table 8.20 Km and emissions of company vehicles and/or leased vehicles for long periods**

	2015		2016		2017	
	Km	CO2 (ton)	Km	CO2 (ton)	Km	CO2 (ton)
Owned vehicles	35,200	7.96	29,290	6.63	11,428	2.44
Long-leased vehicles	22,776	5.15	22,776	5.15	22,776	4.86
Total	57,976	13.11	52,066	11.78	34,204	7.29

**Data has been estimated on company vehicles that are used for travelling/business trips. We calculated the covered km using the website http://www.viamichelin.it/. The calculations have included all travel to and from Pitti events as well as for company errands. The CO2 emissions were calculated using the EPA430 guideline suggested method.*

Indirect emissions

Emissions from the organisation's activities, produced by sources owned or controlled by other organizations. They refer to greenhouse gas emissions caused by production of electricity, heating and steam imported or consumed by the organization.

Indirect CO2 emissions include all emissions connected to the production of electric power purchased by the company. Concerning Scope 2 emissions, the GHG Protocol Scope 2 Guidance requests companies operating in liberalised markets to record in their inventory two values determined through two different approaches:
- *Location-based method*: it determines greenhouse gas emissions deriving from the production of power purchased, based on network average emission factors and without taking into consideration specific information on the supplier or potential supply contracts signed by the company;
- *Market-based method*: it supplies and calculates greenhouse gas emissions according to the origin of the power and reflects possible choices made by the company in terms of supply. In order to consider and use specific features of the purchased power its origin must be certified by contractual tools that meet the "minimum quality criteria" (defined by Scope 2 Guidance); otherwise, the calculation should be made considering emissions due to the so-called residual mix.

To determine the emissions using the two methods, the following are the considerations made:
- *Location-based method*: the "grid mix" emission factor from the National Inventory Report 2017 - Italian Greenhouse Gas Inventory 1990-2015 (equal to 332 gCO2/kwh) was taken into consideration, therefore obtaining indirect emissions of 198,72 t CO2;
- *Market-based method*: the indirect emissions through this method are equal to 295,01 because they are related to the residual mix.

Consumption of electric power (kwh)	CO2 emissions (tCO2)		
	Location-based method (mix of renewable and fossil)	Market-based method	
	kg CO2/kwh	kg CO2/kwh (residual mix)	kg CO2/kwh (100% renewable source with GO)
619.075	198,72	295,008	0

Source: https://www.aib-net.org/documents/103816/176792/AIB_2017_Residual_Mix_Results_v11.pdf/8eb82c2b-0fe9-5786-6b21-03e8b6830a94

Other indirect emissions

Different from the above mentioned emissions, these can include, but are not only related to: trips to reach the workplace, transportation of goods, materials, people and the waste produced by an organization.

Other indirect emissions derive from the business activities carried out by Monnalisa, while other companies control the source.
The first step in defining these emissions was to define the work categories to take into consideration; for example, sources and categories the contribution of which was deemed irrelevant or impossible to quantify for technical or economic reasons were excluded.
We were able to calculate the emissions originating from the following activities:

- transportation of finished products (in-coming and out-going),
- staff mobility for business trips (short term car rental),
- commuting from home to work and vice-versa.

Taking into consideration all Monnalisa S.p.A. shipments in 2017 an increase was noted in the number of shipments, especially to European and extra-European countries, due to the larger number of destinations with respect to 2016. Consequently, the amount of kms travelled has also increased by 5.29%. Furthermore, an 8.48% increase in the gross weight of the transported goods and therefore of CO_2 emissions has been noted.
Emissions caused by personnel travel refer to business trips. The means used are: air plane, train and car. The first mode has a greater impact on the total with an amount equal to 77%.
With reference to 2016, we note an overall decrease in CO_2 emission by 31% connected with a 20% decrease of the kms travelled.
Finally, we list the CO_2 emissions deriving from employee commuting.
In the calculation, we have considered the staff of the entire workforce in Arezzo (Monnalisa comprising headquarters, warehouse and production). We separated part time and full time staff, assuming that the first group will only do two trips a day: the first to go to work and the second to return home. Regarding the full time staff, we considered the percentage of employees who lunch at the external company canteen and therefore do not return home for lunch. The number of people who go home for lunch travels to and from work twice. To determine the CO_2 emissions relative to each employee route, after having determined the number of km covered, we used EPA430 method.

Table 8.24 Emissions of CO_2 for commuting staff

	2015		2016		2017	
	Km	CO_2 (ton)	Km	CO_2 (ton)	Km	CO_2 (ton)
Monnalisa	922,125	208.61	956,716	216.44	1,023,572	218.20
Operating headquarters	149,223	33.76	174,678	39.52	169,605	36.16
Total	1,071,348	242.37	1,131,394	255.95	1,193,177	254.95
Total with shops*	1,512,029	342.06	1,709,453	386.73	1,781,809	380.43

*Table 8.21 CO_2 emissions for transportation of goods 2016-2017**

	2017			2016		
	Incoming	Outgoing	Total (t)	Incoming	Outgoing	Total (t)
Truck	4.31	14.27	18.58	4.3	12.5	16.8
Air plane	182.56	328.24	510.79	182.5	294.9	477.5
Ship	3.30	0	3.30	3.3	0	3.3
Total	**190.166**	**342.51**	**532.68**	**190.170**	**307.4**	**497.6**

**The amount of emissions produced was calculated on the website http://www.ecotransit.org/ following the standard EN 16258:2013 "Methodology for calculation and declaration of energy consumption and GHG emissions of transport services (freight and passengers)". The amount of goods shipped (in gross weight) and the transportation means used are indicated for each leg. The information has been gathered from the transportation bills and customs documents. The outgoing goods derive from the shipments indicated in graph 8.7. CO_2 emissions are not directly proportional to the km travelled by the incoming and outgoing goods; in fact, the result is a combination of km travelled, transportation means and weight of goods transported.*

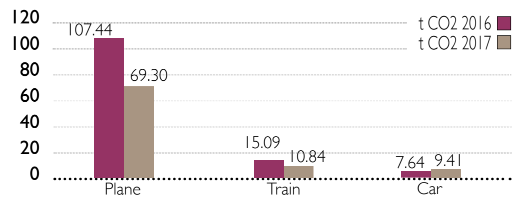
Table 8.22 Shipments (Italy, Export in Europe and Abroad) per weight, km and produced CO_2.

	gross weight of goods	km travelled	CO_2 (ton)
2015	325,805.11	5,798,587.13	232.01
2016	321,053.75	6,272,883.09	307.43
2016	348,275.66	6,604,623.37	342.51
Δ	**8.48%**	**5.29%**	**11.41%**

Table 8.23 Number of shipments per destination

	Italia	EU and outside Europe	Total
2015	5,016	1,651	6,667
2016	5,618	1,621	7,239
2017	5,654	1,763	7,417
Δ	**0.64%**	**8.76%**	**2.46%**

*Graph 8.11 CO_2 emissions (in tons) of business trips per means of transportation**



**Sources and criteria to estimate the figures differ according to the means used. CO_2 emissions for all types of means of transport used for business trips have been calculated using the method indicated by the EPA430 guidelines.*

The 2017 data is in line with the previous year.

CO_2 emissions have decreased overall by 4% against 2016. Over the total of emission sources analysed, the most important item is produced by product transport (50%).

In accordance with the Guide Lines of the GRI Standards, the company has reported on the GRI 305-4 indicator relative to the intensity index of greenhouse gas emissions (GHG). The result was obtained by comparing the total of all emissions (direct, indirect and other) to the number of all Monnalisa staff, excepting the staff in stores, and the actual number of hours worked.

Table 8.25 Intensity index of GHG emissions
Environmental performance index: number of employees

GHG emission intensity	Uom	2017	2016	2015
GHG emissions per employee	(ton CO_2 eq.)	8.55	8.8	10.6

Table 8.26 Intensity index of GHG emissions
Environmental performance index: actual hours worked

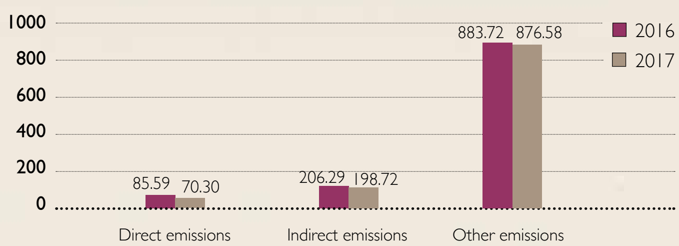
GHG emission intensity	Uom	2017	2016	2015
GHG issued per hours worked	(ton CO_2 eq.)	0.0054	0.0054	0.0062

Finally, below is the report on the emissions from SOx and NOx pollutants deriving from all the import and export of goods generated by the company.

Table 8.27 NOx and SOx

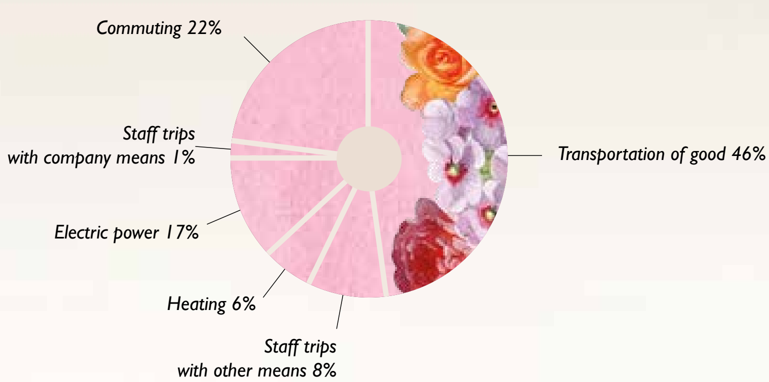
Other air emissions	Uom	2017	2016	2015
NOx	(Kg or multiples)	2,545.39	2,169.46	2,851.52
SOx	(Kg or multiples)	202.77	176.04	203.7

Graph 8.12 Direct, indirect and other indirect emissions (in tons)



Direct emissions: *heating, business trips by car and long-leased vehicles*
Indirect emissions: *electric power consumption - location-based approach*
Other emissions: *import/export of goods, staff commuting, short-leased vehicles, staff trips by train and airplane.*

Graph 8.13 Direct, indirect and other indirect CO_2 emissions (in tons) per origin



Suppliers

With the introduction of the new procedure for suppliers we wanted to limit the possible critical issues concerning their compliance with the requirements set by the SA8000, ISO 9001 and 14001 standards, assessing the most appropriate monitoring parameters per type of supplier.
Monnalisa suppliers are divided depending on products/services supplied:

- raw materials (fabrics and accessories)
- workmanship (embroidery, sewing, ironing, cutting, printing and other steps)
- finished products (marketed)
- services (cleaning, maintenance of premises and machinery).

When signing the agreement, all the above listed categories are obliged to fill a self-assessment questionnaire aimed at highlighting possible environmental aspects and relevant impact connected to the supplier being assessed. After the paperwork is completed, Monnalisa carries out an inspection to estimate the real conformity of the supplier's answers and, if necessary, to promote improvement actions.
In addition to the documentary check, the supplier receives a mark per season, for the quality of work offered. Furthermore, the existence or not of the ISO14001 certification and/or CE1221(Emas regulation) carries a weight of 5% on the final quality evaluation.

FUTURE IMPROVEMENT OBJECTIVES AND PLANS

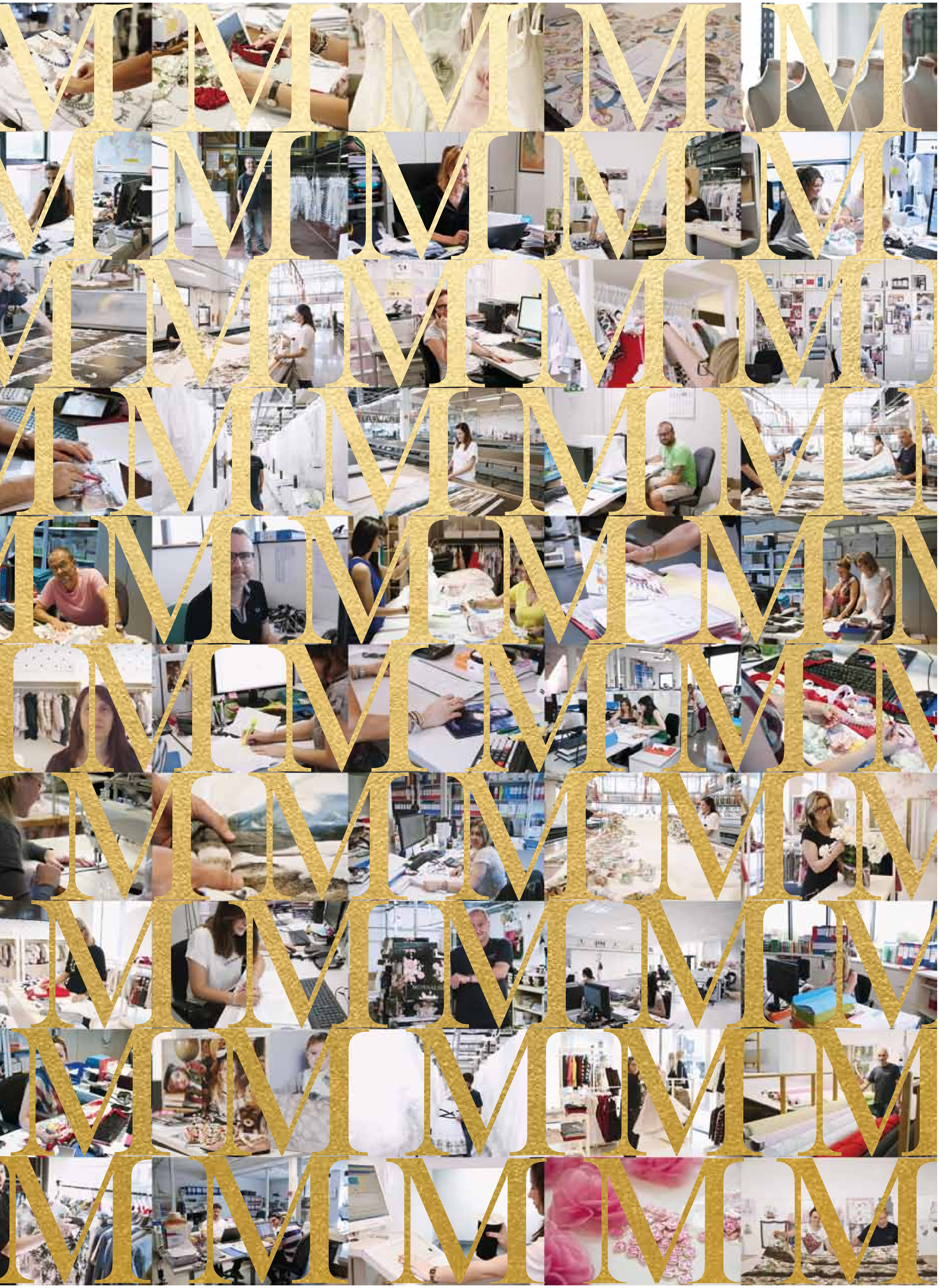
The objectives set by Monnalisa last year to improve the environmental performance of the company are listed below:

2016 Objectives for 2017	Outcome
Introduce a new packing line which contemplates the same yield of boxes as currently handled, lighter and less impacting cartons. The closure of said boxes will be gummed tape and packaging used will allow 100% recycling	Done
Planning of the internal plant engineering of the new building with utmost attention on minimizing environmental impact	Done
Installation of a solar array on the new building	Done

Next year, Monnalisa intends to:

1. Include the operations centre in its Environmental Management System;
2. From January 2018, start the new electric supply contract that is 100% from renewable sources. The contract stipulated in 2017 concerns all the Italian meters of the Company;
3. Installation of 5 electric columns inside the garage of the new logistics centre;
4. Proceed with the substitution of the car pool with other 100% electric cars;
5. Consolidate the collaboration with the art schools in the Arezzp province for the promotion of initiatives to re-use fabric scraps.

The results reported in this chapter reflect the desire of Monnalisa to communicate its commitment towards social and environmental issues. A commitment that translates into the promotion and evaluation of its performance, compatibly with a sustainable growth from both the economic and environmental points of view. On the other hand, in a complex and turbulent global market, the adoption of sustainable practices not only allows the protection of the environment and its natural resources, but also obtains economic benefits in terms of cost abatements and improvement of one's position in the market with respect to the competition.
Monnalisa is aware of this and it undertakes to adopt a "proactive" approach towards the environment through planning, enacting, measuring and monitoring its environmental performance with the aim of triggering a real and true virtuous cycle the can bring about constant improvement.



GRI Content Index

GRI STANDARDS	DISCLOSURE	PAGE NUMBER(s) AND/ OR URL(s)	OMISSION	MATERIAL TOPIC
GRI 101: Foundation 2016				
General Disclosures				
	Organizational profile			
	102-1 Name of the organization	Monnalisa SpA		
	102-2 Activities, brands, products, and services	page 18-21		
	102-3 Location of headquarters	page 34		
	102-4 Location of operations	page 34		
	102-5 Ownership and legal form	page 15		
	102-6 Markets served	page 27		
	102-7 Scale of the organization	page 29		
	102-8 Information on employees and other workers	page 80-82; 98-100; 111-112		
	102-9 Supply chain	page 88-89; 101; 113		
	102-10 Significant changes to the organization and its supply chain		no significant change took place in 2017	
	102-11 Precautionary Principle or approach	page 32		
	102-12 External initiatives	page 114		
	102-13 Membership of associations	page 115		
	Strategy			
	102-14 Statement from senior decision-maker	page 3		
	102-15 Key impacts, risks, and opportunities	page 32		Risk Management
	Ethics and integrity			
	102-16 Values, principles, standards, and norms of behavior	page 14-16		
	102-17 Mechanisms for advice and concerns about ethics	page 17; page 23		
	Governance			
	102-19 Delegating authority	page 15; page 16		
	102-20 Executive-level responsibility for economic, environmental, and social topics	page 15; page 16		
	102-21 Consulting stakeholders on economic, environmental, and social topics	page 106-109		
	102-22 Composition of the highest governance body and its committees	page 15		
	102-23 Chair of the highest governance body	page 15		
	102-24 Nominating and selecting the highest governance body	page 15		
	102-25 Conflicts of interest	page 15		Governance
	102-26 Role of highest governance body in setting purpose, values, and strategy	page 15		
	102-27 Collective knowledge of highest governance body	page 15		
GRI 102: General Disclosures 2016	102-28 Evaluating the highest governance body's performance	page 15		
	102-29 Identifying and managing economic, environmental, and social impacts	page 15 and 22		
	102-30 Effectiveness of risk management processes	page 17		
	102-31 Review of economic, environmental and social topics	page 16		
	102-32 Highest governance body's role in sustainability reporting	page 15		CSR
	102-33 Communicating critical concerns	page 16 and 23		
	102-34 Nature and total number of critical concerns	page 23		
	102-35 Remuneration policies	page 16		
	102-36 Process for determining remuneration	page 16		Governance
	102-37 Stakeholders involvement in remuneration	page 16		
	102-38 Annual total compensation ratio	page 16; page 99-100		
	102-39 Percentage increase in annual total compensation ratio	page 16		
	Stakeholder engagement			
	102-40 List of stakeholder groups	page 22		
	102-41 Collective bargaining agreements	page 100		
	102-42 Identifying and selecting stakeholders	page 22		
	102-43 Approach to stakeholder engagement	page 22		Stakeholder engagement
	102-44 Key topics and concerns raised	page 8-9		
	Reporting practice			
	102-45 Entities included in the consolidated financial statements	page 41		
	102-46 Defining report content and topic Boundaries	page 8-9		
	102-47 List of material topics	page 8-9		
	102-48 Restatements of information		no significant change took place in 2017. Some KPIs on subsidiaries have been included in the report	
	102-49 Changes in reporting	page 41		
	102-50 Reporting period	page 41		
	102-51 Date of most recent report		2017	
	102-52 Reporting cycle		annual	
	102-53 Contact point for questions regarding the report		info@monnalisa.eu	
	102-54 Claims of reporting in accordance with the GRI Standards	page 23		
	102-55 GRI content index	page 124		
	102-56 External assurance	page 126		
GRI 200 Economic Standard Series				
	201-1 Direct economic value generated and distributed	page 30-31		
GRI 201: Economic Performance 2016	201-2 Financial implications and other risks and opportunities due to climate change		Information currently not available	
	201-3 Defined benefit plan obligations and other retirement plans	page 98		
	201-4 Financial assistance received from government	page 30		
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	page 100	100%	
	202-2 Proportion of senior management hired from the local community			
GRI 203: Indirect Economic impact 2016	203-1 Infrastructure investments and services supported	page 115		
	203-2 Significant indirect economic impacts	page 111-113		CSR in supply chain management
GRI 204: Procurement Practices 2016	**GRI 103: Management Approach 2016**			
	204-1 Proportion of spending on local suppliers	page 113		
	GRI 103: Management Approach 2016			
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	page 17		
	205-2 Communication and training about anticorruption policies and procedures		Information Unavailable: % of employees trained on anti-corruption currently not disclosed	
	205-3 Confirmed incidents of corruption and actions taken		During the reporting period no incident or behaviour in conflict with anti corruption laws was recorded	Risk Management
GRI 206: Anti-competitive Behavior 2016	**GRI 103: Management Approach 2016**			
	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		During the reporting period no fines or significant sanctions were registered	

GRI STANDARDS	DISCLOSURE	PAGE NUMBER(s) AND/ OR URL(s)	OMISSION	MATERIAL TOPIC
GRI 300 Environmental Standards Series				
GRI 301: Materials 2016	**GRI 103: Management Approach 2016**			
	301-1 Materials used by weight or volume	page 118-120		
	301-2 Recycled input materials used	page 118-120		Environmental Performances
	301-3 Reclaimed products and their packaging materials	page 118-120		
GRI 302: Energy 2016	**GRI 103: Management Approach 2016**			
	302-1 Energy consumption within the organization	page 118		
	302-2 Energy consumption outside of the organization		information currently not available	
	302-3 Energy intensity	page 118		Environmental Performances
	302-4 Reduction of energy consumption	page 118		
	302-5 Reductions in energy requirements of products and services	page 95		
GRI 303: Water 2016	**GRI 103: Management Approach 2016**			
	303-1 Water withdrawal by source	page 117		
	303-2 Water sources significantly affected by withdrawal of water	page 117		Environmental Performances
	303-3 Water recycled and reused	page 117		
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		not applicable	
	304-2 Significant impacts of activities, products, and services on biodiversity		not applicable	
	304-3 Habitats protected or restored		not applicable	
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations		not applicable	
GRI 305: Emissions 2016	**GRI 103: Management Approach 2016**			
	305-1 Direct (Scope 1) GHG emissions	page 120		
	305-2 Energy indirect (Scope 2) GHG emissions	page 120		
	305-3 Other indirect (Scope 3) GHG emissions	page 121		
	305-4 GHG emissions intensity	page 121		Environmental Performances
	305-5 Reduction of GHG emissions	page 121		
	305-6 Emissions of ozone-depleting substances (ODS)		information currently not available	
	305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	page 121		
GRI 306: Effluents and Waste 2016	**GRI 103: Management Approach 2016**			
	306-1 Water discharge by quality and destination		information currently not available	
	306-2 Waste by type and disposal method	page 118		
	306-3 Significant spills	page 118		Environmental Performances
	306-4 Transport of hazardous waste		not applicable	
	306-5 Water bodies affected by water discharges and/or runoff		not applicable	
GRI 307: Environmental Compliance 2016	**GRI 103: Management Approach 2016**			
	307-1 Non-compliance with environmental laws and regulations		During the reporting period no fines or significant sanctions were registered	
GRI 308: Supplier Environmental Assessment 2016	**GRI 103: Management Approach 2016**			
	308-1 New suppliers that were screened using environmental criteria			CSR in supply chain management
	308-2 Negative environmental impacts in the supply chain and actions taken		During the reporting period no negative environmental impact was registered	
GRI 400 Social Standards Series				
GRI 401: Employment 2016	**GRI 103: Management Approach 2016**			
	401-1 New employee hires and employee turnover	page 80, 96, 112		
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	page 98		Welfare and Retention
	401-3 Parental leave	page 81		
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes		In case a reorganization or a revision in the company structure takes place, employees and their representatives are previously informed in full respect of local law, collective labor contracts and agreements with trade unions.	
GRI 403: Occupational Health and Safety 2016	**GRI 103: Management Approach 2016**			
	403-1 Workers representation in formal joint management- worker health and safety committees	page 82		
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	page 34, 81, 82		
	403-3 Workers with high incidence or high risk of diseases related to their occupation		In the company processes no employees with high incidence or with high risk of work related deseases are registered	Health and Safety
	403-4 Health and safety topics covered in formal agreements with trade unions			
GRI 404: Training and Education 2016	**GRI 103: Management Approach 2016**			
	404-1 Average hours of training per year per employee	page 99		
	404-2 Programs for upgrading employee skills and transition assistance programs	page 33, 96, 98, 111, 112		Growth Management; Welfare & retention
	404-3 Percentage of employees receiving regular performance and career development reviews	page 33, 96, 98, 111		
GRI 405: Diversity and Equal Opportunity 2016	**GRI 103: Management Approach 2016**			
	405-1 Diversity of governance bodies and employees	page 80, 100, 111		Diversity Management
	405-2 Ratio of basic salary and remuneration of women to men	page 100, 111		
GRI 406: Non-discrimination 2016	**GRI 103: Management Approach 2016**			
	406-1 Incidents of discrimination and corrective actions taken	page 8		Diversity Management
GRI 407: Freedom of Association and Collective Bargaining 2016	**GRI 103: Management Approach 2016**			
	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	page 32, 88		Human Resources Mgmt; Supply Chain Management
GRI 408: Child Labor 2016	**GRI 103: Management Approach 2016**			
	408-1 Operations and suppliers at significant risk for incidents of child labor	page 32, 88		Supply Chain Management
GRI 409: Forced or Compulsory Labor 2016	**GRI 103: Management Approach 2016**			
	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	page 32, 88		Supply Chain Management
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures		In the reporting boundaries there is no security personnel	
GRI 411: Rights of indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples		Information currently not available	
GRI 412: Human Rights Assessment 2016	**GRI 103: Management Approach 2016**			
	412-1 Operations that have been subject to human rights reviews or impact assessments		The company is SA8000 Certified	
	412-2 Employee training on human rights policies or procedures		Information Unavailable: number of hours of training on human rights and % of employees trained currently not available	Human Resources Management and Retention
	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	page 32, 88		Supply Chain Management
GRI 413: Local Comunities 2016	**GRI 103: Management Approach 2016**			
	413-1 Operations with local community engagement, impact assessments, and development programs	page 22, 23, 113, 115, 116		
	413-2 Operations with significant actual and potential negative impacts on local communities		Information currently not available	Social Commitment
GRI 414: Supplier Social Assessment 2016	**GRI 103: Management Approach 2016**			
	414-1 New suppliers that were screened using social criteria	page 23, 32, 113		
	414-2 Negative social impacts in the supply chain and actions taken	page 23		Supply Chain Management
GRI 415: Public Policy 2016	415-1 Political contributions	page 115		
GRI 416: Customer Health and Safety 2016	**GRI 103: Management Approach 2016**			
	416-1 Assessment of the health and safety impacts of product and service categories	page 32, 83		
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	page 89		Product Safety
GRI 417: Marketing and Labelling 2016	**GRI 103: Management Approach 2016**			
	417-1 Requirements for product and service information and labeling	page 87- 89		
	417-2 Incidents of non-compliance concerning product and service information and labeling	page 87-88		Product Safety
	417-3 Incidents of non-compliance concerning marketing communications	page 87, 88, 106		
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	page 33		
GRI 419: Socioeconomic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	page 33, 106		
OTHER MATERIAL TOPICS IDENTIFIED (not covered by the GRI Standards)				
Product distinctness		page 94		
Communication & Brand Identity		page 106-107		

Assurance Statement

SGS Italia S.p.A. was commissioned by the Management of Monnalisa S.p.A. to conduct an independent audit of the Company's 2017 Sustainable Annual Report (the Report) in accordance with the "Global Reporting Initiative Sustainability Reporting Standards, defined by the 2016 GRI - Global Reporting Initiative (hereinafter the "GRI Standards").

Our responsibility in conducting the work commissioned us, in line with the agreed conditions together with the Organization, is solely towards the Monnalisa Management.

This Independent Assurance Statement is intended solely for the information and use of Monnalisa's stakeholders, is not intended to be, and should not be used by anyone other than the specified parties.

RESPONSIBILITY OF THE DIRECTORS FOR THE SUSTAINABILITY REPORT

The Directors are responsible for drawing up the Sustainability Report in compliance with the "GRI standard" guidelines. The Directors are also responsible for defining the sustainability performance targets of Monnalisa and for reporting the sustainability results attained.

Monnalisa SpA Directors are also responsible for identifying the stakeholders and the most significant aspects to report, as well as implementing and preserving appropriate management and internal control processes related to data and information presented in the Sustainability Report.

SGS Italia S.p.A. has not been involved in drawing up the Report nor has it been involved in the operations for the collection or processing of data it contains.

INDEPENDENCE OF THE AUDITORS AND QUALITY CONTROL

SGS Italia S.p.A. affirms its independence from Monnalisa, and deems that there is no conflict of interest with the Organization, its subsidiaries and Stakeholders.

SGS Italia S.p.A. maintains an overall quality control system that includes directives and documented procedures on compliance with ethical and professional principles.

AUDITOR'S RESPONSIBILITY

The responsibility of SGS Italia S.p.A. is to express an opinion concerning the reliability and accuracy of the information, data and statements contained in the 2017 Sustainability Report and to assess the compliance of the Report with the reference requirements, within the below mentioned assurance scope with the purpose to inform all interested parties.

The scope of the work agreed on with Monnalisa includes the following aspects:

- Analysis, according to the Limited Assurance Engagement, of the business and data on sustainability, for the period January 2017 to December 2017, as contained in the Report.

- Assessment of the reporting standards referred to in the "GRI Standards" guidelines in accordance with the "Comprehensive" option.

We executed our task in conformity with the International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000), issued by the IAASB (International Auditing and Assurance Standards Board) for limited assurance appointments. The standard requires that we comply with applicable ethical requirements; including professional independence as well as planning and performing our work to obtain limited assurance that the Sustainability Report is free from substantial errors.

AUDIT METHODOLOGY

The procedures we performed consisted in verifying the compliance of the Report with the principles defining its content and quality as set out in the GRI Standards, summarized as follows:

- Analyzing through interviews, the governance system and the process for managing the sustainable development issues relating to the Group's strategy and operations;
- Analyzing the process aimed at defining the significant reporting areas to be disclosed in the Report (Materiality analysis), with regard to the methods for their identification in terms of priority for the various stakeholders, as well as the internal validation of the process findings;
- Analyzing the internal conformity and consistency of the qualitative information given in the Report and analyzing the processes underlying the generation, collection and management of quantitative data included in the Report. In detail:
  - Meetings and interviews with Monnalisa S.p.A. staff involved in the effective management of the aspects recorded in the Report to collect data on the information, accounting and reporting systems in use to prepare the Report, as well as of the internal control processes and procedures supporting the collection, aggregation, processing and submission of the information to the function responsible for the Report preparation;
  - A sample-based analysis of the documents supporting the preparation of the Report, in order to obtain evidence of the reliability of processes in place and of the internal control system for the appropriate treatment of the information relating to the objectives disclosed in the Report;

The audit team was chosen based on the technical know-how experience and qualifications of each member in relation to the various dimensions assessed.

Audit activities were performed in June 2018, at the Head Quarters in Arezzo.

LIMITATIONS

Economic and financial data contained in the Consolidated Financial Statements as at 31 December 2017, included in Chapter 3 of the Sustainability Report, have not been audited by SGS.

CONCLUSIONS

Based on the work performed, nothing has come to our attention that causes us to believe that Monnalisa S.p.A.'s Sustainability Report as at 31 December 2017 has not been prepared, in all material respects, in compliance with GRI Standards as defined in 2016 by GRI Global Reporting Initiative, as described in the paragraph "Methodological Note" of the Annual Report.

Milano, July 2018

SGS Italia S.p.A.

Paola Santarelli Certification & Business Enhancement Business Manager	M. Laura Ligi Certification & Business Enhancement Project Leader

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