MONNALISA

Half-year report at June 30, 2019

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1. Corporate Boards

Board of Directors

The Board of Directors, appointed on June 15, 2018, will remain in office for three years, until the approval of the financial statements at December 31, 2020. For the Board of Directors

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

Board of Statutory Auditors

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

Independent Audit Firm

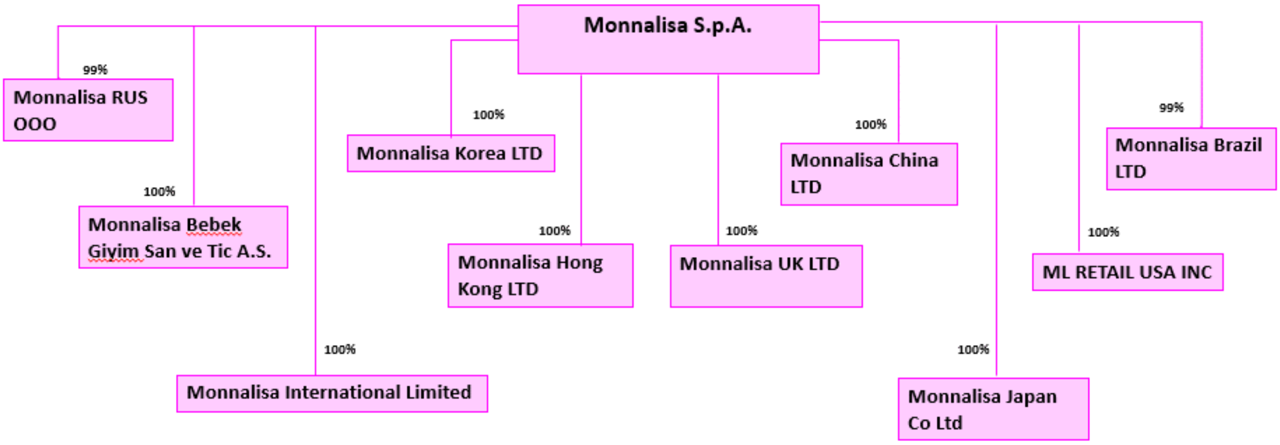
EY S.p.A.

Nomad

CFO Sim S.p.A.

2. Group Structure

The structure of the Monnalisa Group at June 30, 2019, corresponding to the scope of consolidation, is presented below. Compared to the Group structure at 31/12/18, three new subsidiaries were incorporated: Monnalisa Japan, Monnalisa UK and Monnalisa Taiwan.



3. Operating performance and significant events of the period

Company business

Founded in Arezzo in 1968 by Piero Iacomoni, Chairperson of the Board of Directors, Monnalisa designs, manufactures and distributes high-end childrenswear for ages 0-16 under the brand of the same name through various distribution channels. The company's philosophy has always combined entrepreneurship, innovation, the search for new markets, original styling and a particular focus on the development of company resources and skills. The Monnalisa Group (the "Group" or the "Company") has a centralized business structure where almost all activities relating to its organizational model are performed, except for distribution and management of points of sale in the various geographical areas, which are instead handled directly by the Group's various commercial entities in their target markets.
Monnalisa is thus an operational holding company, which in addition to holding interests in the international trading companies, manages all phases of the production process, from product design and creation to marketing, only outsourcing certain phases of production.
Insourcing of the product design and creation process, in addition to representing a highly distinctive aspect of the Monnalisa Group, is also intended to pursue the key objective of achieving a high degree of industrialization of this process. The Group is therefore capable of handling all strategic processes internally, with the resulting positive consequences in terms of increased sales and margins.
The Group is organized according to a model in which product strategies and communications activity are intertwined, so as to ensure consistency with Monnalisa's brand image and style. This model features constant, careful monitoring by the Company of its value chain.

Admission to AIM Italia – Alternative Capital Market

On July 10, 2018 the Company's ordinary shares were admitted to trading on the AIM Italia - Alternative Capital Market, a multilateral trading facility organized and managed by Borsa Italiana S.p.A. Trading of the company's ordinary shares began on July 12, 2018.
Admission to trading followed the placement of a total of 1,290,800 ordinary shares, of which 1,236,300 shares associated with the capital increase, undertaken by placement primarily with qualified Italian and international institutional investors, and 54,500 shares sold by the controlling shareholder, Jafin Due S.p.A.

The placement price of the ordinary shares was set at Euro 13.75, resulting in a market capitalization for the Company at the date of commencement of trading of Euro 72 million and a free float of approximately 25% of share capital, assuming the full exercise of the greenshoe option for an additional 54,500 shares (exercised for a total of 45,500 shares). The IPO price was set by the Company, in concert with the global coordinator, CFO SIM S.p.A., in view of the quantity and characteristics of the shows of interest received in the placement process and with the aim of favouring a book composition characterized by the presence of investors of high standing with a medium-to-long-term investment horizon. The global offering, which was concluded on July 6, 2018, met with strong subscription demand from approximately 30 Italian and international institutional investors. Monnalisa's shareholders include nearly all the largest asset management companies in Italy in terms of assets managed.

For 50 years, Monnalisa's philosophy has been based on a unique combination of entrepreneurship, innovation, the search for new markets and original styling. Today, the Company distributes in over 60 countries, both through direct flagship stores and at the world's best-known Department Stores and over 700 multibrand sales points. The purpose of the IPO is to contribute to further accelerating the Group's growth process and international presence, with particular regard to the retail channel and e-commerce.

In accordance with Article 18 of the AIM Italia Issuers' Regulation, updated on January 3, 2018, the company is required to publish the half-year report within three months from period-end.
Therefore, the Board of Directors of Monnalisa S.p.A. approved on September 30, 2019 the half-year report at June 30, 2019 and published it on the Investor Relations section of the Monnalisa S.p.A. website and on the channels required by Borsa Italiana.

Operating performance

In 2019, in accordance with its development plan, the company continued with its retail expansion project.

The details of the new store locations opened in H1 2019 are provided below:

Type	Country	City	Location
DOO	Belgium	Maasmechelen	Mall
DOO	Italy	Fidenza	Mall
DOS	Spain	Barcelona ECI	Dept Store
DOS	Turkey	Istanbul Airport	Travel Retail
DOO	UK	Bicester Village	Mall
DOS	UK	Harrods	Dept Store
DOO	USA	Sawgrass	Mall
DOS	USA	Guam	Mall

DOO = Directly Operated Outlet
DOS = Directly Operated Store

In the same period, two low traffic sales points were closed in China (MIXC Shenyang and Wuhan), while the temporary store at the Bicester outlet was closed in January and subsequently re-opened in June. At the end of H1 2019, the Monnalisa Group therefore owns a total of forty-seven direct sales points, between both DOS's and DOO's, compared to forty-two at December 31, 2018 and thirty-eight at June 30, 2018.

The contracts for the opening of an additional eight stores were also formalised in 2019: two in Russia, one in Rome, three in Taiwan and two in Brazil.

Revenues by distribution channel

Revenues by distribution channel saw major growth on the retail channel, +28% at current exchange rates and +27% at like-for-like exchange rates. This performance reflects the Group's growth strategy focused on retail channel development, whose share of consolidated revenues rose 7 points through the opening of new direct sales points - principally overseas. The drop in wholesale channel sales follows the interruption of the relations with the Japanese importer - where Monnalisa is working to enter the retail market independently - and the transfer to the concessions category of the client Harrods, which is therefore now included in the retail channel.
Summer collection shipment timings also impacted the wholesale channel. The bringing forward of summer shipments to December provides a major competitive advantage. Shipments in December 2018 therefore increased, with a corresponding reduction in the relative balance in the initial months of 2019.

Six months ended 30 June at current exchange rates						
In thousands of €	**2019**	**Inc. %**	**2018**	**Inc. %**	**Var**	**Var %**
Retail	7,122	29%	5,554	22%	1,568	28%
Wholesale	16,671	68%	18,620	75%	(1,949)	-10%
B2C	767	3%	764	3%	3	0%
Total	**24,560**	**100%**	**24,939**	**100%**	**(378)**	**-2%**

Six months ended 30 June at constant exchange rates						
In thousands of €	**2019**	**Inc. %**	**2018**	**Inc. %**	**Var**	**Var %**
Retail	7,029	29%	5,554	22%	1,475	27%
Wholesale	16,709	68%	18,620	75%	(1,911)	-10%
B2C	767	3%	764	3%	3	0%
Total	**24,505**	**100%**	**24,939**	**100%**	**(434)**	**-2%**

Revenues by region

The breakdown of revenues by region indicates a contraction in Italy (-12%), mainly due to advance wholesale deliveries of the summer collection in December 2018 and a significant improvement (+9%) in Europe, mainly owing to the retail channel (in UK). The slight increase in the Rest of the World related to the retail channel, which more than offset the absence of Japanese sales.

Six months ended 30 June at current exchange rates						
In thousands of €	**2019**	**Inc. %**	**2018**	**Inc. %**	**Var**	**Var %**
Italy	7,749	32%	8,763	35%	(1,014)	-12%
Europe	6,705	27%	6,144	25%	561	9%
Rest of the word	10,106	41%	10,032	40%	74	1%
Total	**24,560**	**100%**	**24,939**	**100%**	**(378)**	**-2%**

Six months ended 30 June at constant exchange rates						
In thousands of €	**2019**	**Inc. %**	**2018**	**Inc. %**	**Var**	**Var %**
Italy	7,749	32%	8,763	35%	(1,014)	-12%
Europe	6,701	27%	6,144	25%	557	9%
Rest of the word	10,054	41%	10,032	40%	22	0%
Total	**24,505**	**100%**	**24,939**	**100%**	**(434)**	**-2%**

In terms of financial performance, Monnalisa reported total consolidated revenues of Euro 25 million, in line with the corresponding period, with Reported EBITDA of Euro 2 million (8% margin, against 9% in the comparative period). After depreciation and amortization of Euro 1.6 million (up by Euro 0.4 million), EBIT amounted to Euro 0.3 million (Euro 1.1 million in H1 2018).

On applying income taxes of Euro 0.2 million (in line with the previous period), a net loss of Euro 0.1 million is reported (compared to a profit of Euro 0.6 million in the previous period).

The new openings in 2019 and 2018, still in the full start-up phase, had an impact on margins, absorbing resources above all as a result of overhead costs (personnel and rent) to a more-than-proportional extent in respect of the increase in revenues.

Monnalisa's Adjusted EBITDA[1] in H1 2019 amounted to approximately Euro 2.8 million, below the 2018 Adjusted EBITDA of Euro 3.3 million.

[1] *As the composition of EBITDA is not regulated by the applicable accounting standards, the criterion used in the calculation by the Group may not be uniform with that adopted by other groups and, therefore, may not be comparable. "Adjusted EBITDA" means the profit or loss that the company would have reported in the absence of non-recurring items.*

The adjustments to reported EBITDA concern the DOS openings and closures in the period and a number of one-off costs incurred.

The currency effect does not impact comparability with H1 2018.

The financial situation at June 30, 2019 was solid, with total commitments of Euro 76 million, covered by equity of Euro 47.2 million and net debt of Euro 14.5 million.
In addition to covering all fixed assets, amounting to Euro 27 million, equity thus also finances approximately 40% of working capital, amounting to Euro 49.9 million, with borrowings of Euro 14.5 million and total provisions (risks and post-employment benefits) of Euro 2.2 million.
Net working capital – typically higher due to the seasonal effect – amounted to Euro 23 million (19), as a consequence, in terms of commitments, of greater inventories (converted into revenues in the following months) and, on the sources side, an increase in current non-financial liabilities to Euro 12.5 million from Euro 10.5 million at December 31, 2018.
From the standpoint of cash flows, during the reporting period the Company absorbed cash of approximately Euro 0.5 million, in line with 2018. Despite lesser self-financing (net result plus amortization and depreciation), working capital absorbed less resources than the previous period, allowing for the generation of positive cash flow after net working capital changes.
Investing activity used cash of approximately Euro 2.5 million, of which Euro 0.9 million was invested in intangible assets and expenses incurred on third-party assets for the opening of direct stores. Residual investments concerned the completion of the offices at the new building and the construction of the new showroom in Arezzo. Net debt amounted to Euro -0.1 million at June 30, 2019 (Euro 2.5 million at December 31, 2018).

4. Outlook

Investments continued to be rolled out as per the industrial plan. In particular, in the second half of 2019 a company will be incorporated in Singapore for the opening of direct sales points on this market.
The opening of new sales points in Recife (Brazil) and in Taipei (Taiwan) are also planned for September.
The share capital increase of the Russian and Hong Kong subsidiaries is in its concluding phase, in order to drive further growth in these countries, alongside the opening of two new sales points in Russia, in addition to the relocation of one in Hong Kong.

Finally, the US subsidiary received additional funding. The US expansion project continued in the year with the opening of a sales point in Sawgrass Mill (Miami) and one on the island of Guam.

5. Subsequent events

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

6. Operating and financial overview

The operating and financial overview is based on the reclassified balance sheet, drawn up as per Articles 2424 and 2424-bis of the Italian Civil Code, and the reclassified income statement, drawn up as per Articles 2425 and 2425-*bis* of the Italian Civil Code. In the interest of completeness of information, the details of the analysis are provided at the level of Monnalisa on a stand-alone basis as well as at the Group level.

The Monnalisa Group in addition utilises alternative performance indicators, which are not recognised under Italian GAAP, to better assess Group performance. The criterion applied by the Group and the relative results may therefore not be uniform and comparable with those of other groups. These indicators are based solely on the Group's historical data for the reporting period and the comparative periods, without referring to the Group's expected performance, and should not be considered as replacements for the indicators required by the applicable accounting standards (Italian GAAP – OIC).

The alternative performance indicators utilised are the following:

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

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

Net Capital Employed: The net capital employed is the sum of net working capital, fixed assets, other liabilities including pension and similar obligations provisions, deferred tax liabilities, other provisions and the doubtful debt provision. Net capital employed is not identified as an accounting measure under Italian GAAP. The criteria applied by Monnalisa may not be uniform with those adopted by other entities and these values may not be comparable with that determined by such entities.

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

7. Consolidated Reclassified Income Statement

The income statement is duly reclassified, indicating both the core operating results and financial and extraordinary management results.

Description	30/06/2019	Inc. %	30/06/2018	Inc. %	31/12/2018	Inc. %
Revenues from sales	24,560,083		24,938,575		49,129,438	
Profit/(loss) non-core income	419,559		478,530		1,943,111	
Total Revenues	**24,979,641**	**100%**	**25,417,105**	**100%**	**51,072,549**	**100%**
Product Manufacturing Costs	(8,338,263)		(10,814,346)		(20,409,377)	
Costs for raw materials and finished products	*(4,515,402)*		*(7,394,249)*		*(13,396,440)*	
Costs for production services	*(3,822,861)*		*(3,420,097)*		*(7,012,937)*	
Costs for use of third-party assets	(3,064,739)		(2,213,410)		(4,877,477)	
Marketing Costs	(1,326,186)		(1,164,099)		(2,140,082)	
Costs for other services	(4,246,371)		(3,585,650)		(7,077,065)	
ADDED VALUE	**8,004,083**	**32%**	**7,639,600**	**30%**	**16,568,548**	**32%**
Personnel Costs	(5,823,847)		(4,956,243)		(10,614,232)	
Miscellaneous operating costs	(194,466)		(301,978)		(669,966)	
Provisions for bad and doubtful accounts	(49,147)		(47,902)		(121,897)	
EBITDA	**1,936,623**	**8%**	**2,333,477**	**9%**	**5,162,453**	**10%**
Depreciation tangibles	(841,838)		(465,187)		(1,281,960)	
Amortization intangibles	(775,990)		(764,811)		(1,799,370)	
EBIT	**318,795**	**1%**	**1,103,479**	**4%**	**2,081,123**	**4%**
Financial Management (ex. Currency)	(203,436)		(218,724)		(369,043)	
Profit/(Loss) before taxes	**115,359**	**0%**	**884,755**	**3%**	**1,712,080**	**3%**
Taxes	(239,170)		(245,217)		(418,741)	
Consolidated Net Profit	**(123,811)**	**0%**	**639,538**	**3%**	**1,293,338**	**3%**

*** other operating costs included also the results of the extraordinary area, with reclassifications previously highlighted separately*

For reclassification purposes, financial interest income and charges and bank charges are included in the financial management result, while the R&D contribution was included as a reduction to the “other service costs” account.

8. Consolidated Reclassified Balance Sheet

The balance sheet reclassified according to the financial method is useful in understanding the composition of commitments and sources of funds and in calculating short- and long-term financial stability indicators. On the other hand, the balance sheet reclassified by segment is useful in understanding funding requirements and financial structure dynamics, permitting categories of commitments and sources of funds to be correlated with one another, which can then be compared with the corresponding financial margins to calculate specific profitability indicators.

Operational balance sheet

ASSETS	30/06/2019	%	31/12/2018	%	30/06/2018	%
FIXED ASSETS	**26,639,877**	**35%**	**25,733,073**	**41%**	**22,085,322**	**37%**
Intangible assets	5,557,952		5,427,809		4,299,359	
Tangible assets	18,179,530		18,137,073		16,319,839	
Financial Assets	2,902,395		2,168,191		1,466,124	
CURRENT ASSETS	**49,987,338**	**65%**	**49,150,933**	**59%**	**38,350,874**	**63%**
Inventory	19,992,702		17,826,800		16,540,937	
Deferred Cash	18,488,393		17,745,383		19,212,507	
Cash on hand	11,506,243		13,578,750		2,597,430	
INVESTED CAPITAL	**76,627,215**	**100%**	**74,884,006**	**100%**	**60,436,196**	**100%**

LIABILITIES						
EQUITY	**47,227,170**	**62%**	**47,397,682**	**65%**	**29,793,504**	**49%**
Share Capital	10,000,000		10,000,000		2,064,000	
Reserves	37,350,981		36,104,344		27,089,966	
Profit/(loss) for the period	(123,811)		1,293,339		639,538	
NON CURRENT LIABILITIES	**10,633,499**	**14%**	**9,797,477**	**13%**	**5,619,807**	**9%**
Financial	8,302,349		7,370,295		3,549,754	
Non financial	2,331,150		2,427,182		2,070,053	
CURRENT LIABILITIES	**18,766,545**	**24%**	**17,688,846**	**22%**	**25,022,885**	**41%**
Financial	6,212,264		6,154,475		13,165,105	
Non financial	12,554,281		11,534,371		11,857,780	
FINANCING CAPITAL	**76,627,215**	**100%**	**74,884,006**	**100%**	**60,436,196**	**100%**

Functional balance sheet

USES	**30/06/2019**		**31/12/2018**		**30/06/2018**	
OPERATING INVESTED CAPITAL	**73,684,230**	**Inc. %**	**72,656,510**	**Inc. %**	**58,967,610**	**Inc. %**
Operating Liabilities	14,885,432		13,973,418		13,927,834	
NET OPERATING INVESTED CAPITAL	**58,798,798**	**95%**	**58,683,092**	**96%**	**45,039,776**	**97%**
NON-OPERATING INVESTMENTS	**2,942,985**	**5%**	**2,227,496**	**4%**	**1,468,586**	**3%**
NET INVESTED CAPITAL	**61,741,783**	**100%**	**60,910,588**	**100%**	**46,508,362**	**100%**
SOURCES						
EQUITY	**47,227,170**	**76%**	**47,397,682**	**78%**	**29,793,504**	**64%**
FINANCIAL LIABILITIES	**14,514,613**	**24%**	**13,512,906**	**22%**	**16,714,859**	**36%**
FINANCING CAPITAL	**61,741,783**	**100%**	**60,910,588**	**100%**	**46,508,362**	**100%**

Net Financial Position

The net financial position, stated according to Consob Communication No. DEM/6064293 of July 28 2006, at June 30, 2019 and December 31, 2018 is reported below:

	In thousands of €	**30/06/19**	**31/12/18**
A	Cash on hand	75	62
B	Bank and postal deposits	11,431	13,519
C	Held-for-trading securities		
D	**Cash and cash equivalents (A+B)**	**11,506**	**13,581**
E	**Other current financial assets**	**2,882**	**2,435**
F	Current bank payables	4,211	3,905
G	Current part of non-current debt	2,001	2,237
H	Other current financial liabilities		
I	**Current Financial Debt (F+G+H)**	**6,212**	**6,143**
J	**Net Current Financial Debt (I-E-D)**	**(8,176)**	**(9,873)**
K	Non-current bank payables	8,302	7,370
L	Bonds issued		
M	Other non-current financial liabilities		
N	**Non-current financial debt (K+L+M)**	**8,302**	**7,370**
O	**Net Financial Debt or NPF (J+K)**	**127**	**(2,503)**

9. Main risks and uncertainties to which the company is exposed

In managing its business and implementing its strategy, the Group, like all companies, is naturally exposed to a series of risks that, where not properly managed and mitigated, may affect its operating results, as well as its current and prospective financial position.
Monnalisa S.p.A. has implemented risk management procedures for the most exposed areas with the aim of eliminating or reducing positive negative impacts on the Company's financial situation.

Market risks
The Monnalisa Group operates in the luxury fashion market where there is strong competition, above all from adult brands with childrenswear lines, as well as volatility, with a very short product life cycle and frenetic, constant availability of new products and brands. This risk is accompanied by that associated with the countries in which the company does business, each of which has its own economic and political situation, and in particular with those nations where the Group maintains a direct presence. These risks are managed by investing in innovation and research, encouraging creativity through constant stimuli and challenges. In addition, having a widespread presence in a significant number of global markets enables the Group to mitigate the risk associated with a potential deterioration in the economic or political situation in certain markets.

Risks related with image
The market in which the Monnalisa Group operates is influenced by the retailer and end customer's perception not only of the style proposed by the company, but also of the intrinsic quality of the product and the brand's reputation. In order to mitigate these risks, the image of the product and the brand is carefully managed (brand, product, company and group communication). The public relations function is internal, in order to ensure more effective coverage of the messages to be communicated externally, ensuring that they are consistent in terms of brand identity and the group situation. In order to protect the end consumer and safeguard against the resulting reputational risk, considerable attention is devoted to product safety and the materials used, through quality control, chemical and physical tests on specific products, compliance with the REACH Regulation and satisfaction of very stringent requirements for access to large Chinese and Korean malls, through specific product certifications.

Distribution network risks
The risks associated with the retail and wholesale channel relate to the solvency and solidity of clients, which are regularly monitored by prudently assessing the credit limits to be granted, in addition to relying on a credit insurance and management service. An additional service that provides online access to commercial information in real time is also used to monitor whether the credit limits granted remain sound over time.
In a market of this nature, it is also essential to be able to obtain and to maintain the most desirable locations in the world's most important cities and prestigious department stores. The main risk associated with this type of channel relates to the term of the lease agreements, their possible renewable and the revision, if any, of the conditions applied.

The group invests constantly in the distribution channel, according to a win-win approach for both the client and supplier, by providing personalized support for store layout and set-up, assistance in preparing the initial order, monitoring of the mix of products stocked, training for sales personnel, visual merchandising initiatives, management and co-management of in-store events, product exchange service and modular support with the management of unsold articles.

Risks related to relations with manufacturers and suppliers
Production is outsourced to small local workshops (contract manufacturers) and manufacturers that also produce their own product lines based on Italy and internationally (China, Turkey and Egypt). Collaboration

with our main suppliers is based on an approach oriented towards long-term partnership, founded on common goals and methods to identify quality professional solutions and achieve mutually satisfactory results, with a focus on relationship stability, while also limiting the risk of dependency on key suppliers, in terms of workload or the type of product/service offered. Although the group is not materially dependent on any single supplier, there is still a potential risk that existing supply arrangements may be interrupted. Accordingly, the workloads assigned to each supplier are regularly monitored and intense worldwide scouting of new suppliers is conducted.

Risks related to the loss of know-how and talent

The group's success depends strongly on the people who work with it, their expertise and their professionalism. Accordingly, it is sought to prevent the loss of talent by ensuring a stimulating, challenging working environment offering a wealth of opportunities for learning and growth. In addition, the sharing of individual knowledge is promoted, in the form of the transversal growth and spread of skills through direct training of colleagues and publication on the server of everything that can be codified into procedures and instructions.

When new international branches are opened in countries with cultures profoundly different from those of the parent company, it also becomes crucial to understand how individuals of another nationality approach their work and what motivates them, by developing ad hoc policies and taking account of a different attitude to company loyalty over time.

Risks related to the loss of information and data

The Monnalisa Group has added data management and back-up procedures to the instructions contained in the Parent Company's ISO 9001 manual, even though the obligation to prepare and update the security planning document has ceased to apply. No complaints regarding privacy breaches or data losses have ever been received. One of the three individuals in the IT office is tasked with constantly updating IT systems to avoid the risk of obsolescence, and there is also a management committee that focuses on technological development at the level of software. Secure payment systems managed by certified companies that employ the best security protocols are used in online product marketing systems. Internal controls are applied to ensure that transactions are formally and substantially correct.

Company privacy roles (data controller, data supervisor and DPO) pursuant to Regulation (EU) No. 2016/679 were formalized during the meeting of the Board of Directors held on May 21, 2018.

Liquidity risks

The Monnalisa group plans its financial performance so as to reduce its liquidity risk. On the basis of its financial needs, the group makes use of lines of credit provided by the banking system, relying on the most appropriate sources, from the standpoint of term, in view of the uses of the funds. In order to optimize the use of liquidity due to the increase in working capital, the volume and composition of the liquidity used are constantly monitored, seeking to contain it or render it uniform in its various components (accounts receivable, accounts payable and inventory) in terms of both volume and duration. At the same time, the group assesses the value of its inventory at its various facilities, ensuring that it is consistent with presumed realizable value, and identifies the methods and channels to be used to dispose of the remaining articles.

Financial risks

Financial risks, i.e. the possibility that the group may not be in a position to weather adverse events of an external or internal nature, are thoroughly mitigated by the policy adopted by the company, which resulted in retention of earnings over a considerable period. This was further borne out by the increase in equity resulting from the IPO on the AIM Italia Market.

Exchange rate risk

In its operations, the group conducts purchase and sale transactions on international markets denominated in currencies other than the euro. Since the volume of the parent company's purchases in U.S. dollars is out of alignment with the schedule according to which price lists are set, where it is deemed appropriate to do so the exchange rates fixed when the bill of materials is drawn up are hedged using flexible forwards, solely for protection purposes, and never with speculative intent, in view of ensuring that the planned margins are achieved. According to the same rationale, where the requirements are met, payment flows in foreign currencies relating to sales transaction on international markets are also hedged.

Risks related to corruption

Since the group does not work with either the public administration or large retail chains, the risk of corruption is considered to be low. In addition to the Board of Statutory Auditors in its control function, company governance system and processes also contribute to keeping the risk of corruption low by establishing the separation of functions. Management of activities relating to the management of the risk of corruption falls within the areas contemplated when preparing the 231/01 system, the general and special sections of the model for which – along with the code of ethics – were approved by the Board of Directors in December 2017. The process of voluntarily implementing an Organization, Management and Control Model pursuant to Legislative Decree No. 231/2001 made it possible to refine risk analysis further, and in particular to enter into further detail regarding risks giving rise to criminal liability under the Decree. The reporting mechanisms in place within the organization, and also extending beyond it, contribute to mitigating this risk, by making it possible to enter into direct contact with the external certification authority or even the SA8000 accreditation authority. As in previous years, no reports of possible attitudes or phenomena of corruption were received during the half-year.

Risks related to governance

The parent company is a first-generation family business in which the founders are still actively involved in terms of contributions and guidance. Accordingly, there are clearly potential continuity and succession risks. In order to mitigate this type of risk, a Board of Directors was formed in 2010, and reappointed in 2018, with members currently including, in addition to Chairman Piero Iacomoni, three external members, including Chief Executive Officer Christian Simoni, and an independent director. Whether to expand the Board of Directors to include new members remains an open question.

Risks related to accounting activity

The parent company's accounting activity is internal and is conducted by individuals with an average of 20 years of experience in their roles. The professionalism ensured by our personnel is accompanied by ongoing training and support from high-profile external consultants. The auditing firm EY S.p.A. has been named the company's independent auditors, in addition to being commissioned to certify the separate financial statements of the parent company and the consolidated financial statements. At the level of the subsidiaries, accounting is entrusted to local consultancy firms with international experience. The subsidiary companies with the greatest revenues (Russia, China and Hong Kong) are audited by local auditors or local offices of EY.

There have never been any cases of fines or other penalties for breaches of laws and regulations.

There were no ongoing disputes with the revenue authorities at the reporting date.

The Group operates in various countries (in Europe and beyond). Within this framework, goods are sold and services are rendered between the various Group entities residing in the various countries. In particular, relationships between the parent company and its international subsidiary companies are subject to transfer-pricing rules. In the management's opinion, the transactions between the parent company and other group company have been undertaken in the course of ordinary business operations and carried out in full accordance with the arm's-length principle, as incorporated into Italian legislation and defined (at the international level) by the guidelines provided by the OECD.

10. Research and development

In accordance with point 1) of paragraph three of Article 2428 of the Civil Code, research and development on projects considered particularly innovative, both through in-house personnel and consultancy, are expected to continue in the first half of 2019.
The costs incurred for research and development of processes and products are not capitalised but included in operating costs and as such are therefore entirely recharged to the income statement. The total costs incurred for R&D activity in the period amounted to Euro 1,129,114.

11. Infra-group relations – related parties

Transactions between the various companies take place at current market conditions. Significant related party transactions for the first half of 2019 are broken down below by company:

- Jafin SpA: finance company with which Monnalisa has signed a bond loan,
- PJ Srl: property company which runs the showrooms, for the collection of orders, and other production use rooms,
- Monnalisa Hong Kong Ltd: retail development in HK,
- Monnalisa China Ltd: retail development in China,
- Monnalisa Korea Ltd: retail development in South Korea,
- Monnalisa Rus Llc: retail and wholesale development in Russia,
- Monnalisa Brasil Ltda: retail development in Brazil,
- ML Retail USA Inc: retail development in the USA,
- Monnalisa Bebek Gygim Sanayi Ve Ticaret A.S.: retail development in Turkey,
- Monnalisa International Limited: retail development in Taiwan
- Monnalisa UK: retail development in Great Britain,
- Monnalisa Japan: retail development in Japan

The following table presents the transactions at 30/06/2019 in economic and financial terms:

Company	Investments	Trade Receivables	Other receivables	Trade payables	Other payables	Revenues	Costs
Jafin SpA		16,551	1,200,000			351	
PJ Srl		33,062	81,580	71,884		6,100	120,001
Monnalisa &Co. Srl		10,980					23,030
Fondazione Monnalisa			156,754				25,000
DiDj srl				60,000			7,591
Hermes & Athena Consulting Srl				300,000			100,000
Arcangioli Consulting Srl			61,000				
Arcangioli Pierangelo					37,202		76,177
Barbara Bertocci							125,000
Monnalisa Hong Kong LTD	50,000	1,470,266				227,315	
Monnalisa Brazil Ltda	500,036	225,436	900,000			58,781	
Monnalisa China LLC	4,800,000	3,023,666				663,820	
Monnalisa Rus OOO	138	749,472				1,158,276	
ML Retail Usa Inc	591,156	1,223,528	3,418,765			423,728	
Monnalisa Bebek Giyim Sanayi ve Ticarted	1,215,434	39,208			373,163	39,208	
Monnalisa UK LTD	235,377	205,017				379,630	
Monnalisa Korea Ltd	81,000	98,296	100,500			500	
Monnalisa Taiwan	204,446	3,000					
Monnalisa Japan	8,189						
TOTAL	**7,685,776**	**4,074,816**	**5,918,599**	**3,384,155**	**410,364**	**2,957,709**	**476,799**

The shares in Monnalisa are 75% held by Jafin Due SpA, which exercises management and coordination pursuant to Art. 2497-sexies of the Italian Civil Code.

12. Other information

On January 16, 2019, the Board of Directors of Monnalisa S.p.A., inter alia, approved the share buy-back and sale program in accordance with the shareholders' meeting resolution dated June 15, 2018. The Board of Directors established the programme duration as between January 28, 2019 and December 15, 2019.

The plan is required in order to: (i) utilise treasury shares for the efficient investment of the liquidity generated by ordinary company operations; (ii) acquire treasury shares from the beneficiaries of any incentive plans; (iii) permit the use of treasury shares in corporate transactions where the opportunity arises for share swaps, mainly for mergers with potential strategic partners; in addition to (iv) intervene, in accordance with applicable provisions (and where possible), to contain anomalous share price movements and to regularise trading and prices, against temporary distortions related to excessive volatility or reduced levels of trading.

Purchases may be made also in a number of tranches and in any case up to a maximum amount, considering the ordinary company shares held, at any given time, by the company and its subsidiaries, overall of not more than 15% of the shares comprising the share capital. Purchases shall however be made within the limits of the distributable profits and available reserves stated in the latest approved financial statements, and within the maximum daily volume limits as per the applicable provisions.
Treasury share purchases may be executed at a unitary price of not more than 15% below, as a minimum, and not greater than 15% above, as a maximum, the share price recorded during the trading session before each transaction - except where the shares are swapped, conferred, assigned or subject to other non-monetary disposals, whereby the financial terms of the transaction are based on, as per the applicable regulation, the nature and characteristics of the transaction.
Treasury shares may also be disposed of at any moment, in full or in part, on one or more occasions, even before the maximum number of shares have been purchased, through disposals on the market, in blocks or otherwise off-market, accelerated bookbuilding, or through the sale of any secured and/or unsecured rights thereto (including, for example purposes, securities lending), and also as part of industrial projects or corporate finance transactions, through exchanges, conferments or other means requiring the transfer of treasury shares, at a price or value which is appropriate and in line with the transaction, taking account also of the market performance.
The share purchase programme is co-ordinated by an entrusted intermediary, who makes the purchases entirely independently and without influence from Monnalisa in terms of the moment at which to execute purchases.
Any subsequent amendments to the above-mentioned buy-back programme will be communicated by the company according to the means and terms established by the applicable regulation.
The transactions undertaken shall be disclosed to the market according to the means and terms established by the applicable regulation.

At 30/06/19, Monnalisa held 11,566 treasury shares, equal to 0.22% of the share capital, for a carrying amount of the Negative reserve for treasury share purchases of Euro 95,913.

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The company has not adopted particular environmental impact policies because they are not required in respect of its activity.

The Company adopts all measures appropriate to protecting health and safety in the workplace by applying traditional procedures (risk assessment and health monitoring plan) and obtaining support from competent professionals (executives, officers, company-appointed physician and head of the prevention and protection service pursuant to Leg. Decree 81/2008).

Prevention of work-related risks is a fundamental principle that inspires the Company and that represents an opportunity for improving quality of life in the Company's facilities and offices. In view of this goal, initiatives continued with the aim of training and raising awareness amongst employees and all workers generally regarding workplace safety issues. The process involved training and information sessions (in the form of specific courses), the implementation of a health monitoring plan, and the circulation of notices and circulars in accordance with the relevant legislation. In accordance with Law Decree 81 of 2008, additional investments were made to improve the compliance of installations and equipment with the legislation concerned.

In order to comply with the provisions of the AIM Italia – Alternative Capital Market Issuers' Regulation, as updated on January 3, 2018, the Company has adopted specific corporate governance procedures such as:

- internal dealing procedures governing reporting obligations applicable to certain transactions undertaken by the Company's directors;

- a regulation on the management and processing of company information and external disclosure of inside information;

- related-party transactions procedure governing the identification, approval and execution of transactions undertaken by the Company with related parties in order to ensure that such transactions are transparent and correct both in substance and from a procedural viewpoint;

- procedure for complying with reporting obligations vis-a-vis the Nomad.

for the Board of Directors of Monnalisa S.p.A.
The Chairman Piero Iacomoni

CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS AT JUNE 30, 2019

Income Statement at June 30, 2019

INCOME STATEMENT	30.06.2019	30.06.2018
A) Value of Production		
1) Revenues from sales	24,560,083	24,938,575
2) Changes in inventories of work in progress, semi-finished goods and finished products	1,824,502	(449,310)
4) Capitalization of internal work	100,843	12,310
5) Other revenues and income	726,047	1,008,297
Total value of production	**27,211,475**	**25,509,873**
B) Costs of Production		
6) Raw materials, consumables and goods for resale	6,885,226	7,203,179
7) Services	9,268,928	8,127,479
8) Use of third-party assets	3,323,758	2,581,231
9) Personnel Costs		
a) Wages and salaries	4,482,541	3,766,521
b) Social security charges	1,027,912	852,215
c) Termination indemnities	147,327	135,809
d) Pensions and similar obligations	76,688	62,895
e) Other costs	89,380	138,803
Total personnel Costs	5,823,847	4,956,243
10) Amortization, depreciation and write-downs		
a) Amortization of intangible fixed assets	775,990	764,811
b) Depreciation of tangible fixed assets	841,838	465,187
d) Write-downs of receivables in current assets and cash and cash equivalents	49,147	47,902
Total amortization, depreciation and write-downs	1,666,975	1,277,901
11) Change in inventory of raw, ancillary, consumable materials and goods	(271,068)	(41,617)
14) Other operating costs	242,533	363,691
Total production costs	**26,940,198**	**24,468,107**
Difference between value and production costs (A-B)	**271,277**	**1,041,766**
C) Financial income and expenses		
16) Other financial income:		
b) from securities classified as fixed assets	15,000	15,000
d) others	4,197	9,854
Total financial income	19,197	24,854
17) Interests and other financial expenses		
-other	222,633	243,578
Total financial expenses	222,633	243,578
17-bis) Losses and gains on currency exchange	(56,080)	49,763
Total financial income and expenses	**(147,356)**	**(168,961)**
D) Value adjustments to financial assets		
18) Write-backs:		
d) financial derivative instruments		37,095
Total write-backs		37,095
19) Write-downs:		
d) financial derivative instruments	8,563	25,145
Total write-downs	8,563	25,145
Total value adjustments to financial assets (D)	**(8,563)**	**11,950**
Profit/(Loss) before taxes (A-B±C±D)	**115,359**	**884,755**
a) Current taxes	500,497	543,012
b) Deferred taxes	(261,327)	(297,795)
Total Income, current, deferred taxes	239,170	245,217
21) Profit (loss) for the period	**(123,811)**	**639,538**
Profit (loss) attributable to the Group	(122,438)	642,242
Profit (loss) attributable to minority interests	(1,373)	(2,704)

Balance Sheet
at June 30, 2019

ASSETS	30.06.2019	31.12.2018
A) Subscribed capital unpaid		
B) Fixed Assets		
I - Intangibles Assets		
1) Start-up and expansion costs	978,872	1,074,411
3) Industrial Patent and Intellectual Property Rights	157,724	153,444
4) Concessions, licences, trademarks and similar rights		
5) Goodwill	2,011,277	2,145,599
6) Work in progress and advance payments	55,465	138,258
7) Other	2,354,614	1,916,097
Total Intangible assets	**5,557,952**	**5,427,809**
II - Tangible Assets		
1) Land and Buildings	11,045,567	11,100,937
2) Plants and equipment	3,823,789	4,186,066
3) Industrial and commercial equipment	291,276	315,309
4) Other Assets	2,772,365	2,469,890
5) Work in progress and advance payments	246,534	64,871
Total Tangible Assets	**18,179,530**	**18,137,073**
III - Financial Assets		
1) Equity investments in:		
D bis) other companies	8,624	8,624
Total Equity Investments	**8,624**	**8,624**
2) Receivables		
d bis) due from others		
- within 12 months		
- beyond 12 months	1,693,771	959,567
3) Other Securities	1,200,000	1,200,000
Total Financial Assets	**2,902,395**	**2,168,191**
B) Total Fixed Assets	**26,639,877**	**25,733,073**
C) Current Assets		
I - Inventory		
1) Raw, supplies and consumable materials	2,685,683	2,414,560
2) Work in progress and semi-finished products	1,746,002	1,672,876
4) Finished products and goods	15,503,177	13,657,266
5) Advances	57,840	82,098
Total inventory	**19,992,702**	**17,826,800**
II - Receivables		
1) Due from customers		
- within 12 months	11,488,120	11,257,074
Total Due from customers	**11,488,120**	**11,257,074**
5-bis) Tax Receivables		
- within 12 months	3,692,775	3,735,433
Total Tax Receivables	**3,692,775**	**3,735,433**
5-ter) Deferred tax assets		
- within 12 months	1,852,174	1,604,390
Total Deferred tax assets	**1,852,174**	**1,604,390**
5-quater) Due from others		
- within 12 months	809,147	715,704
- beyond 12 months		
Total Due from others	**809,147**	**715,704**
Total Receivables	**17,842,216**	**17,312,601**
III - Financial Assets (other than fixed assets)		
5) Derivative financial instrument assets	40,590	59,304

Total financial assets (other than fixed assets)	**40,590**	**59,304**
IV - Cash and cash equivalents		
1) Bank and postal deposits	11,431,290	13,518,370
3) Cash on hand	74,953	60,379
Total cash and cash equivalents	**11,506,243**	**13,578,749**
C) Total current assets	**49,381,751**	**48,777,454**
D) Accrued income and prepaid expenses		
Prepaid expenses	605,587	373,478
D) Total accrued income and prepaid expenses	**605,587**	**373,478**
TOTAL ASSETS	**76,627,215**	**74,884,006**

LIABILITIES AND SHAREHOLDERS' EQUITY	**30.06.2019**	**31.12.2018**
A) Shareholders' Equity		
I Share capital	10,000,000	10,000,000
II Share premium reserve	9,063,125	9,063,125
III Revaluation reserve	2,959,446	2,959,446
IV Legal reserve	1,108,276	943,276
VI Other reserves, indicated separately		
Translation differences	(655,742)	(717,937)
Other reserves	189,187	51,576
Total other reserves	(466,554)	(666,361)
VII Cash flow hedge reserve	30,236	44,459
VIII Profit (loss) carried forward	24,740,642	23,751,400
IX Profit (loss) for the period	(122,438)	1,291,853
X Negative reserve for own portfolio shares	(95,913)	
Total Group Shareholder's Equity	**47,216,819**	**47,387,198**
Third Party capital and reserves	11,725	8,999
Profit (loss) attributable to minority interests	(1,373)	1,486
Total Minority Shareholder's Equity	**10,351**	**10,485**
Total Shareholder's Equity	**47,227,170**	**47,397,683**
B) Provisions for risks and charges		
1) Provisions for pensions or similar obligations	55,965	54,257
2) Provisions for taxes, including deferred	208,088	256,843
3) Derivative financial instrument liabilities		-
4) Other	276,855	420,855
Total provisions for risks and charges	**540,908**	**731,955**
C) Employee termination indemnities	**1,702,439**	**1,607,423**
D) Payables		
4) Payables due to banks		
- within 12 months	6,212,264	5,733,506
- beyond 12 months	8,302,349	7,779,400
Total payables due to banks	**14,514,613**	**13,512,906**
5) Payable due to other financial institutions		
- within 12 months		11,865
- beyond 12 months		
Total payable due to other financial institutions		**11,865**
6) Advances		
- within 12 months	914,605	1,324,853
Total advances	**914,605**	**1,324,853**
7) Trade payables		
- within 12 months	8,657,066	7,758,687
Total trade payables	**8,657,066**	**7,758,687**

12) Tax payables		
- within 12 months	782,259	425,632
Total tax payables	**782,259**	**425,632**
13) Payables to pension funds and social security agencies		
- within 12 months	386,048	492,303
Total payables to pension funds and social security agencies	**386,048**	**492,303**
14) Other payables		
- within 12 months	1,366,648	1,400,026
- beyond 12 months	87,804	87,804
Total other payables	**1,454,452**	**1,487,829**
Total payables	**26,709,043**	**25,014,074**
E) Accrued liabilities and deferred income		
Accrued liabilities	447,655	132,871
Total accrued liabilities and deferred income	**447,655**	**132,871**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**76,627,215**	**74,884,006**

Consolidate Cash Flow Statement at June 30, 2019

CASH FLOW STATEMENT CASH AND CASH EQUIVALENTS	30/06/2019	30/06/2018
A) Cash flow from operating activities (indirect method)		
Profit for the period	(123,811)	639,538
Income tax	239,170	245,217
Interest expenses/(income)	203,436	218,724
(Dividends)		
(Gains)/losses on asset disposals		
1) Profit for the period before taxes, interest, dividends and capital gains/losses on disposals	**318,795**	**1,103,479**
Non-cash adjustments not impacting working capital		
Provisions	261,582	217,751
Amortization & depreciation	1,617,828	1,229,998
Impairments		
Adjustments to non-cash financial instrument assets and liabilities	42	(10,250)
Other non-cash increases/(decreases)		
Non-cash adjustments not impacting working capital	**1,879,452**	**1,437,499**
2) Cash flow before working capital changes	**2,198,247**	**2,540,978**
Change in net working capital		
Decrease/(Increase) in inventories	(2,165,902)	233,324
Decrease/(Increase) in trade receivables	(231,045)	(776,919)
Increase/(Decrease) in trade payables	898,379	(1,697,621)
Decrease/(Increase) in accrued income and prepaid expenses	(232,109)	(421,624)
Increase/(Decrease) in accrued liabilities and deferred income	314,784	91,718
Other Decreases/(Other Increases) in net working capital	(643,270)	74,504
Total changes in net working capital	**(2,059,163)**	**(2,496,617)**
3) Cash flow after net working capital changes	**139,084**	**44,361**
Other adjustments		
Interest received/(paid)	(203,436)	(218,724)
(Income taxes paid)	(80,459)	
Dividends received		
(Utilisation of provisions)	(308,859)	(239,606)
Other receipts/(payments)		(72,109)
Total other adjustments	**(592,754)**	**(530,439)**
Cash flow from operating activities (A)	**(453,670)**	**(486,078)**
Tangible fixed assets	(852,866)	(1,433,134)
(Investments)	(892,969)	(1,473,618)
Divestments	40,103	40,484
Intangible fixed assets	(937,563)	(2,532,427)
(Investments)	(937,563)	(2,532,427)
Divestments		
Financial fixed assets	(734,204)	
(Investments)	(834,204)	
Divestments	100,000	
Current financial assets		
(Investments)		
Divestments		
Cash flow from investing activities (B)	**(2,524,633)**	**(3,965,561)**
Third party funds		
Increase/(Decrease) in short-term bank payables	69,654	4,886,399
New loans	2,000,000	1,500,000
(Repayment of loans)	(1,067,946)	(2,149,257)
Own funds		
Paid-in share capital increase		
(Repayment of share capital)		
Disposal/(Acquisition) of treasury shares	(95,913)	
(Dividends and advances on dividends paid)		
Cash flow from financing activities (C)	**905,795**	**4,237,142**

Increase/(decrease) in cash and cash equivalents (A ± B ± C)	**(2,072,507)**	**(214,493)**
Opening cash and cash equivalents	**13,578,750**	**2,811,923**
Bank and postal deposits	13,518,370	2,746,976
Cheques		
Cash on hand	60,379	64,947
Closing cash and cash equivalents	**11,506,243**	**2,597,430**
Bank and postal deposits	11,431,290	2,521,925
Checks		
Cash on hand	74,953	75,505

Explanatory Notes

1.Introduction

Monnalisa S.p.A. (hereafter “the Company” or “the Parent Company”) is a company incorporated under the laws of the Italian Republic and domiciled in Italy, with its registered office in Arezzo at Via Madame Curie No. 7. These consolidated financial statements comprising the balance sheet, the income statement, the cash flow statement and the explanatory notes were prepared in accordance with Article 29 of Legislative Decree 127/91, as reported in these Explanatory Notes, prepared in accordance with Article 38 of the same Decree.
In addition to the various appendices as required by law, reconciliation schedules are also included of the net result and equity of the parent company and of the consolidated financial statements.
The financial statements are expressed in Euro to the nearest unit. Any rounding differences are indicated in the account “Euro rounding reserve” under Shareholders’ Equity.
The explanatory notes outline the balance sheet and income statement accounts on the basis of the order in which they appear in the respective financial statements.
Pursuant to Art. 29, paragraph 4, of Leg. Decree 127/91, it is reported that it was not necessary to apply exceptions to the said Leg. Decree.
The notes and annexes provide additional information that, while not expressly required by applicable legislation, has been deemed useful to providing a complete representation of the Company’s situation.
It is noted that:

- no items of the balance sheet or income statement have been merged;
- the financial statement items for the present period may be compared with the previous year.

As per Article 2424 there are no asset or liability items that could be classified in more than one account.
On July 10, 2018 the Company’s ordinary shares were admitted to trading on the AIM Italia - Alternative Capital Market, a multilateral trading facility organized and managed by Borsa Italiana S.p.A.. Trading of the company’s ordinary shares began on July 12, 2018.
In accordance with Article 18 of the AIM Italia Issuers’ Regulation, updated on January 3, 2018, the company is required to publish the half-year report within three months from period-end.
Therefore, the Board of Directors of Monnalisa S.p.A. approved on September 30, 2019 the half-year report at June 30, 2019 and published it on the Investor Relations section of the Monnalisa S.p.A. website and on the channels required by Borsa Italiana.

The consolidated interim financial statements at June 30, 2019, of which these Explanatory Notes are an integral part, were prepared in accordance with OIC 30.

2.Consolidation area and methods

The consolidated financial statements for the period are based on the financial statements of Monnalisa SpA (Parent Company) as parent and the companies in which the parent directly or indirectly holds a controlling interest. The financial statements of companies included in the consolidated financial statements are incorporated on a line-by-line basis. The list of these companies is provided below:

Company	Registered Office	Share capital		Shareholders	Holding	Consolidated
		currency	currency value			
Monnalisa Brazil Ltda	San Paolo (Brazil)	Real	1,680,390	Monnalisa SPA; Jafin SPA	99%	100%
Monnalisa China LLC	Shanghai (China)	Yuan	36,505,707	Monnalisa SPA	100%	100%
Monnalisa Hong Kong LTD	Hong Kong	HKD	427,565	Monnalisa SPA	100%	100%
Monnalisa Korea Ltd	Seoul (Korea)	WON	100,000,000	Monnalisa SPA	100%	100%
Monnalisa Rus OOO	Mosca (Russia)	RUR	10,000	Monnalisa SPA; Jafin SPA	99%	100%
ML Retail Usa Inc	Houston Texas (USA)	USD	644,573	Monnalisa SPA	100%	100%
Monnalisa Bebek Giyim Sanayi ve Ticaret A.Ş.	Istanbul (Turkey)	TRY	7,450,000	Monnalisa SPA	100%	100%
Monnalisa UK LTD	London (UK)	GBP	200,000	Monnalisa SPA	100%	100%
Monnalisa Japan Co Ltd	Tokyo (Japan)	JPY	1,000,000	Monnalisa SPA	100%	100%
Monnalisa International Limited	Taipei (Taiwan)	TWD	7,000,000	Monnalisa SPA	100%	100%

No companies were consolidated proportionally.
None of the companies are held for an amount under the 20% threshold.
For the consolidation, the financial statements at June 30, 2019 of the individual companies were used, reclassified and adjusted in line with the accounting standards and policies adopted by the Group.
In accordance with Article 30, paragraph 1 of Legislative Decree No. 127 of April 9, 1991, the reporting dates of these consolidated financial statements coincides with June 30, 2019.

The subsidiaries are broken down as follows:

- **Monnalisa Hong Kong Ltd**: incorporated on August 25, 2015 and based in Hong Kong, it is a fully owned subsidiary of Monnalisa S.p.A. intended to pursue development of the local retail market. The subsidiary currently operates three monobrand stores;
- **Monnalisa Russia Llc**: incorporated on January 14, 2016 and 99%-owned by Monnalisa S.p.A. and 1% by Jafin S.p.A., with the aim of increasing the efficiency of management of the local wholesale market and entry into the retail market through the direct opening of monobrand stores. The subsidiary manages 4 stores (3 DOS and 1 DOO);
- **Monnalisa China Ltd**: incorporated on February 17, 2016, with registered office in Shanghai and wholly-owned by Monnalisa S.p.A. The company was established to control the quality of products procured in China and to develop the local retail market through the opening of monobrand stores in the best-known malls in Shanghai, Beijing and other major cities. In the first 6 months of 2019, two low traffic sales points were closed in the country (Shenyang MIXC and Wuhan IP);
- **ML Retail Usa, Inc**.: incorporated on September 22, 2016, wholly-owned by Monnalisa S.p.A., managing retail operations in Miami and at the sales points in New York, Los Angeles and Philadelphia (King of Prussia). During the period, two new sales points, respectively based in Guam (DOS) and Florida (DOO Sawgrass Mill) were opened, bringing therefore the number of sales points to five;
- **Monnalisa Korea Ltd**: incorporated in December 2016, wholly-owned by Monnalisa S.p.A. The company was established to operate on the Korean retail market and improve operating efficiency;
- **Monnalisa Brazil Participasoes, Ltda**: incorporated on December 22, 2016 to manage retail market operations in Brazil through two sales points at San Paolo and Belo Horizonte. The subsidiary is held 99%;
- **Monnalisa BEBEK GİYİM SANAYİ VE TİCARET A.Ş.:** incorporated on December 12, 2018, based in Turkey and fully owned by Monnalisa S.p.A., intended to develop the local retail market, where in June 2019 a store was opened at the new Istanbul airport;
- **Monnalisa UK Ltd:** incorporated in January 2019, with registered office in London, managing a concession at Harrods and with the opening of a temporary monobrand sales point at Bicester Village. The company is a 100% subsidiary of Monnalisa Spa;

- **Monnalisa International Limited:** incorporated in May 2019, based in Taiwan and wholly-owned by Monnalisa S.p.A., to develop the local retail market;
- **Monnalisa Japan Co Ltd:** wholly-owned by Monnalisa Spa. The company, incorporated at the end of June, was still inactive at the reporting date. It will develop operations on the local retail market.

3. Basis of Consolidation

At a preliminary level, it should be noted that as the Parent Company directly promoted and participated in the incorporation of the individual consolidated companies, following the subscription of the nominal share capital it was not necessary to eliminate the value of the equity investments and thus to allocate the resulting consolidation difference.

The main consolidation principles are as follows:

- All subsidiaries are consolidated line-by-line. The minority interests' share in equity is shown separately in the balance sheet. Their portion of the result for the period is likewise shown separately in the income statement;
- Transactions and balances between consolidated companies are fully eliminated. Gains and losses from transactions between consolidated companies not arising from transactions with third parties are eliminated from the relevant items of the financial statements. In particular, intra-Group gains on period-end inventories due to intra-Group purchases of finished goods are eliminated;
- On pre-consolidation, the exclusively fiscal items were eliminated and the relative deferred taxes provisioned.
- The conversion of overseas subsidiary company financial statements was undertaken at the reporting date exchange rate for assets and liabilities and at the average exchange rate for the income statement items. The net effect of the translation of the investee financial statements to the financial statements currency is recorded in the *"Translation reserve".* For the conversion of the financial statements in foreign currencies, the exchange rates reported on the official Bank of Italy website were utilised, as indicated in the following table. The average is calculated as the average of the individual month average exchange rates:

Currency	As at 30/06/2019	Average 1half 2019
Real	4.35110	4.34070
Yuan	7.81850	7.66700
Euro	1.00000	1.00000
Pound Sterling	0.89655	0.87360
Dollar Hong Kong	8.88660	8.86090
Japanese Yen	122.60000	124.29330
Won	1,315.35000	1,295.05670
Rublo	71.59750	73.72150
Turkish Lira	6.56550	6.35430
New Taiwan dollar	35.29650	34.99700
Dollar	1.13800	1.12980

4.Accounting policies

The accounting policies for the consolidated financial statements at 30/06/2019 are those utilised for the statutory financial statements of the parent company which prepares the consolidated financial statements and do not differ from those normally used.

The financial statement accounts have been measured according to the prudence and accruals concepts and on a going concern basis.

In applying the materiality principle, the obligations in terms of recognition, measurement, presentation and disclosure were not observed where not assisting the presentation of a true and fair view.
Recognition and presentation of the accounts was made taking into account the substance of the operations and of the contract.
The accounting policies applied to the consolidated financial statements at June 30, 2019 are in line with those utilised to prepare the consolidated financial statements at June 30, 2018 and December 31, 2018.

5. Guarantees, commitments and contingent liabilities

At the reporting date there are no payables supported by secured guarantees on company assets (Article 2427, first paragraph, No. 6 of the Civil Code), with the exception of the property loan signed on December 27, 2018 with Unicredit S.p.A. for an amount of Euro 5,000,000, supported by the mortgage guarantee on the property located at Arezzo in V. Madame Curie 7/G.

6. Exceptions

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

7. Notes to the income statement

Revenues by segment

H1 2019 revenues amount to Euro 24,560,083, compared to Euro 24,938,575 in H1 2018. They are broken down in the following table:

Description	30/06/2019	30/06/2018	Changes
Sales of goods	20,400	14,373	6,027
Sales of products	24,539,683	24,924,202	(384,519)
Total	**24,560,083**	**24,938,575**	**(378,492)**

Revenues by region

They are broken down as follows:

Region	Revenues
ITALY	7,749
EU	6,705
Rest of the word	10,106
Total	**24,560**

See the directors' report for further details on this item.

Subsidies, grants, paid positions and other economic advantages received from the public administration (as per Article 1, paragraph 125 of Law No. 124 of August 4, 2017)

Other revenues, presented in account A 5), amounting to Euro 726,047, comprised for Euro 407,331 the operating grant for the Research and Development Tax Credit introduced by Article 3 of Legislative Decree No. 145 of 23.12.2013, as replaced by Article I, paragraph 35, Law No. 190/2014 of the 2015 Stability Law. The tax break relates to the new product research and development costs.

In April 2019, the Ministry for Economic Development approved in favour of Monnalisa the AIM listing contribution, in the form of a tax credit for Euro 500,000 (maximum permitted aid). The contribution follows a period of amortization of 5 years of the assets to which it refers and is therefore recognised to “Other revenues” for Euro 150,000 in these financial statements, of which Euro 100,000 concerning 2018 and Euro 50,000 concerning 2019.

Costs of production

H1 2019 costs of production amount to Euro 26,940,198 (Euro 24,468,107 for H1 2018). They are broken down in the following table:

Description	30/06/2019	30/06/2018	Changes
Raw materials, consumables and goods	6,885,226	7,203,179	(317,953)
Services	9,268,928	8,127,479	1,141,449
Use of third-party assets	3,323,758	2,581,231	742,527
Personnel costs	5,823,847	4,956,243	867,604
Amortization	775,990	764,811	11,179
Depreciation	841,838	465,187	376,651
Write-downs of current receivables	49,147	47,902	1,245
Change in inventories of raw materials	(271,068)	(41,617)	(229,451)
Other operating costs	242,533	363,691	(121,158)
Total	**26,940,198**	**24,468,107**	**2,472,091**

Raw materials, consumables and goods and Service costs

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

Service costs

The item includes the costs associated with the purchase of services in core business activity, which are expensed to the income statement when the services are completed.
The account is broken down as follows:

Description	30/06/2019	30/06/2018	Changes
Insurance	121,308	86,620	34,688
POA Commissions	115,778	73,998	41,780
Independent auditors’, Board of Statutory Auditors’ and Board of Directors’ emoluments	336,787	275,522	61,265
Technical, administrative, indus. and commercial consultancy	1,197,943	1,116,768	81,175
Agent costs	538,006	351,097	186,909
Production services costs	2,657,247	2,489,083	168,164
Production services costs	354,256	390,557	(36,301)
Exhibits, fairs and fashion shows	452,489	462,958	(51,469)
Cleaning and security	109,902	100,746	9,156
Utilities	276,552	312,266	(35,714)
Training courses	13,742	14,754	(1,012)

Marketing	614,092	462,467	151,625
Canteen	71,273	63,847	7,426
Transport	1,727,023	1,465,703	261,321
Travel and transfer	186,994	180,824	6,170
Entertainment expenses	62,105	94,021	(31,915)
Other General services	433,431	186,249	247,182
Total	**9,268,928**	**8,127,479**	**1,141,449**

In further detail, service costs primarily include:
•Façon costs (sewing, ironing, embroidery, printing & other services) for Euro 2,657,247,
•costs for Agents for Euro 538,006,
•national and local advertising, for Euro 614,092,
•national and local fashion shows and events for Euro 452,489,
•costs of non-financial banking services, for Euro 115,778.
•technical, industrial, administrative and commercial consultancy for Euro 1.2 million.

Rent, leasing and similar costs

The item includes all costs relating to the use of goods owned by third parties. A breakdown by type and comparison to the previous year for such costs are provided below.

Description	30/06/2019	30/06/2018	Changes
Rental costs	2,897,550	2,053,771	843,779
Hire costs	167,189	159,639	7,550
Royalty costs	259,019	367,821	(108,802)
Total	**3,323,758**	**2,581,231**	**742,526**

The account includes costs incurred for cartoon character royalties for Euro 259 thousand and property lease charges and other condominium expenses for Euro 2,897 thousand.
The increase in rent was the direct result of the investments undertaken in the second half of 2018 and the first half of 2019.

Personnel costs

The personnel costs incurred during the year amounted to Euro 5,823,847, an increase of Euro 867,604 on the comparative year.
The account includes all costs for personnel including raises, promotions, vacation days not taken and provisions in accordance with law and national collective contractual agreements.
Employee termination indemnities, in addition to the portion accrued during the year, include the amount accrued and paid to personnel engaged and dismissed during the same period and the amount contributed to external pension funds.
The other costs associated with personnel have been allocated, in view of their strictly economic nature, to items B6 and B7.

Amortization and depreciation/write-downs

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

Other operating costs

This account amounting to Euro 242,533 includes all operating costs not recognised to the other accounts of section b) of the income statement and accessory management costs which are not of an extraordinary nature, in addition to all tax charges, other than direct income taxes. This account is principally composed of:

- Taxes and levies (property and waste disposal taxes) for Euro 112,057,
- Miscellaneous administrative expenses for Euro 14,388,
- Charitable donations for Euro 25,000.

Interest and other financial charges

Interest and other financial charges for H1 2019 were Euro 147,356 (Euro 168,961 in the first six months of the previous year).
A breakdown follows:

Description	30/06/2019	30/06/2018	Changes
Interest income	19,197	24,854	(5,658)
Financial charges	(95,706)	(169,526)	73,820
Interest charges	(126,927)	(74,052)	(52,875)
Exchange gains	412,829	223,308	189,521
Exchange losses	(356,748)	(173,545)	(183,203)
Total	**(147,356)**	**(168,961)**	**21,605**

The figure for the period therefore includes financial income of Euro 19,197, interest expense and other financial charges of Euro 222,633 and net exchange gains of Euro 56,081.

Cost related to extraordinary events

No extraordinary events are reported for the first six months of 2019.

Income taxes for the period

The account comprises:

Description	30/06/2019	30/06/2018	Changes
Current taxes	500,497	543,012	(42,515)
Deferred tax charges/(income)	(261,327)	(297,795)	36,468
Total	**239,170**	**245,217**	**(6,047)**

Deferred tax income/charges

Deferred taxes are calculated based on the global allocation criteria, taking into account the cumulative amount of all of the temporary differences, based on the average expected rates in force when these temporary differences reverse. Deferred taxes derive from the accrual in the year to the deferred tax liability provision.

Deferred tax assets are recorded if there is reasonable certainty that the temporary differences will reverse in future periods against assessable income not lower than the differences that will be reversed.

The consolidated income statement account is broken down as follows:

Deferred tax income and charges recognised to the income statement	30/06/2019	30/06/2018
Amortization of brands	200	175
Amortization of goodwill	(1,786)	(12,250)

Consulting	1,487	2,974
Risks provision	40,176	-
Others	3,246	-
Intercompany margin on inventory	(87,996)	(71,729)
Subsidiary tax losses carried forward	(168,956)	(203,978)
Deferred tax income	**(213,629)**	**(284,808)**
Business unit disposal	(6,493)	(12,987)
Exchange gains 2018	25,633	-
Sales of company branch	(23,658)	-
Exchange gains 2019	(39,746)	-
Others	(3,433)	-
Deferred tax charges	**(47,697)**	**(12,987)**
Deferred tax charges/(income)	**(261,327)**	**(297,795)**

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

Description	**30/06/2019**	**30/06/2019**	**30/06/2019**	**30/06/2019**	**30/06/2018**	**30/06/2018**	**30/06/2018**	**30/06/2018**
	Amount IRES temporary differences	**IRES tax result**	**Amount IRAP temporary differences**	**IRAP tax result**	**Amount IRES temporary differences**	**IRES tax result**	**Amount IRAP temporary differences**	**IRAP tax result**
Deferred tax assets:								
Amortization brands	(729)	(175)	(729)	(25)	(638)	(153)	(564)	(22)
Amortization Goodwill	6,409	1,537	6,409	249	43,909	10,538	43,897	1,712
Consultancy 2015	(5,330)	(1,279)	(5,330)	(208)	(10,660)	(2,558)	(10,660)	(416)
Provision for risk 2018	(244,000)	(58,560)	(244,000)	(9,516)				
ISC Provision	2,956	709	2,956	115				
Write-downs receivables 2018	(3,972)	(953)						
Provision for risk 2019	100,000	24,000	100,000	3,900				
Exchange rate losses	(3,319)	(796)						
Administrator compensation	(8,320)	(1,997)	(8,320)	(324)				
Total	**(156,305)**	**(37,514)**	**(149,014)**	**(5,809)**	**32,611**	**7,827**	**32,673**	**1,274**
Deferred tax liabilities:								
Sales of company branch	27,055	6,493			54,110	12,987		
Exchange rate losses 2017	(106,806)	(25,633)						
Sales of building	84,796	20,351	84,796	3,307				
Exchange rate losses 2018	165,607	39,746						
Total	**170,652**	**40,957**	**84,796**	**3,307**	**54,110**	**12,987**		
Net deferred tax liability (asset)	**(326,957)**	**(78,471)**	**(233,810)**	**(9,116)**	**(21,499)**	**(5,160)**	**32,673**	**1,274**

In accordance with Italian GAAP standard OIC 26, the Company determined that the aforementioned deferred tax income was reasonably certain to be recovered on the basis of a projection of future taxable profit according to its business plans and an estimate of the amount of the deferred tax assets reasonably recoverable.

8. Notes to the balance sheet

8.1 Assets

B) FIXED ASSETS

The following table outlines the composition and movement in account for the period ending June 30, 2019:

Intangible assets

The movements in the account are as follows:

Description	31/12/2018	Increases	Decreases	Exc. Diffs.	Other changes	Depreciation	30/06/2019
Set-up and expansion costs	1,074,411	39,099		(1,264)		(133,374)	978,872
Industrial patents	153,444	36,190		801		(32,711)	157,724
Concessions, licences, trademarks & similar rights							
Goodwill	2,145,599			9,764		(144,085)	2,011,277
Assets in progress and advances	138,258	55,626		1,699	(140,118)		55,465
Other	1,916,097	707,528	31,430	25,260	140,118	(465,820)	2,354,614
Total	**5,427,809**	**838,443**	**31,430**	**36,261**	**-**	**(775,990)**	**5,557,952**

The costs recorded are reasonably correlated to their future use and are amortised on a straight-line basis in relation to their future residual utility.

The item “Other” primarily includes the costs of leasehold improvements, amortized according to the term of the lease. The increases during the period related to the new stores opened during the period (mainly America and Turkey).

The increases in “Assets in progress and advances” exclusively concerns the advances paid in 2019 for improvement works on the new Ocean Terminal (Hong Kong) location, opened in September 2019.

At each reporting date, the Company reviews the carrying value of its intangible and tangible assets to determine if there are indications that these assets have incurred a loss in value. When it is determined that a potential loss exists, the directors make valuations on the recoverable amount of those assets in order to identify the potential amount of the loss. Where it is not possible to make an estimate of the recoverable amount of an asset individually, the Company makes an estimate of the recoverable amount of the cash-generating unit the asset belongs to.

In particular, the recoverable value of the residual “Goodwill” was measured to ensure that the carrying amount in the financial statements does not exceed the recoverable value. The recoverable value is the higher between fair value less costs to sell and value in use. In determining the value in use, the estimated future cash flows are discounted on a pre-tax basis which reflects the market assessment of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or a CGU) is lower than its carrying amount, it is impaired to that recoverable amount. An impairment is recognised to the income statement immediately. If there is an indication that an impairment loss recognised on an asset other than goodwill may no longer exist or may have decreased, the carrying amount of the asset shall be increased to its recoverable amount, but shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset. The restated values are immediately recognised in the income statement.

The subsidiary ML Retail USA Inc. prepared a long-term budget and submitted it for the Board of Directors' approval. The residual value of the goodwill in the U.S. subsidiary has been compared with the company's estimated economic value according to an income-based method. The impairment test was performed using an average cost of capital of 8.19% and a "g" growth rate of 1.48%.

The directors, on the basis of the impairment test carried out and on operating performances and future projections from business plans, consider that the intangible assets do not present indicators of impairment.

Property, plant & equipment

The following table outlines the movement in account for the period ending June 30, 2019:

Description	31/12/2018	Increases	Decreases	Exc. Diffs.	Other changes	Depreciation	30/06/2019
Land and buildings	11,100,937	88,152				(143,523)	11,045,567
Plant and machinery	4,186,066	48,414		1,099	(40,056)	(371,735)	3,823,789
Industrial and commercial equipment	315,309	19,818	(8,673)	26,377		(61,555)	291,276
Other assets	2,469,890	526,821		622	40,056	(265,025)	2,772,365
Assets in progress and advances	64,871	187,141		(5,479)			246,534
Total	**18,137,073**	**870,346**	**(8,673)**	**22,620**	**-**	**(841,838)**	**18,179,530**

The increases in the first six months of Euro 870,346 principally concern the new openings in the period (4 new DOO and 4 new DOS).

In the first half of 2019, works continued on the new building adjacent to Monnalisa S.p.A. headquarters, with investments made for approx. Euro 450 million.
The increases in assets in progress concerns the works on the construction of the new showroom at the Monnalisa S.p.A. headquarters, still under completion at June 30, 2019.

Write-downs and revaluations in the first half of 2019

No write-downs or revaluations were made in the period. Management considers that at June 30, 2019 no indicators of impairment from internal or external sources exist.

Total revaluations of tangible assets at period end

In 2008 the company applied the option under Legislative Decree 185 to revalue the industrial use building located in the Municipality of Arezzo, at Via Madame Curie 7. The revaluation was made by taking the "market value" as a reference criterion - identified on a prudent basis - as per a report upon the estimate of the current value of assets at 31/12/08 drawn up by an independent expert.
From an accounting viewpoint, the revaluation was undertaken according to the historic cost increase accounting technique.

The estimate of the residual useful life of the assets subject to revaluation was consequently reviewed.
From 2009 therefore, the depreciation was provisioned on the basis of the new useful life and of the new value of the assets.
From a tax viewpoint, the revaluation was made utilising the option to apply for tax purposes, in addition, the higher revalued amount, through settlement of the IRES and IRAP substitution tax.
In accordance with Article 10 Law No. 72/1983, the following tangible assets upon which monetary revaluations were made were recognised to the company's financial statements at 30/06/2018.

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

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

Capitalisation of financial charges

During the period, no financial charges were recognised to property, plant and equipment.

Financial assets

Investments in other companies

Investments in other companies amount to Euro 8,624, with no changes reported on 31.12.2018. The account is broken down as follows:

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

Financial assets were not recognised at amounts above fair value.
Financial assets were not revalued, in either the reporting year or in previous years.

Receivables

"Financial receivables" may be broken down as follows:

Description	31/12/2018	Increases	Decreases	30/06/2019
Other receivables	959,567	834,204	(100,000)	1,693,771

The receivables in question may be broken down as follows:

- Director leaving indemnity policy: euro 57,500;
- Financial receivables for guarantee deposits: euro 1,636,271.

In the first half of 2019, the final portion of the interest-bearing loan was refunded by Jafin S.p.A. for an amount of Euro 100,000, therefore closing the credit position opened at December 31, 2018.

The increases in the period concern new guarantee deposits paid for the opening of the new sales points.

Inventories

At June 30, 2019, inventory amounted to Euro 19,992,702. They are broken down as follows:

Description	30/06/2019	31/12/2018	Changes
Raw materials, supplies and consumables	2,685,683	2,414,560	271,123
Work in progress and semi-finished products	1,746,002	1,672,876	73,126
Finished products and goods	15,503,177	13,657,266	1,845,911
Advances	57,840	82,098	(24,258)
Total	**19,992,702**	**17,826,800**	**2,165,902**

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

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

Receivables

An analysis of consolidated receivable, after the elimination of intercompany items, is illustrated below:

Description	30/06/2019	31/12/2018	Changes
Trade receivables	11,488,120	11,257,074	231,046
Tax receivables	3,692,775	3,753,433	(42,658)
Deferred tax assets	1,852,174	1,604,390	247,784
Others	809,147	715,704	93,443
Total	**17,842,216**	**17,312,601**	**529,615**

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

Description	Total
Balance at 31/12/2018	**764,197**
Utilisation in the period	(3,975)
Provision in the period	48,000
Balance at 30/06/2019	**808,222**

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

“Tax receivables” mainly include:

- VAT receivables of approximately Euro 1.4 million,
- tax credit for Euro 500,000 related to the AIM listing contribution,
- Research and Development credit for Euro 594,114.

For information regarding the item “Deferred tax assets”, refer to the specific paragraph “Deferred tax assets/liabilities” below.

Cash and cash equivalents

The balance concerns cash and cash equivalents and cash on hand and stamps at June 30, 2019:

Description	30/06/2019	31/12/2018	Changes
Bank & postal deposits	11,431,290	13,518,370	(2,087,080)
Cash & cash equivalents on hand	74,953	60,379	14,574
Total	**11,506,243**	**13,578,749**	**(2,072,507)**

Accrued income and prepaid expenses

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

Description	30/06/2019	31/12/2018	Changes
Maintenance fees	95,925	76,793	19,132
Rental	177,289	108,958	68,331
Inail	22,680	-	22,680
Advertising	33,516	-	33,516
Insurance	92,844	8,222	84,622
Taxes	36,000	-	36,000

Derivatives	109,062	117,625	(8,563)
Consulting	2,160	9,652	(7,492)
Others	36,111	52,229	(16,118)
Total	**605,587**	**373,478**	**232,109**

8.2 Liabilities

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

A reconciliation follows of consolidated net equity and the net result for the period ended 30/06/2019 with the amounts reported in the parent company financial statements:

	Shareholders' Equity	Net Result
Net equity and net result for the period as reported in the parent company financial statements	53,210,289	1,922,281
Adjustments in compliance with accounting standards		
Elimination of book values of consolidated holdings:		
a) difference between book value and pro-quota net equity		
b) pro-quota results of investees	(4,835,936)	(1,808,258)
c) gains/losses attributed at the acquisition date of the investees		
d) translation difference	(655,742)	
Elimination of the effects of transactions between consolidated companies	(501,793)	(236,460)
Net equity and net result pertaining to Group	47,216,819	(122,438)
Net equity and net result pertaining to minority interests	10,351	(1,373)
Consolidated net equity and net result	**47,227,170**	**(123,811)**

Statement of changes in consolidated shareholders' equity

	Share capital	Reserves	Negative reserves for own portfolio shares	Translation differences	Profit/loss Carried forward	Profit/Loss for the period	Total
Opening balance at 01/01/2019	**10,000,000**	**13,061,882**		**(717,937)**	**23,751,400**	**1,291,853**	**47,387,198**
Changes in the period		302,611			989,242	(1,291,853)	
Profit/Loss for the period						(122,438)	(122,438)
Translation differences from conversion of financial statements expressed in foreign currencies				62,195			62,195
Other changes		(14,223)	(95,913)				(110,136)
Closing balance at 30/06/2019	**10,000,000**	**13,350,270**	**(95,913)**	**(655,742)**	**24,740,642**	**(122,438)**	**47,216,819**

Provisions for risks and charges

The account comprises:

Description	30/06/2019	31/12/2018	Changes
Provisions for pension and similar	55,965	54,257	1,708
Taxation, including deferred taxes	208,088	256,843	(48,755)
Others	276,855	420,855	(144,000)
Total	**540,908**	**731,955**	**(191,047)**

Provisions for risks and charges are recorded in respect of certain or probable losses or payables, the amount or due date of which could not be determined at the reporting date.
These provisions have been measured in accordance with the prudence and accruals concepts and no provision has been made for matters without any economic justification.
The contingent liabilities reflected in these provisions are probable and may be estimated with reasonable accuracy.
This account comprises:

- Agents indemnity provision of Euro 55,965;
- Environmental restoration/reclamation provision for Euro 176,855, set up in 2014 and considered appropriate as per OIC 16;
- Product return charges provision for Euro 100,000, set up in accordance with the joint application of the prudence and matching principles, given that the goods are returned by the preparation date of the financial statements and result in a contraction in revenues.

Tax provisions also include Deferred tax liabilities of Euro 208,088 concerning temporary assessable differences. For the movements in the account, reference should be made to the "*Deferred tax assets/liabilities*" paragraph above.

Post-employment benefit provision

The item includes the amount due to employees at the reporting date, calculated in accordance with Art. 2120 of the Italian Civil Code and any national and supplementary contracts in effect:

Description	31/12/2018	Provisions	Utilisations in the year	Other changes	30/06/2019
TFR	1,607,423	147,327	(52,311)		1,702,439

Payables

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

Description	Within one year	Beyond one year	After 5 years	Total
Bank payables	6,212,264	8,302,349		14,514,613
Advances	914,605			914,605
Trade payables	8,657,066			8,657,066
Tax payables	782,259			782,259
Social security institutions	386,048			386,048
Other payables	1,454,452			1,454,452
Total	**18,406,695**	**8,302,349**	**0**	**26,709,042**

The account comprises:

- "Bank payables": including loans and reflecting the effective debt in terms of principal, interest and other accessory charges matured and due at 30.06.2019;
- "Advances": including payments received for the provision of goods not yet supplied;
- "Trade payables": recorded net of commercial discounts; "cash" discounts are recorded on payment;
- "Tax payables": includes only definite tax liabilities, net of the relative advances, as the liabilities for probable income taxes or where the amount or the date of payment is uncertain, in relation to deferred tax liabilities, are recorded in account B.2 under liabilities (Deferred tax liabilities). The

account amounted to Euro 782,259 and includes, in particular, sums withheld from employees and self-employed workers and duly paid in the second half of 2019;

- "Other payables" mostly concern accrued commissions payable to agents of Euro 181,933, deferred amounts and additional months payable to employees of Euro 894,851, duly settled in the second half of 2019, and amounts due in connection with the end of service of the previous board of directors of Euro 67,500.

No transactions giving rise to the obligation to return goods were undertaken, nor do payables to shareholders for loans to be settled according to set maturities and subordination clauses exist.

Accrued liabilities and deferred income

At June 30, 2019, the account amounted to Euro 447,655, mainly comprising the accrued liability for the AIM contribution.

9. Other information

Information relating to the fair value of derivative financial instruments

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

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

The hedging operations at June 30, 2019 with financial counterparties comprise:

- Interest Rate Cap (1)

Contract ID	11175923
Date of the operation	21/10/2017
Counterparty	Unicredit S.p.A.
Maturity Date	29/10/2021
Notional Amount	Euro 2,000,000
Premium	Euro 15,000
Bank Parameter Rate	Euribor 3 months
Client Parameter Rate	Euribor 3 months
Rate Cap	0%

At 30/06/2019, the mark to market of the transaction was Euro + 124.5

- Interest Rate Cap (2)

Contract ID	12677683
Date of the operation	21/12/2018
Counterparty	Unicredit S.p.A.
Maturity Date	31/12/2026
Notional Amount	Euro 5,000,000
Premium	Euro 107,000

Bank Parameter Rate	Euribor 6 months
Client Parameter Rate	Euribor 6 months
Rate Cap	1%

At 30/06/2019, the mark to market of the transaction was Euro + 14,757.93.

• Flexible Forward

Contract ID	13215761
Date of the operation	20/05/2019
Counterparty	Unicredit S.p.A.
Maturity Date	31/12/2019
Changes	1,1147 EUR/USD
Bank amount	1,255,943.30 €
Notional Amount (USD)	1,400,000 USD
Underlying	Exchange €/$

At 30/06/2019, the mark to market of the transaction was Euro + 25,707.35.

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

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

Related party transactions
The amounts, nature of the amount and any additional information considered necessary with regards to these transactions, where considered significant and not at market conditions, is provided below.
Information upon the individual transactions is categorised by nature, except where separate indication is considered necessary to understand the effects of the transactions on the balance sheet, financial position and consolidated result of the company.

Company	Trade Receivables	Other receivables	Trade Payables	Other Payables	Revenues	Costs
Jafin SpA	16,551	1,200,000			351	
PJ Srl	33,062	81,580	71,884		6,100	120,001
Monnalisa &Co. Srl	10,980					23,030
Fondazione Monnalisa		156,754				25,000
DiDj srl			60,000			7,591
Hermes & Athena Consulting Srl			300,000			100,000
Arcangioli Consulting Srl		61,000				
Arcangioli Pierangelo				37,202		76,177
Barbara Bertocci						125,000
TOTAL	**60,593**	**1,499,334**	**431,884**	**37,202**	**6,451**	**476,799**

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

Independent auditor fees

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

- for the limited audit of the interim consolidated financial statements at June 30, 2019 of the parent company, Euro 15,000.

Directors and statutory auditors' fees

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

Category	Fees
Directors	255,332
Board of Statutory Auditors	36,908
Total	**292,240**

Subsequent events

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

Chairman of the Board of Directors
Piero Iacomoni

Monnalisa S.p.A.

Consolidated half-year financial statements at June 30, 2019

Review report on the half-year consolidated financial statements

(Translation from the original Italian text)

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Review report on the consolidated half-year financial statements (Translation from the original Italian text)

To the Shareholders of
Monnalisa S.p.A.

Introduction

We have reviewed the half-year consolidated financial statements, comprising the balance sheet as of 30 June 2019, the income statement and the cash flows statement for the six-month then ended and the related explanatory notes of Monnalisa S.p.A. and its subsidiaries (the "Monnalisa Group"). The Directors of Monnalisa S.p.A. are responsible for the preparation of the half-year consolidated financial statements in conformity with the Italian accounting standard OIC 30. Our responsibility is to express a conclusion on these half-year consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of half-year consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the half-year consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the half-year consolidated financial statements of Monnalisa Group as of June 30, 2019 are not prepared, in all material respects, in conformity with the Italian accounting standards OIC 30.

Florence, September 30, 2019

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